BUILDDIRECT.COM TECHNOLOGIES INC.

Consolidated Financial Statements

Years ended December 31, 2023 and 2022

(Expressed in United States dollars)

Independent Auditor's Report

Grant Thornton LLP
Suite 1600
333 Seymour Street
Vancouver, BC
V6B 0A4

T +1 604 687 2711
F +1 604 685 6569

To the shareholders of BuildDirect.com Technologies Inc.

Opinion

We have audited the consolidated financial statements of BuildDirect.com Technologies Inc. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2023, and December 31, 2022 and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in equity (deficiency) and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Assessment of the Going Concern Assumption

Refer to Note 2 of the consolidated financial statements.

The Group has historically experienced losses and has an accumulated deficit of $130,249,647. In previous reporting periods, there has been material uncertainties in respect of the Group's ability to continue as a going concern.

As described in Note 2, in the current year, the Group has commenced implementation of a new strategy aimed at increasing margins and cash flows. As a result, management has concluded that there is no longer a material uncertainty relating to the Group's ability to continue as a going concern. This conclusion required significant management judgement in respect of the expected impact of the new strategy and the expected financial results of the Group for the next 12 months.

Given the significant risk requiring significant auditor judgement to determine that the Group's mitigating actions are sufficient, we have identified that the assessment of the Group's ability to continue as a going concern as a key audit matter.

Our audit procedures included:

- We evaluated management's models supporting the going concern assessment, and assessed if the key assumptions in the model were supportable with reference to audited financial information;
- We inquired with the board and management on the future strategy of the business and the reasonableness of the assumptions in the model;
- We utilized the most recent post year-end financial information to determine whether there were any indications management's going concern model was inappropriate;
- We compared the most recent post year-end cash position to forecast to confirm the Group had sufficient liquidity in line with expectations; and
- We assessed the adequacy of the disclosures in the financial statements against the requirements of IFRS Accounting Standards and the consistency to the forecasts and explanations from management.

Assessment of the recoverable amount of assets and cash generating units ("CGU") to which goodwill has been allocated

Refer to Note 6 of the consolidated financial statements.

Goodwill and intangibles are recorded at $2,530,622 and $3,525,883 as at December 31, 2023. This is following an impairment of $2,129,334 recorded to the customer list of the Superb CGU during the year.

Management assesses at least annually, or when an indicator of impairment exists, whether there has been an impairment loss in the carrying value of goodwill and other assets. Impairment is recognized when the carrying amount of goodwill and other assets exceeds the recoverable amount. The Group performs their annual impairment test as of December 31 and estimates the recoverable amount of the CGU or group of CGUs to which goodwill has been allocated based on value in use using a discounted cash flow model. The value in use model requires management to make significant assumptions, including revenue growth rates, earnings growth (decline) rates, terminal growth rate and discount rate, which are all affected by expectations about future performance as well as market and economic conditions.

Given the significance of management's judgements and the subjectivity in the estimates used in determining the value in use of assets and each CGU or group of CGUs, we have identified the assessment of the recoverable amount of assets and CGUs or group of CGUs to which goodwill has been allocated as a key audit matter.

Our audit procedures included, amongst other procedures:

- We evaluated the reasonableness of management's estimates of future operating performance by comparing forecasts to management's business plan and historical operating performance;
- With the assistance of valuation specialists with specialized skills and knowledge:
    - we evaluated the Group's model, valuation methodology, terminal growth rate and discount rate, including assessing the reasonableness of the various inputs used to determine the discount rate by referencing current industry, economic and comparable company information, and Group and cash-flow specific risk premiums;
    - we evaluated key assumptions used by management in estimating the fair value of intangible assets including customer attrition rate and royalty rate;
- For assets with impairment indicators, we assessed the impairment to intangible assets other than goodwill by comparing management's calculation of the recoverable amount to the carrying value of these intangible assets;

- We assessed estimation uncertainty by performing a sensitivity analysis on management's significant assumptions including forecasts of future cash flows and discount rates to assess the impact on the recoverable amount of the assets and the CGU or group of CGUs; and
- We assessed the Group disclosures included in Note 6 of the consolidated financial statements for appropriateness in accordance with IFRS Accounting Standards.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because of 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 Robert Riecken**.**

Grant Thornton LLP

Vancouver, Canada
April 26, 2024

Chartered Professional Accountants

BUILDDIRECT.COM TECHNOLOGIES INC.

Consolidated Statements of Financial Position
(Expressed in United States dollars)

	As at December 31, 2023	As at December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 2,601,893	$ 4,107,754
Short-term investments	445,415	318,000
Trade and other receivables (note 3)	4,152,899	4,000,121
Income taxes receivable	-	171,502
Inventories (note 4)	6,174,201	6,657,450
Prepaid materials, expenses and deposits	1,229,526	1,696,828
Total current assets	14,603,934	16,951,655
Non-current assets:		
Property and equipment (note 5)	563,231	591,880
Intangible assets (note 6)	3,525,883	8,155,769
Right-of-use assets (note 8)	2,160,700	3,566,442
Non-current deposits	434,040	987,216
Goodwill (note 6)	2,530,622	2,530,622
Deferred tax asset (note 19)	1,539,299	1,207,110
Total non-current assets	10,753,775	17,039,039
Total Assets	$ 25,357,709	$ 33,990,694
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 9)	$ 5,895,863	$ 5,475,426
Income taxes payable	210,339	-
Current portion of lease liabilities (note 10)	1,319,526	1,441,420
Deferred revenue (note 11)	1,559,755	1,767,136
Loan payable (note 12)	982,912	3,691,672
Current portion of promissory note (note 14)	1,135,710	1,065,131
Current portion of deferred consideration payable (note 7)	675,000	1,903,731
Total current liabilities	11,779,105	15,344,516
Non-current liabilities:		
Deferred consideration payable (note 7)	-	701,611
Lease liabilities (note 10)	1,310,248	2,859,607
Loan payable (note 12)	6,514,693	4,974,463
Warrants (note 13)	75,224	28,382
Promissory note (note 14)	1,494,907	2,634,573
Total non-current liabilities	9,395,072	11,198,636
Shareholders' equity:		
Share capital (note 16)	123,109,599	122,803,204
Share based payment reserve	11,323,580	11,121,785
Deficit	(130,249,647)	(126,477,447)
Total Shareholders' equity	4,183,532	7,447,542
Total Liabilities and Equity	$ 25,357,709	$ 33,990,694

Going Concern (note 2(c)); Commitments and contingencies (note 20)
See accompanying notes to Consolidated Financial Statements.

Approved on behalf of the Board:

Milan Roy Director   *Tim Howley* Director

BUILDDIRECT.COM TECHNOLOGIES INC.

Consolidated Statements of Operations and Comprehensive Loss
(Expressed in United States dollars)

Years ended December 31, 2023 and 2022

	2023	2022
Revenue (note 17)	$ 72,279,398	$ 92,150,276
Cost of goods sold (note 4)	44,432,069	60,181,861
Gross Profit	27,847,329	31,968,415
Operating expenses:		
Fulfillment costs	4,904,468	7,384,139
Selling and marketing	5,611,109	6,832,947
Administration	13,927,912	15,764,515
Research and development	466,629	1,341,668
Depreciation and amortization	3,677,512	4,069,070
Total operating expenses	28,587,630	35,392,339
Loss from operations	(740,301)	(3,423,924)
Other income (expense):		
Interest income	62,595	62,472
Interest expense	(2,014,920)	(2,097,405)
Rental income	246,680	225,887
Forgiveness of deferred consideration (note 7)	1,425,000	-
Fair value adjustment of warrants (note 13)	(46,842)	794,708
Foreign exchange gain (loss)	21,988	(104,597)
Restructuring costs	(102,415)	(218,374)
Loss on disposal of assets	(60,905)	-
Impairment loss on intangible assets and goodwill (note 6)	(2,129,334)	(3,385,373)
Loss on extinguishment of debt (note 12)	(154,574)	(107,524)
Total other income (expense)	(2,752,727)	(4,830,206)
Loss before income taxes	(3,493,028)	(8,254,130)
Income tax (expense) recovery (note 19)	(279,172)	383,703
Total loss and comprehensive loss for the year	$ (3,772,200)	$ (7,870,427)
Loss per share		
Basic and diluted loss per share (note 23)	$ (0.09)	$ (0.25)

See accompanying notes to Consolidated Financial Statements.

BUILDDIRECT.COM TECHNOLOGIES INC.

