AMBARI BRANDS INC.

Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited)

NOTICE TO READER

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

The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of management.

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

AMBARI BRANDS INC.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

		As at September 30, 2023		As at December 31, 2022
ASSETS				
Current assets				
Cash	**$**	**792,618**	$	247,301
Amounts receivable (Note 5)		**89,388**		22,922
Prepaid expenses and deposits (Note 6)		**28,068**		86,039
Inventory (Note 7)		**669,368**		724,351
		1,579,442		1,080,613
Non-current assets				
Intangible asset (Note 8)		**86,334**		-
Total assets	**$**	**1,665,776**	$	1,080,613
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (Notes 9 and 13)	**$**	**138,128**	$	234,127
SHAREHOLDERS' EQUITY				
Share capital (Note 10)		**8,671,213**		6,462,334
Accumulated other comprehensive income (loss)		**(499)**		2,261
Reserves (Note 10)		**160,662**		209,413
Deficit		**(7,303,728)**		(5,827,522)
Total shareholders' equity		**1,527,648**		846,486
Total liabilities and shareholders' equity	**$**	**1,665,776**	$	1,080,613

Nature and continuance of operations – Note 1

APPROVED ON BEHALF OF THE BOARD:

"Avneesh Dhaliwal" Director ***"Gurcharn Deol"*** Director

The accompanying notes are an integral part of these condensed consolidated interim financial statement.

AMBARI BRANDS INC.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Revenue (Note 11)	**$ 377**	$ 68,002	**$ 88,695**	**$** 176,176
Cost of sales (Note 7)	**5,408**	42,731	**60,323**	77,773
Gross profit (loss)	**(5,031)**	25,271	**28,372**	98,403
Expenses				
Advertising and promotion	**938,457**	137,737	**1,126,687**	495,375
Consulting fees (Note 13)	**10,700**	53,693	**67,199**	118,010
General and administrative (Note 12)	**42,762**	73,052	**132,302**	138,524
Professional fees	**41,240**	73,895	**105,263**	225,890
Research and development (Note 8)	**43,150**	5,056	**54,841**	7,777
Salaries and benefits (Note 13)	**2,093**	8,367	**10,549**	25,102
Total expenses	**(1,078,402)**	(351,800)	**(1,496,841)**	(1,010,678)
Other Items				
Foreign exchange loss	**(7,767)**	(4,126)	**(7,806)**	(4,059)
Interest income	**25**	4,796	**69**	13,588
Net loss for the period	**(1,091,175)**	(325,859)	**(1,476,206)**	(902,746)
Exchange difference on translating foreign operations	**14,277**	48,053	**(2,760)**	54,855
Comprehensive loss for the period	**$ (1,076,898)**	$ (277,806)	**$ (1,478,966)**	**$** (847,891)
Loss per common share – basic and diluted	**$ (0.02)**	$ (0.01)	**$ (0.03)**	**$** (0.02)
Weighted average number of common shares outstanding – basic and diluted	**54,020,789**	48,534,242	**52,341,183**	42,973,638

The accompanying notes are an integral part of these condensed consolidated interim financial statement.

AMBARI BRANDS INC.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
For the nine months ended September 30, 2023 and 2022
(Expressed in Canadian Dollars)
(Unaudited)

