

Form 51-102F4
Business Acquisition Report

Item 1 Identity of Company

1.1 Name and Address of Company

Neural Therapeutics Inc. (the "**Company**" or "**Neural**")
130 Adelaide Street West, Suite 3002
Toronto, Ontario, M5H 3P5

1.2 Executive Officer

Ian Campbell, Chief Executive Officer
T: +1 (647) 697-NURL (6875)
icampbell@neuraltherapeutics.ca

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

On August 13, 2025 that Neural and CWE European Holdings Inc. ("**CWE**") have completed the first of two transactions whereby the Company is acquiring all the issued and outstanding shares of CWE (the "**Strategic Investment Transaction**"). Following the closing of this transaction as the first stage of the Strategic Investment Transaction, Neural acquired approximately 30.75% equity interest in CWE.

CWE, the owner and operator of a business known as Hanf.com ("**Hanf.com**"), one of Germany's leading CBD retailers. Through its subsidiaries, CWE operates 17 stores (11 directly owned, 6 franchises) and a successful eCommerce platform, Hanf.com has grown rapidly into an business with robust fundamentals. As part of its growth strategy, Hanf.com is focusing on growing its footprint through its low-risk, capital lite franchising model, while executing opportunistically on opportunities to open new fully owned stores in its home market of Bavaria.

2.2 Acquisition Date

August 13, 2025

2.3 Consideration

Pursuant to the Strategic Investment and Option Agreement dated May 28, 2025 (the "**SIO Agreement**"), CWE's shareholders formed a special purpose numbered corporation under the laws of Ontario ("**CWE Newco A**"), and

transferred a part of their common shares of CWE (the “**CWE Shares**”) to CWE Newco A by way of a share exchange and reorganization. In exchange for the acquisition of all of the common shares of CWE NewCo A, Neural issued its common shares (the “**Neural Shares**”) to CWE Newco A’s shareholders. Neural’s wholly owned subsidiary formed pursuant to the laws of Ontario (“**Neural Subco A**”), was then amalgamated with CWE Newco A, resulting in a three-cornered amalgamation under the *Business Corporations Act* (Ontario), with the resulting entity (“**Amalco A**”) becoming a wholly owned subsidiary of Neural (the “**Amalgamation**”).

In consideration for the acquisition of CWE Newco A, Neural issued an aggregate of 79,999,960 Neural Shares to former CWE shareholders (being all of the shareholders of CWE Newco A), based on an agreed exchange ratio of 4 Neural Shares for each CWE Share previously held by such CWE shareholders and a deemed price of \$0.05 per Neural Share. These Neural Shares represent approximately 47.4% of the Company’s issued and outstanding common shares on a post-transaction basis. Through Amalco A, Neural now indirectly owns 19,999,990 CWE Shares, representing 30.75% of the outstanding CWE Shares on a non-diluted basis and approximately 20.47% on a fully diluted basis.

2.4 Effect on Financial Position

Upon completion of the Strategic Investment Transaction, Neural acquired an indirect 30.75% interest in CWE.

There are currently no plans or proposals for material changes in the Company affairs or the affairs of the acquired business which may have a significant effect on the financial performance and financial position of the Company.

2.5 Prior Valuations

To the knowledge of the Company, there has not been any valuation opinion obtained within the last 12 months by either the Company or CWE required by securities legislation or a Canadian exchange to support the consideration paid by the Company in connection with the Strategic Investment Transaction.

2.6 Parties to Transaction

A portion of the 79,999,960 Neural Shares issued under the transaction, being 313,929 Neural Shares, representing approximately 0.192 % of the transaction total, were issued to Eran Ovadya, a director of the Company and therefore a related party to the Company under Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions (“MI 61-101”). The Neural shares issued to Mr. Ovadya are in consideration of his ownership in CWE.

Other than Mr. Ovadya receiving 313,929 Neural Shares representing his pro-rata ownership in CWE, none of the transactions referred to herein were with an informed person, associate or affiliate of the Company.

2.7 Date of Report

October 26, 2025

Item 3 Financial Statements and Other Information

The following financial statements required by Part 8 of National Instrument 51-102 - *Continuous Disclosure Obligations* are attached as schedules to the Business Acquisition Report:

Schedule “A” CWE European Holdings Inc. Audited Financial Statements for the year ended December 31, 2024 with comparative unaudited statements for the year ended December 31, 2023

Schedule “B” CWE European Holdings Inc. Consolidated Interim Condensed Financial Statements for the Six Months Ended June 30, 2025 and 2024.