Consolidated Statement of Changes in Equity (Deficiency)
(Expressed in United States dollars)

Years ended December 31, 2023 and 2022

	Common shares		Share based payment		
	Number	Amount	reserve	Deficit	Total
Balance – December 31, 2021	29,661,096	$ 119,075,245	$ 10,854,968	$ (118,607,020)	$ 11,323,193
Issuance of share capital (note 16)	11,158,817	3,727,959	-	-	3,727,959
Loss and comprehensive loss for the year-	-	-	-	(7,870,427)	(7,870,427)
Share-based payment expense (note 16)		-	266,817	-	266,817
Balance – December 31, 2022	40,819,913	$ 122,803,204	$ 11,121,785	$ (126,477,447)	$ 7,447,542
Issuance of share capital (note 16)	1,121,622	306,395	-	-	306,395
Loss and comprehensive loss for the year-	-	-	-	(3,772,200)	(3,772,200)
Share-based payment expense (note 16)		-	201,795	-	201,795
Balance – December 31, 2023	41,941,535	$ 123,109,599	$ 11,323,580	$ (130,249,647)	$ 4,183,532

See accompanying notes to Consolidated Financial Statements.

BUILDDIRECT.COM TECHNOLOGIES INC.

Consolidated Statement of Cash Flows
(Expressed in United States dollars)

Years ended December 31, 2023 and 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Loss for the year	$ (3,772,200)	$ (7,870,427)
Add (deduct) items not affecting cash:		
Depreciation and amortization	3,677,512	4,069,070
Income tax expense	279,172	(383,703)
Share-based compensation expense	201,795	266,817
Loss on disposal of property and equipment	60,905	7,000
Interest paid on leases	201,222	284,868
Other interest and finance cost	1,813,698	1,812,537
Interest earned on lease receivables	(57,004)	(62,472)
Loss on extinguishment of debt	154,574	107,524
Impairment loss on intangible assets and goodwill	2,129,334	3,385,374
Fair value adjustment on warrants	46,842	(794,708)
Forgiveness of deferred consideration	(1,425,000)	-
Finance costs	20,133	86,447
Unrealized foreign exchange	(36,333)	44,991
Income taxes paid	(229,520)	(1,366,000)
Changes in non-cash operating working capital:		
Short term investments	(127,415)	(200,000)
Trade and other receivables	(519,686)	176,855
Inventories	483,249	795,120
Prepaid materials, expenses and deposits	1,020,478	860,959
Accounts payable and accrued liabilities	308,845	(973,665)
Deferred revenue	(207,381)	(2,107,609)
Total operating activities	4,023,220	(1,861,022)
Investing activities:		
Purchase of property and equipment	(42,756)	(47,256)
Principal received on lease receivables	266,908	244,019
Total investing activities	224,152	196,763
Financing activities:		
Subscription receipts proceeds	306,395	3,712,715
Subscription receipts issuance costs	-	(14,143)
Debt financing transaction costs	(20,133)	(50,174)
Interest paid	(1,132,383)	(1,092,438)
Principal lease payments	(1,431,970)	(1,338,882)
Proceeds from exercise of stock options	-	15,244
Promissory note repayment	(1,245,000)	(933,750)
Loan repayment	(1,555,568)	-
Deferred consideration repayment	(675,000)	(675,000)
Loan proceeds	-	4,500,000
Total financing activities	(5,753,659)	4,123,572
Effects of currency translation on cash and cash equivalents	426	(68,545)
Increase (decrease) in cash and cash equivalents	(1,505,861)	2,390,768
Cash and cash equivalents, beginning of year	4,107,754	1,716,986
Cash and cash equivalents, end of year	$ 2,601,893	$ 4,107,754

See accompanying notes to Consolidated Financial Statements.

1. Nature of business:

BuildDirect.com Technologies Inc. (BuildDirect or the "Company") was incorporated under the Canada Business Corporations Act (CBCA) on October 20, 1999. BuildDirect is an innovative marketplace for purchasing and selling building materials online. The BuildDirect platform connects homeowners and home improvement professionals in North America with suppliers and sellers of quality building materials from around the world, including flooring, tile, decking and more. The head office of the Company is located in Vancouver, British Columbia.

On December 31, 2020, BuildDirect completed the acquisition of 100% of the outstanding shares of Charter Distributing Company ("FloorSource"). FloorSource was incorporated in 1980 and is a wholesale flooring distributor with four locations (distribution centers and showrooms) in the state of Michigan ("MI"). FloorSource provides carpeting, carpet padding, hardwood, vinyl, laminate, and flooring supplies to customers such as contractors, project management companies and retailers.

On August 13, 2021, BuildDirect., VLCTY Capital Inc. ("VLCTY", a Canadian company listed on the TSX Venture Exchange), and a wholly owned subsidiary company 9923896 Canada Inc. of VLCTY, entered into a three-cornered amalgamation agreement with VLCTY changing its name to BuildDirect.com Technologies Inc. The transactions represent a reverse acquisition whereby the Company is considered the acquirer of VLCTY; the resulting financial statements are presented as a continuance of BuildDirect (accounting acquirer).

On November 17, 2021, BuildDirect completed the acquisition of 100% of the outstanding shares of Superb Floor Covering, LLC ("Superb"). Superb was incorporated in 2008 and is headquartered in Troy, MI. Superb is a seller and installer of carpet, laminate, luxury vinyl, custom area rugs, and specialty flooring options.

2. Material accounting policies:

(a) Basis of presentation:

These consolidated financial statements are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") ("IFRS Accounting Standards") and using the accounting policies described herein.

These consolidated financial statements were approved by the Board of Directors on April 26, 2024.

(b) Consolidation:

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, BuildDirect Operations Limited, BuildDirect (Asia) Inc., BuildDirect Technology Holdings Inc., 6702627 Canada Inc., and BuildDirect Technologies India Private Limited, Charter Distributing Company ("FloorSource"), and Superb Floor Covering, LLC ("Superb"). Subsidiaries are all entities over which the Company has control. The Company controls an entity where the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. All inter-company balances and transactions have been eliminated on consolidation.

2. Material accounting policies (continued):

(c) Going Concern:

The consolidated financial statements of the Group have been prepared under the assumption the Group operates on a going concern basis, which assumes the Group will be able to discharge its liabilities as they fall due. See note 2(u)(vi) for further details.

(d) Segmented Information:

The Company's Chief Operating Decision-Maker (CODM) consists of the Executive Leadership Team ("ELT"). The CODM is responsible for assessing the operational decisions, as well as the overall performance of the Company. The Company determines its segments based on the nature and geography of its operations. Management has determined that the Company operates as two operating segments.

(e) Business combinations:

The Company accounts for business combinations using the acquisition method when control is transferred to the Company. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. The Company measures goodwill in business acquisitions as the fair value of the consideration transferred less the fair value of the identifiable assets acquired and liabilities assumed all measured as of the acquisition date.

Transaction costs, other than those associated with the issuance of debt or equity securities, are expensed as incurred.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Deferred consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are measured at fair value at time of acquisition and subsequently measured at fair value through profit and loss.

(f) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid, with original maturities of less than three months at the date of acquisition.

(g) Inventory:

Inventory consists of building materials and is stated at the lower of cost and net realizable value. Costs are assigned based on the first in, first out principle. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2. Material accounting policies (continued):

(h) Property and equipment:

Property and equipment, which are not acquired as part of a business combination, are stated at cost less accumulated depreciation and accumulated impairment losses. Property and equipment acquired as part of the business combination are recorded initially at the fair value on the acquisition date.

Depreciation is provided using the straight-line method at the following annual rates:

Asset	Rate
Computer equipment	5 years
Office furniture and fixtures	5 years
Office equipment	5 years
Right of use assets	5 years
Leasehold improvements	Over life of lease

(i) Leases:

The Company has a portfolio of both leases and subleases, including office space, warehouse space, and equipment. These leases have fixed terms of 2 to 8 years and may also include options to extend. Included in the measurement of the lease liabilities are all extension options that management is reasonably certain to exercise.

(i) Lessee accounting:

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 consideration. At the commencement date of a lease, the Company recognizes a right-of-use ("ROU") asset and a lease liability for leases excluding leases for a period of 12-months or less, and leases in which the underlying asset is of a low value. The Company records these short-term and low value leases as an expense on a straight-line basis over the lease term.

The lease liabilities are initially measured as the present value of the minimum lease payments less lease incentives received at the commencement date and discounted using either the rate implicit in the lease or the Company's incremental borrowing rates, if the implicit rate cannot be readily determined. The incremental borrowing rate was determined as the rate that the individual lessee would pay to borrow a similar asset with similar terms and conditions. The lease payments subsequently increase the lease liabilities by the interest and decrease the liability by the principal payments made.

ROU assets are initially measured at the amount of the corresponding lease liabilities plus initial direct costs and any lease incentives received. The Company considers the dismantling and removal costs only if they relate directly to the leased asset. The ROU asset is subsequently depreciated over the underlying lease term under the straight-line method.

2. Material accounting policies (continued):

(i) Leases (continued):

(i) Lessee accounting (continued):

Interest expense on the lease liabilities are included on the consolidated statement of cash flow from operating activities, whereas the cash from the principal payments are presented as a separate line item within the cash flow from financing activities.