	Number of Shares	Share Capital	Commitment to Issue Shares	Accumulated Other Comprehensive Income (Loss)	Reserves	Deficit	Total
Balance, December 31, 2021	**40,473,221**	**$ 3,090,622**	**$ 3,910,184**	**$ (45,160)**	**$ 209,413**	**$ (4,510,115)**	**$ 2,654,944**
Share repurchase and cancellation (Note 10)	(500,000)	(150,000)	-	-	-	-	(150,000)
Conversion of special warrants (Note 10)	11,093,154	3,910,184	(3,910,184)	-	-	-	-
Translation adjustment	-	-	-	54,855	-	-	54,855
Loss for the period	-	-	-	-	-	(902,746)	(902,746)
Balance, September 30, 2022	**51,066,375**	**$ 6,850,806**	**$ -**	**$ 9,695**	**$ 209,413**	**$ (5,412,861)**	**$ 1,657,053**
Balance, December 31, 2022	**50,095,195**	**$ 6,462,334**	**$ -**	**$ 2,261**	**$ 209,413**	**$ (5,827,522)**	**$ 846,486**
Private placements (Note 10)	5,750,000	2,000,000	-	-	-	-	2,000,000
Share issuance costs (Note 10)	-	(213,318)	-	-	90,118	-	(123,200)
Warrants exercised (Note 10)	35,000	17,500	-	-	-	-	17,500
Agent compensation options exercised (Note 10)	648,620	404,697	-	-	(138,869)	-	265,828
Translation adjustment	-	-	-	(2,760)	-	-	(2,760)
Loss for the period	-	-	-	-	-	(1,476,206)	(1,476,206)
Balance, September 30, 2023	**56,528,815**	**$ 8,671,213**	**$ -**	**$ (499)**	**$ 160,662**	**$ (7,303,728)**	**$ 1,527,648**

The accompanying notes are an integral part of these condensed consolidated interim financial statement.

AMBARI BRANDS INC.
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

		Nine months ended September 30, 2023		Nine months ended September 30, 2022
CASH FLOWS PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net loss for the period	$	(1,476,206)	$	(902,746)
Items not affecting cash:				
Accrued interest income		-		(11,622)
Foreign exchange gain		-		4,059
Changes in non-cash working capital items:				
Amounts receivable		(66,466)		(25,994)
Prepaid expenses and deposits		57,971		(385,353)
Inventory		54,983		(83,256)
Accounts payable and accrued liabilities		(95,999)		71,013
Net cash used in operating activities		(1,525,717)		(1,333,899)
INVESTING ACTIVITY				
Development of intangible asset		(86,334)		-
FINANCING ACTIVITIES				
Issuance of common shares		2,000,000		-
Repurchase of common shares		-		(150,000)
Share issuance costs		(123,200)		-
Proceeds from warrants exercised		17,500		-
Proceeds from agent compensation options exercised		265,828		-
Net cash provided by (used in) financing activities		2,160,128		(150,000)
Foreign exchange on cash		(2,760)		50,796
Change in cash for the period		545,317		(1,433,103)
Cash, beginning of the period		247,301		1,687,620
Cash, end of the period	$	792,618	$	254,517
Cash paid for interest during the period	$	-	$	-
Cash paid for income taxes during the period	$	-	$	-

Non-cash transactions affecting cash flows from financing activities:

		Nine months ended September 30, 2023		Nine months ended September 30, 2022
Fair value of finder's warrants issued	$	90,118	$	-
Amounts reclassified from reserves to share capital upon the exercise of agent compensation options	$	138,869	$	-
Conversion of special warrants	$	-	$	3,910,184

The accompanying notes are an integral part of these condensed consolidated interim financial statement.

1 Nature and continuance of operations

Ambari Brands Inc. (the "Company") was incorporated pursuant to the Business Corporations Act (British Columbia) on June 20, 2019. The Company is a luxury skincare and consumer packaged goods company and has developed a product line on its proprietary "Modern Blend". The Company's common shares trade on the Canadian Securities Exchange (the "CSE") under the trading symbol "AMB", the OTCQB Venture Market under the symbol "AMBBF" and the Frankfurt Stock Exchange under the symbol "Y92". The Company's head office and registered and records office address is 6th Floor – 905 West Pender Street, Vancouver, British Columbia, Canada, V6C 1L6.

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. For the nine months ended September 30, 2023, the Company had negative cash flows from operations of $1,525,717 (September 30, 2022 - $1,333,899), a net loss of $1,476,206 (September 30, 2022 - $902,746), and as at that date an accumulated deficit of $7,303,728 (December 31, 2022 - $5,827,522). As at September 30, 2023, the Company had working capital of $1,441,314 (December 31, 2022 - $846,486). These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to raise adequate financing from external sources and generate profits and positive cash flows from operations in order to carry out its business objectives. The Company will require additional financing for continuing operations, to evaluate strategic opportunities, and for working capital purposes. However, there is no assurance that the Company will be able to secure such financing on favourable terms. These condensed consolidated interim financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the Company's condensed consolidated interim financial statements. Such adjustments could be material.