SCHEDULE “A”

CWE European Holdings Inc. Audited Financial Statements for the year ended December 31, 2024 with comparative unaudited statements for the year ended December 31, 2023



CWE EUROPEAN HOLDINGS INC.

CONSOLIDATED FINANCIAL STATEMENTS
As of December 31, 2024
(December 31, 2023 - unaudited)

CWE European Holdings Inc.

CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2024

(December 31, 2023 - unaudited)

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Ovadia Kriheli & Co.

Member of firms association of Ovadia Ariei & Co
An Independent Member of BOKS International Limited

INDEPENDENT AUDITOR'S REPORT

To the shareholders of CWE European Holdings Inc.

Opinion

We have audited the consolidated financial statements of CWE European Holdings Inc. and its subsidiary companies (hereafter: the "Company"), which comprise the statements of financial position as of 31 December 2024 and the consolidated statements of comprehensive loss, statements of shareholders' deficiency and cash flows for the year ended on 31 December 2024, and notes to the financial statements, including a summary of material accounting policies (hereafter referred to as "Financial Statements").

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of the Company as of 31 December 2024, and its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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.

Emphasis of a Matter - Material Uncertainty Relating to Going Concern

As more fully described in Note 1 the Company has incurred losses since inception accumulated to \$ 3,322,328 as of December 31, 2024.

The ability of the Company to continue as a going concern is dependent upon the continued support from its shareholders, raising additional funds which is not guaranteed at this stage, securing financing resources and its ability to achieve profitable operations in the future addressed in the factors of the business plan designed by Management, forecasts and related key assumption, potential liquidity risks and cash flow projection.

All these factors indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not adequately disclose this matter.

Other matter – Comparative Information

Without modifying our opinion, we draw attention to Note 1 to the Financial Statements which describes that the Company adopted IFRS with transition date of January 1, 2023. These standards were applied retrospectively by management and Board of Directors of the Company to the comparative information in these Financial Statements, including the statement of financial position as of December 31, 2023 and the statement of operations and comprehensive loss, shareholders' deficiency and cash flows for the year ended December 31, 2023, and notes to the Financial Statements.

We were not engaged to report on the restated comprehensive information in the financial statements and, as such, it is unaudited.

Other information included in the Company's 2024 Annual Report

Other information consists of the information included in the Company's 2024 Annual Report other than the Financial Statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2024 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the Financial Statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and those Charged with Governance for the Financial Statements.

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

In preparing the Financial Statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern as basis of accounting, unless Management and the Board of Directors either intend to liquidate the Company or to cease its operations, or has no realistic alternatives, but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the 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 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:

- (1) Identify and assess the risks of material misstatement of the 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.

- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management.
- (4) Conclude on the appropriateness of the Company's Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the 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.


Ovadia Kriheli & Co.
Certified Public Accountants

Member of BOKS International

September 30, 2025

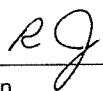
CWE European Holdings Inc.