(ii) Lessor accounting:

When the Company acts as a lessor, it determines at lease inception whether the lease is classified as either a finance or operating lease. The lease is a finance lease when the terms of the lease transfers substantially all of the risks and rewards of ownership of the underlying asset to the lessee, otherwise the lease is an operating lease.

When the Company is an intermediate lessor, it accounts for the head lease and sublease as two separate contracts. The sublease is classified as either a finance or operating lease with reference to the ROU asset arising from the head lease.

Under finance leases, the Company uses the interest rate implicit in the lease to measure the net investment in the lease or the discount rate used for the head lease (adjusted for initial direct costs associated with the sublease) if the implicit rate cannot be readily determined. The finance income is recognized over the lease term reflecting a constant periodic rate of return on the lessor's net investment in the finance lease. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term.

(j) Intangible assets:

Intangible assets, which are not acquired as part of a business combination, are recognized at cost, net of accumulated amortization and accumulated impairment losses, if any. The internally generated intangible assets are recognized at development cost if they meet the criteria for capitalization. Intangibles acquired as part of a business combination are initially measured at their fair value on the acquisition date. Intangible assets are amortized on a straight-line basis over the estimated useful lives as follows:

Computer software	5 years
Customer list	5 years
Brand name	5 years

The estimated useful lives, amortization method, and residual value of each asset are evaluated annually or more frequently if required, and are adjusted, if appropriate.

2. Material accounting policies (continued):

(k) Impairment of long-lived assets:

Long-lived assets, including property and equipment and intangible assets subject to amortization, are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets are grouped together to form a cash generating unit ("CGU") which is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets. An impairment loss is recognized when the carrying value exceeds its recoverable amount and is recognized in the consolidated statement of operations. Impairment losses recognized in respect of CGUs or CGU group are allocated, first to reduce the carrying amount of any goodwill allocated to the CGU or CGU group, and then to reduce the net carrying amount of the other assets in the CGU or CGU group on a pro rata basis. The recoverable amount is the greater of its value in use and its fair value less costs to sell. The value in use is the estimated future cash flows that is discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets or CGU. Impairment losses related to long-lived assets recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no previous impairment loss had been recognized.

(l) Goodwill:

Goodwill is the excess of purchase price over fair value of Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial measurement goodwill is carried at cost less accumulated impairment losses.

Goodwill is allocated to the cash generating unit or group of cash generating units expected to receive benefits from the business combinations. Goodwill is tested for impairment on an annual basis and is tested for impairment where events or changes in circumstances indicate the carrying value of cash generating unit exceeds its recoverable amount. Impairment losses for goodwill are not reversed.

(m) Revenue recognition:

(i) General recognition:

Revenue is recognized in accordance with the five-step model under *IFRS 15 – Revenue from Contracts with Customers* when the goods or services promised are transferred to the customer. The model separates the following steps: identification of a contract with customers, identification of individual performance obligations, determination of transaction price, allocation of the transaction price to the individual performance obligations and the determination in timing of revenue recognition. Revenue is recognized either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers based on information or payment received from relevant counterparties. The Company recognizes revenue related

2. Material accounting policies (continued):

(m) Revenue recognition (continued):

(i) General recognition (continued):

to products and services at the point when the title to the products passes to the customer, which is upon shipment of the order, the customer takes control, and assumes risk of loss, and the collection of consideration is probable. The Company recognizes revenue related to installation services over the time that the service is provided.

Product sales represent revenue from the sale of products and shipping fees charged to customers. Service sales represent revenue from the logistic services provided by the Company to suppliers, commission earned by providing product services to sellers, and revenue from installation services provided by the Company to the customer.

Deferred revenue (contract liabilities) represents funds collected in advance for inventory sales which have not been received by the Company's customers.

(ii) Principal versus agent consideration:

The Company records revenue on either a gross or net basis based on management's assessment of whether the Company is acting as the principal or agent in the transaction. This determination is based on the identification of the specified goods or services to be provided to the customer and assessing whether the Company controls the good or service before the good or service is transferred to the customer. If the goods or services are identified and the Company controls the good or service before the good or service is transferred to the customer, the Company is considered the principal in the transaction and records revenue on a gross basis, otherwise the Company is considered the agent and records revenue on a net basis. The Company has concluded that it is acting as a principal for all the revenue streams.

(iii) Return policy:

The Company provides customers a return policy and recognizes the expected return of goods on a gross basis in the consolidated statement of operations and reduces revenue by the expected amount of returns.

A provision is made at year end for expected returns and recorded against product sales.

(iv) Customer loyalty program:

The Company's retail division operates a customer loyalty incentive program. Professional customers obtain the following loyalty points which they can redeem to receive discounts on future purchases, depending on their spend level.

\$5,000 - \$14,999	1% on order total
\$15,000 - \$49,999	3% on order total
\$50,000 and above	3% on order total

2. Material accounting policies (continued):

(m) Revenue recognition (continued):

(iv) Customer loyalty program (continued):

Loyalty points are considered to be a separate performance obligation as they provide customers with a material right they would not have received otherwise. Unused points expire if not used within one year. The Company allocates the transaction price between the material right and other performance obligations identified in a contract on a relative stand-alone selling price basis. The amount allocated to the material right is initially recorded as a contract liability and is later recognised in revenue when the points are redeemed by the customer.

The Company's experience is that a portion of the loyalty points will expire without being used ('breakage'). The Company recognises revenue from expected breakage in proportion to the points redeemed and trues-up this estimate when points expire. The Company has assessed it is highly improbable a significant reversal of revenue will arise if actual experience differs from expectations and therefore no further revenue constraint is needed.

(n) Fulfillment costs:

Fulfillment costs represent costs paid to third parties to manage and operate the Company's distribution network and costs relating to the fulfillment of product orders. Fulfillment costs include costs attributable to buying, receiving, inspecting, and storing products, as well as picking, packaging, and preparing customer orders for shipment and freight-out costs.

(o) Deferred income taxes:

The Company uses the asset and liability method under *IAS 12 Income Taxes* to recognize deferred taxes for the income tax consequences attributable for differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases (temporary differences) and for losses carried forward. Deferred tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be reversed. Deferred tax assets are recognized to the extent that future taxable income will be available against which the deductible temporary differences, unused tax credits and tax losses can be utilized. Deferred tax assets and liabilities are only offset if there is a legally enforceable right to set off current income tax assets against current income tax liabilities and the deferred tax relates to the same taxable entity and the same taxation authority.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the deferred tax asset to be utilized. Unrecognized deferred tax assets are assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

2. Material accounting policies (continued):

(p) Stock-based compensation:

Equity instruments awarded to employees are measured and recognized based on the fair value of the equity instruments using the Black-Scholes option model. The compensation cost is recognized as the fair value of the options as at the date granted and is recorded over the period in which the related employee services are rendered, as an expense and an increase to share based payment reserve. Awards for past service are recognized as an expense in the period when granted. When a stock option is exercised, the cash received is credited to share capital, with the share-based payment reserve accumulated being reclassified to equity.

Stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable.

(q) Earnings per share

Basic earnings per share (EPS) is calculated by dividing the income (loss) for the period of the Company, by the weighted average number of common and preference shares outstanding during the period.

Diluted EPS is calculated using the treasury stock method by adjusting the average number of common shares outstanding for any dilutive instruments held by the Company.

(r) Functional and presentational currency:

The consolidated financial statements are presented in US Dollars, which is also the functional currency of the parent company and its subsidiaries.

(s) Foreign currency translation:

Transactions in foreign currencies are translated to the respective functional currencies of the entity at exchange rates in effect at the transaction dates.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency using the exchange rate on the reporting date. Non-monetary assets and liabilities measured at fair value are translated using the exchange rates at the date when fair value was determined. Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using exchange rates that were in effect at the transaction dates.

Foreign currency gains and losses arising on period-end revaluations are recognized in the consolidated statements of loss and comprehensive loss, except for differences arising on translation of a financial liability designated as a hedge of a net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in other comprehensive income (loss).

2. Material accounting policies (continued):

(t) Financial instruments:

(i) Recognition and measurement:

Financial instruments are recorded at fair value on initial recognition. Non-derivative financial assets include cash and cash equivalents, short-term investments, and trade and other receivables which are subsequently measured at amortized cost. Non-derivative financial liabilities include accounts payable and accrued liabilities, loans payable, promissory note, are subsequently measured at amortized cost. Deferred consideration payable and warrants are measured at fair value through profit and loss. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value through profit or loss.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the effective interest rate method.

The Company derecognizes a financial instrument when its contractual obligations are cancelled or expired. The Company has not derecognized any financial instruments.

The Company recognizes a loss allowance under the expected credit loss (“ECL”) method for all financial assets, other than those that are measured at fair value through profit or loss. The loss allowance is equal to an amount equal to 12-month expected credit losses. For trade receivables, the Company uses the simplified approach and measures the loss allowance at an amount equal to the lifetime expected credit losses. The ECL model requires the Company to apply considerable estimates and judgments in applying a range of both historic and forward-looking information that includes various possible outlooks, time value of money, and applying current and forecasted economic conditions.