Since March 2020, there has been a global pandemic due to the outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and, specifically, the regional economies in which the Company operates. The extent to which COVID-19 may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time. COVID-19 may impact the Company's ability to raise future financing.

The Company's business, financial condition, and results of operations may be further negatively affected by economic and other consequences from Russia's military action against Ukraine and the sanctions imposed in response to that action in late February 2022. While the Company expects any direct impacts, of the pandemic and the war in the Ukraine, to the business to be limited, the indirect impacts on the economy and the cosmetics industry and other industries in general could negatively affect the business and may make it more difficult to raise equity or debt financing. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about on its business, results of operations, financial position, and cash flows in the future.

2 Basis of preparation

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standards ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed consolidated interim financial statements do not include all the disclosures required for the annual audited financial statements. These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2022.

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are stated at fair value. In addition, they have been prepared using the accrual basis of accounting, except for the cash flow information.

The condensed consolidated interim financial statements were approved and authorized for issuance on November 10, 2023 by the Board of Directors.

Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary, Ambari Beauty USA, Inc ("Ambari USA"). All inter-company balances, transactions, income, and expenses have been eliminated upon consolidation.

Subsidiaries are entities controlled by the Company. Control exists when the Company has power over an entity, when the Company is exposed, or has rights, to variable returns from the entity and when the Company has the ability to affect those returns through its power over the entity. Subsidiaries are included in the financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control.

Foreign currencies

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency of the Company is the Canadian dollar ("CAD"). The functional currency of Ambari USA is the Unites States dollar ("USD").

The presentation currency of the Company and Ambari USA is the Canadian dollar.

Accordingly, the accounts of Ambari USA are translated into CAD as follows:

- all of the assets and liabilities are translated at the rate of exchange in effect on the date of the statement of financial position;
- income and expense are translated at the average exchange rate over the reporting period; and
- exchange gains and losses arising from translation are included in accumulated other comprehensive income (loss).

2 Basis of preparation *(continued)*

Foreign currencies *(continued)*

Transactions occurring in currencies other than the functional currency of the entity in question are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing at each reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the initial transaction. Non-monetary items that are measured at fair values are reported at the exchange rate on the date when fair values are determined. Foreign currency translation differences are recognized in profit or loss.

Use of accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. These condensed consolidated interim financial statements have been prepared using the judgments, estimates and assumptions summarized below.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures and to meet its liabilities for the ensuing year, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The factors considered by management are disclosed in Note 1.

Inventory

Inventory consists of raw materials, work in progress, shipping materials and finished goods recorded at the lower of cost and net realizable value. Inventory represents a significant portion of the asset base of the Company and its value is reviewed at each reporting period. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, expiry, damage, or slow moving. The assessment of whether inventory is slow moving is subject to management's estimates of future sales forecasts and expected shelf lives of inventory. Actual net realizable value can vary from the estimated provision.

Economic recoverability of intangible asset

The Company has determined that intangible asset costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including anticipated cash flows and estimated economic life. The amortization expense related to intangible assets is determined using estimates relating to the useful life of the intangible asset.

2 Basis of preparation *(continued)*

Useful lives of intangible asset

Judgement is necessary in determining the date at which an intangible asset is available for its intended use. Also, at each reporting date, management determines whether an intangible asset presents indicators of impairment. For the purposes of its analysis, management uses its judgement considering factors such as the economic environment and the market in which the Company operates, budget forecasts and obsolescence.

3 Significant accounting policies

These condensed consolidated interim financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as the Company's audited annual consolidated financial statements for the year ended December 31, 2022, unless noted below, and should be read in conjunction with those annual consolidated financial statements and notes thereto.