The loss allowance reduces the carrying value of the asset and the amount of the loss is recognized in the consolidated statement of operations within administration expenses. Receivables and the allowance recognized are written-off when a receivable is deemed uncollectible.

(u) Critical accounting estimates, assumptions and judgements:

The preparation of consolidated financial statements in accordance with IFRS Accounting Standards requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Management’s estimates, assumptions and judgements are based on historical experience and other reasonable factors, including the expectation of future events.

2. Material accounting policies (continued):

(u) Critical accounting estimates, assumptions and judgements (continued):

Estimates that could affect the carrying amount of the assets and liabilities in the next financial year, in a material way are outlined below:

(i) Estimating the useful lives of non-financial assets:

Management is required to estimate the useful life of both property and equipment, as well as intangible assets, and analyze them based on factors including, but not limited to, the expected use of the asset. A change in the useful life of either property, plant and equipment or an intangible asset can result in an increase or decrease in the annual depreciation or amortization of the asset.

(ii) Fair value of identifiable assets and acquired liabilities in business combinations:

The measurement of the fair value of the identifiable assets acquired, and liabilities assumed on the date of acquisition in a business combination is subject to management estimation and judgement. The assumptions and estimates with respect to determining the fair value of the acquired intangible assets and property and equipment generally require the most judgment. Changes in any of these assumptions or estimates used in determining the fair values of these acquired assets could impact the amounts recorded at the date of the business combination.

(iii) Fair value of derivative financial instruments and warrants:

The estimated fair value of derivative financial instruments and warrants is determined based on an appropriate valuation model. Fair values are calculated using assumptions including, timing of future cash flows, discount rates, market price of the Company's shares and future events that may be out of the Company's control.

(iv) Stock-based compensation:

Share-based compensation provided to employees of the Company requires management to estimate and make assumptions about the most appropriate inputs into the Black-Scholes model, including expected term, volatility and forfeiture rate. The expected term is determined based on management's estimate of the period of time between grant date and exercise date. Volatility is determined using a comparable peer group until such time as sufficient trading history is available for the Company's own shares.

(v) Leases:

Judgement is required by management when the Company is required to classify its subleases, between operating and finance, the certainty around extensions and terminations included in lease contracts, as well as the discount rate applied to the lease portfolio.

2. Material accounting policies (continued):

(u) Critical accounting estimates, assumptions and judgements (continued):

(v) Leases (continued):

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has lease contracts that include extension options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

(vi) Going concern

The Company recognized a loss of $3,772,200 during the year ended December 31, 2023, (2022 - $7,870,427) and has positive operating cash flows of $4,023,220 (2022 – negative $1,861,022). As at December 31, 2023, the Company has current assets in excess of current liabilities of $2,824,829 and a current cash balance of $2,601,893. The Company believes that it will be able to meet its financial obligations as and when they fall due and as such, has prepared the consolidated financial statements on the going concern basis.

Management has applied judgment in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

Management has considered a wide range of factors relating to current and expected profitability and potential sources of replacement financing. The Company has improved their cash generated from operating activities significantly during the year, and accordingly, decreased losses from operations and paid down debt. Management has commenced implementing strategic initiatives to improve margins by increasing benefits from synergies, integrating supply chains throughout the group, and focussing on more profitable customer segments. Management also completed modifications of its existing debt during the year, extending the maturity date and reducing the interest rates. In management's judgment, this alleviates any material uncertainties about the Company's ability to continue as a going concern.

2. Material accounting policies (continued):

(u) Critical accounting estimates, assumptions and judgements (continued):

(vii) Functional Currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions that determined the primary economic environment.

(viii) Impairment of non-financial assets and goodwill

In assessing impairment of non-financial assets and goodwill management estimates the recoverable amount of cash generating units based on expected cash flows and uses an interest rate to discount. Estimation uncertainty relates to assumptions about future operating results and determination of a suitable discount rate. The group recognized an impairment loss on its customer relationships during the period.

(ix) Deferred tax asset

Recognition of deferred tax assets depends on management's assessment of the probability future taxable income will be available against the deductible temporary differences and tax loss carry-forwards can be utilized. Judgement is required around the impact of uncertainties in tax jurisdictions as well as the impact of any legal or economic limits.

(v) New standards and interpretations:

The following new standards and interpretations have been adopted since the release of the Company's financial statements for the year ended December 31, 2022.

(i) Disclosure of Accounting Policies (Amendments to IAS 1)

The IASB has issued amendments to IAS 1 Presentation of Financial Statements which require entities to disclose their "material" accounting policy information rather than their "significant" accounting policies.

The amendments explain that accounting policy information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of the financial statements make on the basis of those financial statements. The amendments also clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial. This amendment is effective for annual periods beginning on or after January 1, 2023. The adoption of these amendments did not have a significant impact on the Company's Financial Statements.

2. Material accounting policies (continued):

(v) New standards and interpretations (continued):

(ii) Definition of Accounting Estimates (Amendments to IAS 8)

The IASB has issued amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* which introduce a definition of accounting estimates and provide other clarifications to help entities distinguish accounting policies from accounting estimates. Under the amendments, accounting estimates are defined as “monetary amounts in financial statements that are subject to measurement uncertainty”. The amendments also emphasize that a change in an accounting estimate that results from new information or new developments is not an error correction, and that changes in an input or a measurement technique used to develop an accounting estimate are considered changes in accounting estimates if those changes in an input or measurement technique are not the result of an error correction. This amendment is effective for annual periods beginning on or after January 1, 2023. The adoption of these amendments did not have a significant impact on the Company’s Financial Statements.

(iii) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IFRS 1 and IAS 12)

The IASB has issued amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 12 Income Taxes which clarify that the initial recognition exemption set out in IAS 12 does not apply to transactions that give rise to equal taxable and deductible temporary differences. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. This amendment is effective for annual periods beginning on or after January 1, 2023. The adoption of these amendments did not have a significant impact on the Company’s Financial Statements.

(w) Amendments to standard not yet adopted:

Following is the new amendment to a standard issued by the IASB which is applicable to the Company’s financial statements:

(i) Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

• clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period"

• clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability

• make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

(Expressed in United States dollars)

2. Material accounting policies (continued):

(w) Amendments to standard not yet adopted (continued):

This amendment is effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The amendment is expected to have no impact on the Company's financial statements on adoption.

3. Trade and other receivables:

	2023	2022
Trade receivables	$ 3,655,285	$ 3,415,266
Lease and other receivables	497,614	584,855
	$ 4,152,899	$ 4,000,121

Ageing analysis of trade receivables follows:

	2023	2022
Current	$ 1,410,445	$ 2,112,112
1-30 days	1,319,813	703,838
31-60 days	659,566	92,664
61-90 days	176,771	121,196
Over 90 days	88,690	385,456
Total	$ 3,655,285	$ 3,415,266

4. Inventories:

	2023	2022
Building materials	$ 5,961,157	$ 6,411,866
Building materials in transit	213,044	245,584
Total	$ 6,174,201	$ 6,657,450

The cost of inventories recognized as cost of goods sold during the year ended December 31, 2023 was $44,432,069 (2022 - $60,181,861).

(Expressed in United States dollars)

5. Property and equipment:

	Computer Equipment	Office furniture and fixtures	Office equipment	Leasehold improvements	Total
Cost:					
Balance as January 1, 2022	771,208	128,430	315,015	632,141	1,846,794
Additions	-	3,073	73,497	-	76,570
Disposals	(62)	(29,251)	-	-	(29,313)
Balance as January 1, 2023	771,146	102,252	388,512	632,141	1,894,051
Additions	-	-	42,756	-	42,756
Disposals	(627,058)	(89,525)	(204,890)	-	(921,473)
Balance as at December 31, 2023	$ 144,088	$ 12,727	$ 226,378	$ 632,141	$ 1,015,334
Accumulated amortization:					
Balance as January 1, 2022	672,879	100,428	307,642	166,613	1,247,562
Depreciation	24,106	3,073	10,247	18,432	55,858
Disposals	-	(1,249)	-	-	(1,249)
Balance as January 1, 2023	696,985	102,252	317,889	185,045	1,302,171
Depreciation	21,807	-	27,523	22,075	71,405
Disposals	(627,058)	(89,525)	(204,890)	-	(921,473)
Balance as at December 31, 2023	$ 91,734	$ 12,727	$ 140,522	$ 207,120	$ 452,103
Carrying amounts:					
Balance as at December 31, 2022	$ 74,161	$ -	$ 70,623	$ 447,096	$ 591,880
Balance as at December 31, 2023	$ 52,354	$ -	$ 85,856	$ 425,021	$ 563,231

Management regularly assesses property and equipment for impairment indicators and has determined that no impairment is required for the year ended December 31, 2023 (2022 - nil).

(Expressed in United States dollars)

6. Intangible assets and Goodwill:

	Goodwill	Intangible Assets			
		Computer Software	Customer List	Brand	Total Intangible Assets
Cost:					
Opening balance as at January 1, 2022	$ 4,280,165	$ 826,219	$ 11,725,800	$ 2,360,000	$ 14,912,019
Disposals	-	(7,000)	-	-	(7,000)
Balance as at January 1, 2023	4,280,165	819,219	11,725,800	2,360,000	14,905,019
Disposals	-	(468,834)	-	-	(468,834)
Balance as at December 31, 2023	$ 4,280,165	$ 350,385	$ 11,725,800	$ 2,360,000	$ 14,436,185
Accumulated amortization and impairment:					
Opening balance as at January 1, 2022	$ -	$ 690,554	$ 1,287,140	$ 283,797	$ 2,261,491
Amortization	-	34,768	2,345,161	472,000	2,851,929
Impairment of Superb CGU	1,749,543	-	1,635,830	-	1,635,830
Balance as at January 1, 2023	1,749,543	725,322	5,268,131	755,797	6,749,250
Amortization	-	31,442	1,936,204	472,000	2,439,646
Disposals	-	(407,928)	-	-	(407,928)
Impairment of Superb CGU	-	-	2,129,334	-	2,129,334
Balance as at December 31, 2023	$ 1,749,543	$ 348,836	$ 9,333,669	$ 1,227,797	$ 10,910,302
Carrying amounts as at:					
December 31, 2022	$ 2,530,622	$ 93,897	$ 6,457,669	$ 1,604,203	$ 8,155,769
December 31, 2023	$ 2,530,622	$ 1,549	$ 2,392,131	$ 1,132,203	$ 3,525,883

Computer software is internally generated.

<u>Impairment</u>

The Company operates as three operating segments comprised of the Superb CGU, BuildDirect.com CGU and the FloorSource group of CGUs. All goodwill and intangible assets are assessed and tested at the CGU, or group of CGU level to which they have been allocated.

	Goodwill	Intangible Assets
Allocation as at December 31, 2023		
FloorSource	$ 2,530,622	$ 2,797,479
Superb	-	726,855
BuildDirect.com	-	1,549

The Company assesses for impairment indicators at each interim period end and performs an annual test of impairment for goodwill at December 31, 2023. The Company identified impairment indicators in respect of its customer list and brand intangibles allocated to the Superb CGU. No impairment indicators were noted for other long lived assets.

In testing goodwill allocated to the FloorSource group of CGUs and the Superb CGU for impairment, the Company compared the aggregate recoverable amount of the assets included in the respective CGU/group of CGU, estimated using discounted cashflows for between 5–10 years using a 2% growth rate on revenue determined by management, to their respective carrying amounts.

6. Intangible assets and Goodwill (continued):

The key assumptions used in the estimation of the recoverable amount for the FloorSource group CGU and the Superb CGU at December 31, 2023 are set below. The values assigned to the key assumptions represent management's assessment of the future trends in the industry and have been based on information from both external and internal resources.

FloorSource CGU

- After-tax discount rate 22.0%
- Terminal growth rate 2.0%
- Earnings % of revenue 15.6%

Superb CGU

- After-tax discount rate 23.9%
- Terminal growth rate 2.0%
- Earnings % of revenue 6.5%

As a result of the impairment tests undertaken on December 31, 2023 the Company found no impairment of goodwill allocated to the FloorSource group of CGUs. As a result of the impairment indicators identified on certain long lived assets in the Superb CGU, the Company performed an assessment to determine the recoverable amounts. The recoverable amounts of the assets are the higher of its fair value less costs of disposal or its value in use. As a result, the recoverable amount for the customer relationship was determined to be $2,129,334 lower than its carrying value due to a revised future earnings outlook. This amount has been recorded as an impairment loss. Other long lived assets were deemed to have a recoverable amount equal to or greater than its carrying value. Impairment charges are recorded in the consolidated statements of operations and comprehensive loss.

The estimate of recoverable amount for the customer relationship held within the Superb CGU is particularly sensitive to the key assumptions used in the estimation of the recoverable amount. If the after-tax discount rate used is increased by 1%, a further impairment loss of $5,522 would have been recognized. A 1% decrease in the after-tax discount rate used would have resulted in a smaller impairment loss of $5,858. If the terminal growth rate used is increased by 1%, a smaller impairment loss of $10,911 would have been recognized. A 1% decrease in the terminal growth rate used would have resulted in a further impairment loss of $10,541. If the earnings rate on revenue used is increased by 1%, a smaller impairment loss of $152,271 would have been recognized. A 1% decrease in the earnings rate on revenue used would have resulted in a further impairment loss of $143,662.

(Expressed in United States dollars)

7. Deferred consideration payable:

The deferred consideration payable table below provides the deferred consideration obligation recorded at fair value as at December 31, 2023 and December 31, 2022. The deferred consideration was part of the consideration for the acquisition of FloorSource on December 31, 2020 and Superb on November 17, 2021.

Balance at January 1, 2022	$ 3,038,302
Interest expense	242,040
Principal repayment of FloorSource	(675,000)
Balance at December 31, 2022	$ 2,605,342
Interest expense	169,658
Principal repayment of FloorSource	(675,000)
Forgiveness of Superb balance	(1,425,000)
Balance at December 31, 2023	$ 675,000

During the year ended December 31, 2023 the rates used to remeasure the deferred consideration were unchanged from the prior year, and are as follows:

Risk adjusted discount rate of 22% for FloorSource deferred consideration

Risk adjusted discount rates of 2.87% and 7.87% for Superb deferred considerations

	2023	2022
Current portion	$ 675,000	$ 1,903,731
Non-current portion	-	701,611
Total deferred consideration	675,000	2,605,342

During the year ended December 31, 2023, the Company entered into an agreement with the former owner of Superb in which the deferred consideration have been forgiven, which resulted in a $1,425,000 gain recognized for the adjustment of deferred consideration.

(Expressed in United States dollars)

8. Right-of-use assets:

	Premises	Equipment	Total
Cost:			
Balance as at January 1, 2022	$ 6,055,719	$ 65,747	$ 6,121,466
Additions	-	423,328	423,328
Balance as January 1, 2023	6,055,719	489,075	6,544,794
Modification	(239,284)	-	(239,284)
Balance as at December 31, 2023	$ 5,816,435	$ 489,075	$ 6,305,510
Accumulated amortization:			
Balance as January 1, 2022	$ 1,770,771	$ 45,048	$ 1,815,819
Amortization	1,094,904	67,629	1,162,533
Balance as January 1, 2023	2,865,675	112,677	2,978,352
Amortization	1,088,256	78,202	1,166,458
Balance as at December 31, 2023	$ 3,953,931	$ 190,879	$ 4,144,810
Carrying amounts:			
Balance as at December 31, 2022	$ 3,190,044	$ 376,398	$ 3,566,442
Balance as at December 31, 2023	$ 1,862,504	$ 298,196	$ 2,160,700

Management regularly assesses right-of-use assets for impairment indicators and has determined that no impairment is required for the year ended December 31, 2023 (2022 - nil).

9. Accounts payable and accrued liabilities:

	2023	2022
Trade accounts payable and accruals	$ 5,412,228	$ 5,076,024
Payroll and health taxes	232,874	253,750
Other payables	250,761	145,652
	$ 5,895,863	$ 5,475,426

(Expressed in United States dollars)

10. Leases:

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. The Company's lease obligations have effective annual discount rates ranging from 2.75% to 9%.

(a) As a lessee:

Maturity analysis contractual undiscounted cash flows	December 31, 2023	December 31, 2022
Less than one year	$ 1,422,178	$ 1,643,190
One to five years	1,359,255	3,004,016
More than five years	-	13,417
Total undiscounted lease liabilities at period end	2,781,433	4,660,623
Lease liabilities included in the consolidated statement of financial position as at period end	2,629,774	4,301,027
Current lease liabilities	(1,319,526)	(1,441,420)
Non-current lease liabilities	1,310,248	2,859,607

During the year ended December 31, 2023, the Company entered into an agreement with the property owner of one of their building leases, receiving a 24 month rent-free period starting November 15, 2023. The associated right-of-use modification is initially measured at the amount of the lease liability modification, of $239,283 (note 8). During the year ended December 31, 2022, the Company entered into three new leases for equipment for a period of 6 years. The associated right-of-use assets are initially measured at the amount of the lease liability, of $423,328 (note 8).

The following amounts relate to the leases recognized on the consolidated statement of operations:

	2023	2022
Interest on lease liabilities	$ 201,222	$ 284,868
Income from subleasing right-of-use assets	(541,820)	(521,024)
	$ (340,598)	$ (236,156)

(Expressed in United States dollars)

10. Leases (continued):

(b) As a lessor:

The Company has two subleases for an office and warehouse. The office lease is for a term of 6 years and the warehouse lease is for a term of 1 year, both without extension options.