<u>Intangible assets</u>

Intangible assets are recognized when it is probable that the use of the asset will generate future economic benefits and the costs of the asset can be determined reliably. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in net loss as incurred.

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Intangible assets that have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets include costs directly attributable to the development of the Company's software.

3 Significant accounting policies *(continued)*

Intangible assets *(continued)*

Amortization is recognized in profit and loss on a straight-line basis over the estimated useful lives of the finite life intangible assets. Intangible assets in development are not amortized and reflect the cost of developing the intangible asset, which are not yet available for their intended use. Intangible assets in development will start to be amortized when they are available for their intended use. The estimated useful life of the intangible asset is as follows:

Intangible Asset	**Period**
Scarlett Software ("Scarlett")	5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate.

4 Basis of fair value

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The Company's financial instruments consist of cash, trade receivables, and accounts payable and accrued liabilities. The Company has no financial instruments carried at fair value.

The carrying value of the Company's financial instruments approximate their fair values due to their short-term maturities.

There were no transfers between the levels of the fair value hierarchy during the nine months ended September 30, 2023 or 2022.

(Expressed in Canadian Dollars)

5 Amounts receivable

		As at September 30, 2023		As at December 31, 2022
Trade receivables	**$**	**106**	$	2,646
Sales tax receivable		**89,282**		20,276
	$	**89,388**	$	22,922

6 Prepaid expenses and deposits

		As at September 30, 2023		As at December 31, 2022
Retainers and prepayments for services	**$**	**26,566**	$	48,277
Deposits on inventory		**-**		10,835
Prepaid insurance		**1,502**		26,927
	$	**28,068**	$	86,039

7 Inventory

		As at September 30, 2023		As at December 31, 2022
Finished goods	**$**	**388,673**	$	439,925
Raw materials		**147,967**		148,230
Work in progress		**60,719**		60,827
Shipping materials		**72,009**		75,369
	$	**669,368**	$	724,351

During the nine months ended September 30, 2023, cost of sales includes $48,488 (September 30, 2022 - $31,876) of inventory and impairment losses related to inventory of $185 (September 30, 2022 - $27,242). The remaining costs of sales comprise of fulfilment costs.

(Expressed in Canadian Dollars)

8 Intangible asset

During the nine months ended September 30, 2023, the Company incurred development costs with respect to an artificial intelligence powered beauty software and application, named "Scarlett". The software will aim to leverage cutting-edge artificial intelligence technology to enhance personalized beauty experiences.

The costs summarized in the table below are considered to be an internally generated intangible asset and were capitalized as such. As of September 30, 2023, the intangible asset was not ready for use and therefore no amortization expense has been recorded as of this date.

		Development Costs
Cost		
Balance, December 31, 2021 and 2022	$	-
Additions – internally developed		86,334
Balance, September 30, 2023	**$**	**86,334**
Accumulated Depreciation		
Balance, December 31, 2021 and 2022	$	-
Amortization		-
Balance, September 30, 2023	**$**	**-**
Net book value		
Balance, December 31, 2022	**$**	**-**
Balance, September 30, 2023	**$**	**86,334**

During the nine months ended September 30, 2023, research and development expenses include $43,167 (September 30, 2022 - $nil) related to "Scarlett" for costs incurred which did not meet the criteria of development costs. The balance of research and development expenses for the nine months ended September 30, 2023 and 2022 relates to the Company's beauty and skincare product line.

9 Accounts payable and accrued liabilities

		As at September 30, 2023		As at December 31, 2022
Trade payables	**$**	**116,866**	$	170,439
Accrued and other liabilities		**21,262**		63,688
	$	**138,128**	$	234,127

10 Share capital

Authorized

Unlimited common shares, without par value.

Common Shares Held in Escrow

As at September 30, 2023, 6,795,000 common shares (December 31, 2022 – 10,192,500 common shares) were held in escrow and restricted from trading. These common shares will be released from escrow as follows: 1,698,750 common shares released on January 25, 2024, 1,698,750 common shares released on July 25, 2024, 1,698,750 common shares released on January 25, 2025, and 1,698,750 common shares released on July 25, 2025.