(i) Finance lease:

The Company classified the office lease as a finance lease, as it transfers substantially all the risks and rewards of the head lease to the sub-lessee. During the year, the Company recognized interest income of $28,230 on the finance lease (2022 - $51,121).

The following table sets out the maturity analysis of lease receivables to be received after the reporting date:

	2023	2022
Less than one year	$ 196,759	$ 295,139
One to two years	-	196,759
Two to three years	-	-
Three to four years	-	-
Total remaining after 4 years	$ -	$ -
Total undiscounted lease receivables	$ 196,759	$ 491,898
Unearned finance income	5,051	33,281
Total net investment in the lease	$ 191,708	$ 458,617

(ii) Operating lease:

The Company classified the warehouse lease as an operating lease, as the risks and rewards of the head lease do not transfer to the sub-lessee.

(Expressed in United States dollars)

11. Deferred revenue:

Deferred revenue represents cash received from customers in advance of delivery. All amounts are expected to be utilized in the next reporting period.

	2023	2022
Beginning balance	$ 1,767,136	$ 3,874,745
Additions to deferred revenue	1,559,755	1,767,136
Revenue recognized	(1,767,136)	(3,874,745)
Ending balance	$ 1,559,755	$ 1,767,136

12. Loan payable:

	2023	2022
Secured note – current portion	$ 982,912	$ 3,691,672
Secured note – non-current portion	737,184	-
Secured debt financing – non-current portion	5,777,509	4,974,463
Total loan payable	$ 7,497,605	$ 8,666,135

The Secured note agreement (the "2018 Notes") has a principal amount of $1,720,096 (CDN$2,275,000) (2022 $3,584,147 and CDN$4,854,369). On September 29, 2023 the 2018 Notes agreement was amended as follows: (a) the maturity date of the 2018 Notes is extended to September 30, 2025; (b) the interest rate applicable to the 2018 Notes is decreased to 12% effective September 30, 2023; (c) a non-refundable premium fee is added on the outstanding aggregate principal amount; (d) certain quarterly payments are to be made towards the aggregate outstanding principal amount commencing December 31, 2023. The amendment was subject to a payment being made, which included a principal repayment, an interest payment, and a non-refundable premium fee.

The amendments to the 2018 Notes were assessed to determine if the loan modifications were significant. Given the proximity to original maturity date with extension date, decrease of interest rates as well as additional premium fees, the timing and cash flows are significantly different from the original agreement. As a result of the substantial modification of terms, the Company recognized a loss on extinguishment of $9,574 impacting the fair value of the 2018 Notes.

12. Loan payable (continued):

The 2018 Notes are secured by all property, assets, and rights of the Company, excluding property assets and rights of FloorSource. Covenants include, but are not limited to, making timely payments per the agreement, allowing the note holders access to financial records, maintaining appropriate insurance and accounting records including completing the audit of the consolidated financial statements within 120 days after the end of each fiscal year, complying with all material laws and regulations, filing and paying taxes as due. The Company has met all covenants as at December 31, 2023.

The Company secured debt financing on February 15, 2022 and on June 29, 2022, in an aggregate amount of $3,000,000 and $1,500,000 respectively via issuance of secured notes (the “2022 Notes”) to Pelecanus Investments Ltd. (“Pelecanus”), Lyra Growth Partners Inc. (“Lyra), and Beedie Investments Ltd. (“Beedie”) all related parties.

On September 29, 2023 the 2022 Notes agreement was amended as follows: (a) the maturity date of the 2022 Notes is extended to April 1, 2026; (b) the interest rate applicable to the 2022 Notes is decreased to 12% effective October 1, 2023; (c) a commitment fee equal to 1% of the loan is payable upon the repayment of the loan (“the Original Commitment Fee”) which shall increase as of September 30, 2023 by an additional 1% (“the Additional Commitment Fee”).

The amendments to the 2022 Notes were assessed to determine if the loan modifications were significant. Given the proximity to original maturity date with extension date, decrease of interest rates as well as additional premium fees, the timing and cash flows are significantly different from the original agreement. As a result of the substantial modification of terms, the Company recognized a loss on extinguishment of $45,000 impacting the fair value of the 2022 Notes.

The 2022 Notes are secured by all property, assets, and rights of the Company. Covenants include, but are not limited to, making timely payments per the agreement, allowing the note holders access to financial records, maintaining appropriate insurance and accounting records. The Company has met all covenants as at December 31, 2023.

In November 2023, the Company entered into an agreement with the former owner of Superb Floor Covering LLC in relation to which the Company’s current liabilities have been reduced by $1,425,000 (note 7) related to deferred consideration payable, and current assets have been reduced by $100,000 related to the forgiveness of an outstanding balance owing from the former owner.

13. Warrants:

	2023		2022	
	Number	Amount	Number	Amount
Beginning of year	8,133,505	$ 28,382	8,133,505	$ 823,090
Matured during the year	(7,379,780)	-	-	-
Change in fair value	-	46,842	-	(794,708)
Ending balance	753,725	$ 75,224	8,133,505	$ 28,382

The following table summarizes the outstanding warrants to purchase common shares at December 31, 2023:

Issuance date	Exercise price	Expiry date	Outstanding warrants	Carrying amount
December 30, 2020	CDN $4.23	December 2031	753,725	$ 75,224
			753,725	$ 75,224

The December 30, 2020 warrants are convertible on a cashless basis, where the holder may exchange each warrant for the difference between the market price of the shares on the exercise date and the exercise price, and this value will be distributed into common shares at the conversion price of CDN $4.2281.

Warrants issued by the Company have an exercise price denominated in Canadian dollars, whereas the functional currency of the Company is the U.S. dollar, and therefore these warrants are accounted for as a derivative liability and are carried at fair value through profit and loss for accounting purposes.

(Expressed in United States dollars)

13. Warrants (continued):

The fair value of the warrants, which are carried at fair value through profit and loss, was determined using Black-Scholes model with the following assumptions at December 31, 2022 and at December 31, 2023:

	Replacement warrants in connection with convertible notes	Warrants in connection with subscription receipt financing and convertible notes	Warrants in connection with VLCTY Broker Options	Warrants in connection with Replacement Compensation
Exercise price (per share)	CDN $4.2281	CDN $6.90	CDN $2.6538	CDN $5.75
At December 31, 2023 Assumptions:				
Time to maturity (in years)	7.00	-		
Volatility	67%			
Risk-free rate	0.46%			
Value of common shares	CDN $0.55			
At December 31, 2022 Assumptions:				
Time to maturity (in years)	8.00	0.62		
Volatility	67%			
Risk-free rate	0.46%			
Value of common shares	CDN $0.275			

During the year ended December 31, 2023, the Company recognized a fair value loss of $46,843 (2022 – gain of $794,709) on the carrying amount of warrants liability.

14. Promissory note:

	2023	2022
Current promissory note	$ 1,135,710	$ 1,065,131
Long term promissory note	1,494,907	2,634,573
Total secured promissory note	2,630,617	3,699,704

The promissory note, which has a principal amount of $6,193,725, was issued as part of the consideration for the acquisition of FloorSource on December 31, 2020, is secured by all present and future property, assets, and rights of FloorSource. The promissory note bears interest at a rate of 5% compounded annually and is payable commencing on April 1, 2021, and thereafter on the first day of each calendar quarter, on the outstanding principal amount. The Company was required to make a principal payment of $1,245,000 on December 31, 2021 and commencing on April 1, 2022, and thereafter on the first day of each calendar quarter, in equal installments of $311,250 each. During 2023, the Company made the required principal repayments totalling $1,245,000.

14. Promissory note (continued):

The promissory note has a maturity date of the earlier of:

(i) January 1, 2026,

(ii) Acceleration upon the occurrence of any event of default, the holder has the right to declare the entire principal amount and all interest outstanding thereon and expenses and other amounts payable under note to be due and payable immediately. The event of default defined in the promissory note agreement, includes the failure of the Company to make any payment within five (5) days of when such payment is due; the filing of any petition for relief by or against the Company under any provision Bankruptcy Laws; when the Company defaults, under any lease, indebtedness or guaranty involving an obligation to pay more than $200,000 or which is secured by any of the assets of the Company.

(iii) a change in control defined as (1) the sale of more than 50% of the issued and outstanding stock or other equity securities (on an as-converted basis) of any of the Company; or (2) the sale, lease, transfer, exclusive license, or other disposition of substantially all of the assets of the Company.

Since the secured promissory note is part of the consideration transferred in the acquisition of FloorSource, in accordance with *IFRS 3 Business Combination*, it was initially recorded at fair value in accordance with principles of *IFRS 13 Fair Value Measurements*. The original fair value of $5,241,608 was determined by using a discounted cash flow model using a risk adjusted discount rate of 12.0%. The secured promissory note is accounted for at amortized cost, with the $952,117 discount from the principal amount of the promissory note being accreted over the life of the promissory note as a charge to interest expense. Interest accrued for the year ended December 31, 2023 was $191,686 (2022 - $251,297). Interest payments of $169,225 were made for the year ended December 31, 2023 (2022 - $230,402).