Issued, Cancelled, Commitment to Issue

During the nine months ended September 30, 2023:

On February 24, 2023, the Company closed a non-brokered private placement and issued 2,000,000 units of the Company for gross proceeds of $500,000. Each unit is comprised of one common share of the Company and one-half of one warrant. Each whole warrant is exercisable into one common share of the Company at an exercise price of $0.35 per common share and expires on February 24, 2024.

The Company paid finder's fees of $28,000 and issued 112,000 finder's warrants in connection with closing the non-brokered private placement. Each finder's warrant is exercisable into one common share of the Company at an exercise price of $0.35 per common share and expires on February 24, 2024. The fair value of the finder's warrants was $27,048 and was determined using the Black Scholes option pricing model using the following assumptions: estimated volatility of 100%, risk-free interest rate of 4.32%, expected life of 1 year, exercise price of $0.35, a dividend yield of 0%, and a share price of $0.49.

On August 10, 2023, the Company issued 10,000 common shares pursuant to the exercise of 10,000 warrants for gross proceeds of $5,000.

On August 16, 2023, the Company issued 25,000 common shares pursuant to the exercise of 25,000 warrants for gross proceeds of $12,500.

On August 18, 2023, the Company closed a non-brokered private placement and issued 3,750,000 units of the Company for gross proceeds of $1,500,000. Each unit is comprised of one common share of the Company and one-half of one warrant. Each whole warrant is exercisable into one common share of the Company at an exercise price of $0.50 per common share and expires on August 18, 2024.

The Company paid finder's fees of $95,200 and issued 238,000 finder's warrants in connection with closing the non-brokered private placement. Each finder's warrant is exercisable into one common share of the Company at an exercise price of $0.50 per common share and expires on August 18, 2024. The fair value of the finder's warrants was $63,070 and was determined using the Black Scholes option pricing model using the following assumptions: estimated volatility of 100%, risk-free interest rate of 4.78%, expected life of 1 year, exercise price of $0.50, a dividend yield of 0%, and a share price of $0.59.

(Expressed in Canadian Dollars)

10 Share capital *(continued)*

Issued, Cancelled, Commitment to Issue *(continued)*

On September 8, 2023, 531,656 agent compensation options ("ACOs") were exercised for gross proceeds of $265,828, and as a result the Company issued 648,620 units with each unit consisting of one common share and one-half of one warrant. Each whole warrant is exercisable into one common share of the Company at an exercise price of $0.75 per common share and expires on July 25, 2024. In connection with the ACOs exercised, $138,869 was reclassified from reserves to share capital.

During the year ended December 31, 2022:

On March 4, 2022, the Company repurchased and cancelled 500,000 common shares and 250,000 warrants, which were previously issued in connection with a unit private placement completed on February 18, 2020 for consideration of $150,000 pursuant to a unit purchase agreement.

On July 21, 2022, 9,175,700 special warrants issued during the year ended December 31, 2021 automatically converted in accordance with the underlying terms, and as a result the Company issued 11,093,154 units with each unit comprised of one common share and one-half of one warrant. A total of 5,546,577 warrants were issued with each warrant exercisable into one common share at an exercise price of $0.75 per common share and expiry of July 25, 2024.

On November 16, 2022, the Company repurchased and cancelled 971,180 common shares with a fair value of $388,472 in exchange for the settlement of a loan receivable due from the Company's CEO, Avneesh Dhaliwal (Note 13). The loan receivable had a carrying value of $417,464, including a principal balance of $388,472 and accrued interest balance of $28,992. The Company recorded a loss on settlement of $28,992.

Warrants

	Number of Warrants		Weighted Average Exercise Price
Outstanding, December 31, 2021	**4,378,518**	**$**	**0.50**
Issued – Conversion of special warrants	5,546,577		0.75
Cancelled	(250,000)		0.50
Outstanding, December 31, 2022	**9,675,095**		**0.64**
Issued – Private placements	2,875,000		0.45
Issued – Finder's warrants	350,000		0.45
Issued – Agent compensation options	324,310		0.75
Exercised	(566,656)		0.50
Outstanding, September 30, 2023	**12,657,749**	**$**	**0.60**

(Expressed in Canadian Dollars)

10 Share capital *(continued)*

Warrants *(continued)*

As at September 30, 2023, the following warrants were outstanding:

Outstanding	Exercise Price	Expiry Date	Remaining Life (Years)
202,400[(1)]	$0.50	November 9, 2023	0.11
1,112,000	$0.35	February 24, 2024	0.40
5,870,887	$0.75	July 25, 2024	0.82
3,359,462	$0.50	July 25, 2024	0.82
2,113,000	$0.50	August 18, 2024	0.88
12,657,749			

(1) Exercisable into 1.18 units with each whole unit consisting of one common share and one-half of one warrant, each such warrant will be exercisable to acquire one common share at an exercise price of $0.75 until July 25, 2024.

11 Revenue

The Company generates revenue from the sale of skincare products directly to consumers and to luxury department stores, and on a wholesale basis to distributors and spas.

The Company's revenue disaggregated by primary geographical markets is as follows:

	Nine months ended September 30, 2023				
	Direct Consumers	**Distributors**	**Retailers**	**Other**	**Total**
United States	$ 5,990	$ 50,908	$ 7,713	$ -	$ **64,611**
European Union	359	23,725	-	-	**24,084**
	$ 6,349	**$ 74,633**	**$ 7,713**	**$ -**	**$ 88,695**

	Nine months ended September 30, 2022				
	Direct Consumers	**Distributors**	**Retailers**	**Other**	**Total**
United States	$ 78,479	$ -	$ 39,006	$ 6,885	$ **124,370**
European Union	-	49,092	-	-	**49,092**
Other	2,714	-	-	-	**2,714**
	$ **81,193**	**$ 49,092**	**$ 39,006**	**$ 6,885**	**$ 176,176**

(Expressed in Canadian Dollars)

11 Revenue *(continued)*

For the nine months ended September 30, 2023 and 2022, the following revenue was recorded from customers that comprise 10% or more of revenue:

	Nine months ended September 30,	
	2023	**2022**
Customer A	**$ -**	$ 18,041
Customer B	**$ 50,908**	$ -
Customer C	**$ 23,725**	$ 49,092
Customer D	**$ 7,713**	$ 20,781

12 General and administrative expenses

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Bank charges (recovery)	**$ 4,424**	$ 4,977	**$ 8,961**	$ 19,429
Dues and subscriptions	**4,993**	4,492	**14,826**	12,175
Insurance	**6,403**	17,553	**47,092**	26,402
Rent	**11,904**	6,034	**20,134**	34,229
Regulatory and filing fees	**14,988**	38,480	**38,998**	38,480
Office expenses	**50**	1,516	**2,291**	7,809
	$ 42,762	$ 73,052	**$ 132,302**	$ 138,524

(Expressed in Canadian Dollars)

13 Related party transactions and balances

Related party transactions are comprised of services rendered by directors and/or officers of the Company or by a company with a director and/or officer in common. Related party transactions are in the ordinary course of business and are measured at the exchange amount.

Key management compensation

Key management personnel are those having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly, and include the Company's executive officers and members of the Board of Directors. Key management compensation consisted of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Consulting fees:				
Spiral Investment Corp.; a company controlled by Gurcharn Deol, Director	**$ 9,000**	$ 9,000	$ **27,000**	$ 9,000
9317-3516 Quebec Inc.; a company controlled by Meissam Hagh Panah, Director	**1,500**	-	**4,500**	-
Salaries and benefits:				
Kate-Lynn Genzel, Chief Financial Officer	**1,950**	7,800	**9,750**	23,400
	$ 12,450	**$** 16,800	$ **41,250**	$ 32,400

Loan receivable

On January 4, 2021, the Company entered into a loan agreement for a principal balance of $388,472 payable by the Company's CEO, Avneesh Dhaliwal (the "CEO Loan Agreement"). The loan was provided to Ms. Dhaliwal for the purpose of purchasing common shares of the Company from former shareholders. The principal balance accrued interest at a rate of 4% per annum. The principal balance and all accrued interest thereon were due within 30 business days of the Company providing written notice of demand to Ms. Dhaliwal. The loan was repayable to the Company at any time without further bonus or penalty.