(Expressed in United States dollars)

15. Related parties:

(a) Transactions with key management personnel:

(i) Key management personnel compensation:

Key management personnel include officers and vice president, compensation is comprised of the following:

	2023	2022
Short-term employee benefits	$ 801,059	$ 1,273,207
Share-based compensation	645,877	166,417
Board compensation	79,770	140,284
	$ 1,526,706	$ 1,579,908

(b) Other related party transactions:

Pelecanus, Lyra and Beedie are related parties by virtue of their significant influence of the Company. On September 29, 2023, the Company modified the terms of the secured notes to Pelecanus, Lyra and Beedie (note 12).

(Expressed in United States dollars)

16. Shareholders' equity:

(a) Share capital:

Authorized:

Unlimited common shares, without par value

Unlimited preference shares, without nominal or par value

The following changes in share capital occurred in 2023 and 2022:

	2023		2022	
	Number	Amount	Number	Amount
Common shares:				
Beginning of year	40,819,913	$ 122,803,204	29,661,096	$ 119,075,245
Issuance of common shares for private placement	1,121,622	306,395	11,131,615	3,712,715
Exercise of stock options, after the Transaction	-	-	27,202	15,244
Ending balance	41,941,535	$ 123,109,599	40,819,913	$ 122,803,204

On September 8, 2022 and September 28, 2022, BuildDirect obtained funding from a non-brokered private placement offering of 6,847,830 common shares issued at a price of CDN$0.46 per common share for total gross proceeds of $2,469,916 (CDN$3,150,000).

On December 30, 2022, BuildDirect obtained funding from a non-brokered private placement offering of 4,283,785 common shares issued at a price of CDN$0.37 per common share for total gross proceeds of $1,242,799 (CDN$1,585,000).

On January 3, 2023, BuildDirect obtained a second tranche of funding from a non-brokered private placement offering of 1,121,622 common shares issued at a price of CDN$0.37 per common share for total gross proceeds of $306,395 (CDN$415,100).

During the 2023 year, no employees exercised stock options for common shares. In 2022, employees exercised stock options for 27,202 common shares.

(b) Share based payments:

Since July 2018, the Company has an incentive stock option plan under which up to a total 17,908,161 options can be issued. Stock options vest over a four-year period. 25% of a grant vests on the first anniversary, and the remaining 75% vests over 36 months, subsequent to the first 25% vesting.

(Expressed in United States dollars)

16. Shareholders' equity (continued):

(b) Share based payments (continued):

The following summarizes stock option activity for the year ended December 31,2023 and 2022:

	2023		2022	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Options to purchase common shares:				
Outstanding, beginning of year	1,231,319	$ 1.26	2,931,407	$ 0.96
Granted to employees	3,250,000	0.31	-	-
Exercised	-	-	(27,202) [1]	0.59
Cancelled or forfeited	(824,378)	1.25	(1,672,886)	0.99
Outstanding, end of year	3,656,941	$ 0.42	1,231,319	$ 1.26

(1) Average share price on date of exercise was CDN $0.45

During the 2023 year, the Company granted 3,250,000 options to employees. There were no options granted to employees during the 2022 year. 450,000 of these options will vest in stages over an approximately 1 year period, are exercisable for common shares of the Company at an exercise price of $0.41 per stock option and expire 10 years from the grant date subject to the terms of the Plan. The remaining 2,800,000 options will vest in stages over an approximately 3.5 year period, are exercisable for common shares of the Company at an exercise price of $0.29 per stock option and expire 10 years from the grant date subject to the terms of the Plan.

Share-based payment expense of $201,795 has been recognized during the year ended December 31, 2023 (2022: $266,817).

The following table summarizes information concerning outstanding and exercisable options at December 31, 2023 and December 31, 2022 respectively:

Exercise price ($USD)	Outstanding options	Weighted average remaining contractual life (years)	Options exercisable	Weighted average remaining contractual life (years)
$ 0.29	2,800,000	9.40	443,747	9.40
$ 0.41	450,000	9.99	-	9.99
$ 0.54	88,037	5.72	86,675	5.72
$ 0.76	98,501	2.96	98,408	2.96
$ 1.36	46,356	7.97	27,029	7.97
$ 1.94	166,511	7.14	120,028	7.14
$ 2.12	7,536	6.83	7,536	6.83
$ 0.42	3,656,941	9.14	783,423	9.14

(Expressed in United States dollars)

16. Shareholders' equity (continued):

(b) Share based payments (continued):

Exercise price ($USD)	Outstanding options	Weighted average remaining contractual life (years)	Options exercisable	Weighted average remaining contractual life (years)
$ 0.54	302,425	7.00	239,138	7.00
$ 0.76	267,494	5.71	279,145	5.71
$ 1.36	146,356	8.97	63,362	8.97
$ 1.94	507,508	8.12	230,588	8.12
$ 2.12	7,536	0.82	7,536	0.82
$ 1.27	1,231,319	7.38	819,769	7.38

17. Revenue:

Revenues from external customers are split into four main streams. Product revenue is earned from customers who purchase goods in store and online through the Company's website. Service revenue is made up of three streams of revenue, Freight, Warehouse and Installation revenue. Freight revenue is the amount collected for the freight shipping and handling of products, either ones sold on the Company's website, or for third parties requiring the logistics services. Warehouse revenue is earned for the storage of third-party inventory. Installation revenue is the amount charged to customers for installation services. Product revenue, and service revenue related to Freight and Warehouse are recognized at the point in time when the customer obtains control of the good or when the service provided. Service revenue related to installation is recognized at the point in time when the service is provided or for larger scale installations over the period of time that the service is provided.

The Company recognizes the Product, Freight, Warehouse and Installation revenue on a gross basis.

As all payments for items purchased through the Product and Freight streams are paid for at the time of order, deferred revenue is recorded for the period of time between when the order is placed and when the order has been delivered at the customer's chosen destination.

For the year ended December 31, 2023, the Company recognized $34,386 (2022 - $41,237) of refund liability which is included in accounts payable and accrued liabilities.

	2023	2022
Product revenue	$ 63,447,662	$ 84,326,941
Service revenue:		
Freight	1,005,213	1,825,813
Warehouse	133,775	349,550
Installation	7,692,748	5,647,972
	$ 72,279,398	$ 92,150,276

(Expressed in United States dollars)

18. Segment information:

The Company's Chief Operating Decision-Maker (CODM), which consists of the Executive Leadership Team ("ELT"), regularly assesses the performance of, and makes resource allocation decisions based on, the two operating segments, BuildDirect.com and Independent Retailers (FloorSource & Superb) and therefore both reportable segments are broken out below. In presenting the following information, segment revenue has been based on the geographic location of customer and non-current assets have been based on the geographic location of the assets.

(a) Revenue:

Please see the breakdown of revenue by geographical region:

	2023	2022
BuildDirect.com:		
United States	$ 19,024,355	$ 33,066,703
Canada	725,479	150,194
Other	-	(17,669)
Independent Retailers:		
United States	52,529,564	58,951,048
	$ 72,279,398	$ 92,150,276

(b) Non-current assets:

Please see the breakdown of non-current assets by geographical region:

	2023	2022
BuildDirect.com:		
Canada	$ 562,726	$ 1,501,938
United States	370,000	397,616
Independent Retailers:		
United States	9,821,049	15,139,485
	$ 10,753,775	$ 17,039,039

(Expressed in United States dollars)

19. Income taxes:

(a) Income tax expense (recovery):

		2023		2022
Current tax expense (recovery)				
Current period	$	611,361	$	459,078
Deferred tax expense (recovery)				
Origination and reversal of temporary differences	$	(1,503,953)	$	(2,793,824)
Change in unrecognized temporary differences		1,464,445		1,325,925
Adjustment for prior period		(292,681)		625,118
Income tax expense (recovery)	$	279,172	$	(383,703)

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates to income before tax. These differences result from the following:

		2023		2022
Loss before income tax	$	(3,493,028)	$	(8,254,130)
Statutory income tax rate		27%		27%
Expected income tax expense (recovery)	$	(943,118)	$	(2,228,615)
Increase (decrease) in income taxes resulting from:				
Non-taxable items		43,878		(151,604)
Change in unrecognized temporary differences		1,464,445		1,325,925
Adjustments related to prior periods		(292,681)		625,118
Tax rate differences and tax rate changes		6,648		47,422
Other		-		(1,949)
Income tax expense (recovery)	$	279,172	$	(383,703)

(b) Recognized deferred tax assets and liabilities:

Deferred tax assets are attributable to the following:

		2023		2022
Deferred tax assets:				
Accruals	$	546,080	$	129,806
Deferred consideration payable		435,195		758,320
Lease liabilities		492,034		770,210
Intangibles		706,626		398,098
Loss carryforwards		119,693		199,247
Deferred tax assets	$	2,299,628	$	2,255,681
Set-off of tax		(760,329)		(1,048,571)
Net deferred tax asset	$	1,539,299	$	1,207,110

(Expressed in United States dollars)

19. Income taxes (continued):

(b) Recognized deferred tax assets and liabilities (continued):

Deferred tax liabilities are attributable to the following:

	2023	2022
Deferred tax liabilities:		
Right of use assets	(561,751)	(927,301)
Property and equipment	(131,119)	(121,270)
Promissory note	(55,729)	-
Accruals	(11,730)	-
Deferred tax liabilities	$ (760,329)	$ (1,048,571)
Set-off of tax	760,329	1,048,571
Net deferred tax liability	$ -	$ -

(c) Unrecognized deferred tax assets and liabilities:

	2023	2022
Tax losses	$ 231,054,372	$ 232,447,262
Deductible temporary differences	12,290,919	8,493,423
	$ 243,345,291	$ 240,940,685

At December 31, 2023, the Company has non-capital losses carried forward for tax purposes, which are available to reduce taxable income in Canada of future years of approximately $231,072,901 (2022 – $232,972,900). The losses will expire between 2031 – 2043.