On November 16, 2022, the Company and Ms. Dhaliwal entered into a share purchase agreement pursuant to which Ms. Dhaliwal returned 971,180 common shares of the Company with a fair value of $388,472 in exchange for the settlement of the principal balance and accrued interest of the CEO Loan Agreement. 971,180 common shares of the Company were subsequently cancelled and returned to treasury (Note 10). The loan receivable had a carrying value of $417,464, including a principal balance of $388,472 and accrued interest balance of $28,992. The Company recorded a loss on settlement of $28,992 during the year ended December 31, 2022.

During the three and nine months ended September 30, 2023, the Company accrued interest income with respect to the loan receivable of $nil (September 30, 2022 - $3,917) and $nil (September 30, 2022 - $11,622), respectively.

13 Related party transactions and balances *(continued)*

Accounts payable and accrued liabilities

As at September 30, 2023, accounts payable and accrued liabilities includes $3,000 (December 31, 2022 - $18,900) related to consulting fees due to Spiral Investment Corp., a company controlled by Gurcharn Deol, Director. The amount is unsecured, non-interest bearing, and has no fixed terms of repayment.

As at September 30, 2023, accounts payable and accrued liabilities includes $1,100 (December 31, 2022 - $602) related to consulting fees due to 9317-3516 Quebec Inc., a company controlled by Meissam Hagh Panah, Director. The amount is unsecured, non-interest bearing, and has no fixed terms of repayment.

As at September 30, 2023, accounts payable and accrued liabilities includes $nil (December 31, 2022 - $67) related to general and administration expenses due to Avneesh Dhaliwal, Director, Corporate Secretary and CEO. The amount was unsecured, non-interest bearing, and had no fixed terms of repayment.

14 Capital management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital. In order to fund future product developments and pay for general administrative costs, the Company will raise additional amounts as needed.

The Company reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company considers shareholders' equity and working capital as components of its capital base. The Company may access capital through the issuance of shares or the disposition of assets. Management historically funds the Company's expenditures by issuing share capital rather than using capital sources that require fixed repayments of principal and/or interest. The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products. The Company believes it will be able to raise additional equity capital as required, but recognizes the uncertainty attached thereto. There was no change to the Company's approach to capital management during the nine months ended September 30, 2023.

15 Risk management and liquidity

The Company's risk exposures and the impact on the Company's condensed consolidated interim financial statements are summarized below.

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and amounts receivable. The risk arises from the non-performance by counterparties of contractual financial obligations. To minimize credit risk, the Company places cash with high credit quality financial institutions. The Company's amounts receivable consist of input tax credits due from the Government of Canada and sales orders due from reputable luxury department stores, distributors, and third party credit card processing services; and as such, amounts receivable are not subject to significant credit risk.

15 Risk management and liquidity *(continued)*

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate because of changes in market interest rates. The interest earned on cash is insignificant. The Company does not rely on interest income to fund its operations and does not have any interest bearing debt.

Liquidity risk

All of the Company's financial liabilities are classified as current and are anticipated to mature within the next 12 months. The Company intends to settle these with funds from its positive working capital position.

Foreign currency risk

The Company may be exposed to foreign currency risk on fluctuations related to cash balances that are denominated in a foreign currency. As at September 30, 2023, the Company held cash denominated in US dollars of US$38,707 (December 31, 2022 – US$10,709) which expose the Company to minimal foreign currency exchange rate risk. The Company currently does not plan to enter into foreign currency future contracts to mitigate this risk as the Company consider this risk to be immaterial.