As of December 31, 2023, the Company does not have any unrecognized tax benefits related to uncertain tax positions.

In December 2021, the Organisation for Economic Co-operation and Development (“OECD”) issued model rules for a new global minimum tax framework (“Pillar Two”), and various governments around the world have issued, or are in the process of issuing, legislation on this. In Canada, the government released draft legislation on Pillar Two in August 2023, but the legislation has not yet been enacted or substantively enacted. The Company is in the process of evaluating the cash tax and accounting implications of the Pillar Two global minimum tax rules under IAS 12; however, whereas the Company has annual consolidated revenues below €750 million, the enactment of the legislation is not anticipated to impact the Company.

20. Commitments and contingencies:

(a) Claims are made against the Company in the ordinary course of operations. The Company has made provisions for such claims, when necessary.

(b) The Company issues letters of guarantee through its financial institution to provide guarantees for duty on cross-border shipments. Outstanding letters of guarantee amount to $445,415 (2022 - $518,000).

21. Financial risk management:

The Company's operations expose it to a variety of financial risks including liquidity risk, market risk and credit risk.

(a) Liquidity risk:

Liquidity risk is the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company manages its liquidity risk by monitoring its operating requirements and through ongoing review of working capital balances and management of cash. The Company prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. The ability to fund operating requirements depends on future operating performance and cash flows, which are subject to economic, financial, competitive, and other factors, some of which are beyond our control, such as the potential impact of COVID-19. For the year ended December 31, 2023 there is net loss of $3,772,200 generated (2022 – net loss of $7,870,427) and there is a positive cash flow from operations of $4,023,220 (2022 – negative cash flow of $1,861,022). Due to the increase in working capital from a positive $1,607,139 at December 31, 2022 to a positive $2,824,829 at December 31, 2023, and current cash balance of $2,601,893 at December 31, 2023, the Company believes that it will be able to meet its financial obligations, see note 2(c) for details.

The following table summarizes the amount of contractual undiscounted future cash flows for the Company's financial liabilities, including interest as at December 31, 2023:

	2024	2025	2026	2027	2028	Total
Accounts payable and accrued liabilities	$ 5,895,863	$ -	$ -	$ -	$ -	$ 5,895,863
Promissory note	1,344,780	1,250,918	-	-	-	2,595,698
Loan payable	1,145,376	781,133	7,557,566	-	-	9,484,075
Deferred consideration payable	675,000	-	-	-	-	675,000
Lease liabilities	1,422,178	1,063,572	179,721	80,496	13,416	2,759,383
	$10,483,197	$3,095,623	$ 7,737,287	$80,496	$ 13,416	$21,410,019

(b) Market risk:

(i) Currency risk:

Currency risk reflects the risk that the Company's earnings will decline due to fluctuations in exchange rates.

The Company has cash and cash equivalents denominated in Canadian dollars. As at December 31, 2023, the amount totaled $18,103 (2022 - $1,001,980).

The Company has accounts payable and accrued liabilities denominated in Canadian dollars. As at December 31, 2023, the amount totaled $502,358 (2022 - $1,252,252).

The Company holds a loan payable in Canadian dollars. As at December 31, 2023, the amount totaled $1,926,509 (2022 – $3,691,672).

(Expressed in United States dollars)

21. Financial risk management (continued):

(b) Market risk (continued):

(i) Currency risk (continued):

If the period-end foreign exchange rate of Canadian dollar had been 10% higher, or 10% lower, with all other variables held constant, the effect on the Company's foreign exchange for the year ended December 31, 2023 would have been $219,160 (2022 - $358,359) higher or lower.

(ii) Interest risk:

Interest risk is the risk that the fair value or cash flows from a financial instrument will fluctuate due to a change in market interest rates. The Company does not hold any variable rate long-term debt thus is not subject to significant changes in the future cash flows due to interest rate risk. The interest rate risk on cash and short-term investments is considered insignificant due to the short-term nature of its holdings and as such the Company does not take any actions to manage interest rate risk.

(c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Company, in its normal course of business, evaluates the financial condition of its customers on a regular basis, in addition to assessing the loss allowance under the ECL model. In addition, the Company requires a majority of its customers to prepay for orders before shipment can be made. Therefore, the Company has determined there is no significant exposure to customer credit risk.

(d) Capital management:

The Company's objective when managing its capital structure is to maintain a strong financial position and to provide returns with sufficient liquidity to undertake further growth for the benefit of its shareholders. The Company's capital is comprised of long-term obligations and equity as outlined below:

	2023	2022
External debt	$ 10,803,222	$ 14,999,563
Less cash	(2,601,893)	(4,107,754)
Net external debt	8,201,329	10,891,809
Total shareholders' equity	4,183,532	7,447,542
Total capitalization	$ 12,384,861	$ 18,339,351

(Expressed in United States dollars)

21. Financial risk management (continued):

(d) Capital management (continued):

There were no changes to the Company's approach to capital management during the year The Company is subject to certain covenants (none of which are financial covenants) on its debt obligations. The Company's strategy is to ensure it remains in compliance with all its existing covenants so as to ensure continuous access to required debt to fund growth. Management reviews results and forecasts to monitor the Company's compliance.

(e) Fair value hierarchy:

- Level 1: The fair value of financial instruments traded in active markets and based on quoted market prices at the end of the reporting period.
- Level 2: The fair value of financial instruments that are not traded in an active market and determined using valuation techniques using observable market data and rely little on entity-specific estimates If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3 (i.e. unlisted equity securities).

The Company's cash, trade and other receivables, short-term investments, accounts payable and accrued liabilities, are classified as measured at amortized cost. The carrying amounts of these instruments approximate fair value as at December 31, 2023 and December 31, 2022. The Company's loans payable have been modified in the year ended December 31, 2023 and the carrying amounts of these instruments approximate fair value. The Company's promissory notes have an interest rate that approximates market value, and therefor the carrying amounts of these instruments approximate fair value. The fair value of warrants are described below and the basis of their valuation are explained in the respective notes.

	Level 1	Level 2	Level 3
Warrants (note 13)	-	-	(75,224)

Warrants have key observable Level 1 inputs of exercise price and time to maturity, Level 2 input of risk free rate and Level 3 input of volatility. A 10% increase or decrease to volatility would result in a fair value loss of $79,896 and $16,639 respectively.

(Expressed in United States dollars)

22. Breakdown of expenses by nature:

	2023	2022
Building materials and consumables	$ 49,336,537	$ 67,566,000
Employee costs	11,233,770	12,660,762
Marketing and promotion	2,083,971	3,273,376
Professional services	2,482,216	3,712,423
Rent and other	4,003,898	4,025,752
Depreciation and amortization	3,677,512	4,069,070
Share-based compensation expense	201,795	266,817
	$ 73,019,699	$ 95,574,200

23. Loss per Share:

Loss per share represents loss from the period divided by the weighted average number of common and preference shares outstanding during the period. The weighted average number of shares is as follows:

	2023	2022
Beginning balance, shares outstanding	40,819,913	29,661,096
Effect of share issuances	1,112,404	2,101,239
Weighted average number of shares	41,932,317	31,762,335

Diluted loss per share is calculated by dividing the applicable loss by the sum of the weighted average number of shares outstanding and all additional common shares that would have been outstanding if potentially dilutive shares had been issued during the period. The calculation has not been provided as the effects of dilution would result in anti-dilutive loss per share.

Earnings (loss) per share are as follows:

	2023	2022
Net loss	$ (3,772,200)	$ (7,870,427)
Basic weighted average number of shares	41,932,317	31,762,335
Basic and diluted loss per share	$ (0.09)	$ (0.25)