Consolidated Statements of Financial Position as of December 31,

		2024	2023	2022
	Note	Canadian Dollar	Canadian Dollar (Unaudited)	Canadian Dollar (Unaudited)
Assets				
Cash and Cash Equivalents		489,238	228,356	381,744
Trade Accounts Receivable	4	227,678	45,980	53,259
Other Accounts Receivable	5	103,076	435,185	149,869
Inventory	6	921,132	449,558	534,471
Loans to a Shareholder	14	67,401	11,913	43,349
Total current assets		1,808,528	1,170,992	1,162,692
Lease Deposits		163,423	130,080	195,634
Property and Equipment	8	140,454	132,093	315,552
Right of Use Assets	8	969,322	556,107	814,246
Intangible Assets	7	54,705	55,560	91,977
Total non-current assets		1,327,904	873,840	1,417,409
Total assets		3,136,432	2,044,832	2,580,101
Liabilities				
Accounts Payable and Accrued Liabilities		345,804	574,806	1,022,479
Other Accounts Payable	9	1,005,341	938,735	696,103
Lease Obligations	10	270,748	245,498	274,819
Short Term Loans and Current Portion of Long -Term Debt	12	200,777	199,104	20,993
Loans from Related Parties	14	150,263	44,580	41,386
Total current liabilities		1,972,933	2,002,723	2,055,780
Long Term Loans		-	5,958	198,288
Lease Obligations	10	729,187	437,835	570,322
Total non-current liabilities		729,187	443,793	768,610
Total liabilities		2,702,120	2,446,516	2,824,390
Equity				
Non-controlling interests:				
Share Capital		3,742	3,742	3,742
Accumulated Losses		(157,964)	(199,141)	(194,292)
Other Comprehensive income		-	121	152
		(154,222)	(195,278)	(190,398)
Equity attributable to owners of the Company		588,534	(206,406)	(53,891)
Total Equity		434,312	(401,684)	(244,289)
Total Liabilities and Shareholders' Equity		3,136,432	2,044,832	2,580,101

The accompanying Notes form an integral part of these consolidated financial statements.


John Ross,
Chief Financial Officer


Ronnie Jaegermann
Chief Executive Officer


Jörn Follmer
Chairman of the Board of Director

CWE European Holdings Inc.

Consolidated Statements of Changes in Equity as of

	Number of common shares	Share Capital	Warrants	Foreign currency translation differences of foreign operations	Accumulated Losses	Total shareholders' equity (deficiency)
January 1, 2023 (Unaudited)	50,436,867	1,573,233	1,004,522	12,145	(2,834,190)	(244,290)
Private placements (Note 13)	3,750,525	450,063	-	-	-	450,063
Fair value of warrants issued (Note 13)	-	(230,465)	230,465	-	-	-
Expiration of broker warrants	-	78,152	(78,152)	-	-	-
Revaluation of 2021 warrants	-	(108,580)	108,580	-	-	-
Revaluation of 2022 warrants	-	(16,428)	16,428	-	-	-
Foreign exchange translation	-	-	-	252,053	-	252,053
Net loss	-	-	-	-	(859,510)	(859,510)
December 31, 2023 (Unaudited)	54,187,392	1,745,975	1,281,843	264,198	(3,693,700)	(401,684)
Private placements (Note 13)	1,575,000	189,000	-	-	-	189,000
Receipts for future issuance of shares and warrants units (Note 1)	-	240,648	-	-	-	240,648
Fair value of warrants issued (Note 13)	-	(81,196)	81,196	-	-	-
Foreign exchange translation	-	-	-	34,976	-	34,976
Net profit	-	-	-	-	371,372	371,372
December 31, 2024	55,762,392	2,094,427	1,363,039	299,174	(3,322,328)	434,312

The accompanying Notes form an integral part of these consolidated financial statements.

CWE European Holdings Inc.

Consolidated Statements of Profit or Loss and Other Comprehensive Income for the Year Ended December 31

	Note	2024 Canadian Dollar	2023 Canadian Dollar (Unaudited)
Revenues	16	7,116,706	4,310,092
Cost of revenue	17	2,983,328	1,871,013
Gross profit		4,133,378	2,439,079
Selling	18	1,775,038	1,738,935
General and Administration	19	1,512,247	1,099,060
Write off bad debts		-	367,761
Other expenses (income)		7,715	(133,094)
		3,295,000	3,072,662
Operating profit (loss)		838,378	(633,583)
Financial (Income)	20	(23,914)	(560)
Financial expense	20	106,447	68,772
		82,533	68,212
Loss from disposal of subsidiary company		-	157,327
Profit (loss) before taxes on income		755,846	(859,122)
Income taxes	11	384,474	388
Net income (loss) for the year		371,372	(859,510)
Other comprehensive income that will be transferred to profit or loss:			
Foreign currency translation differences of foreign operations		34,976	252,035
Total Comprehensive Income (loss)		406,348	(607,475)
Net Income (Loss):			
Attributed to the owners of the Company - CWE group		330,316	(854,630)
Attributed to Non- Controlling Interest		41,056	(4,880)
Earnings per common share			
Basic and diluted		0.01	(0.01)
Earnings per common share – Discontinued operations			
Basic and diluted		-	(0.00)
Weighted average number of common shares outstanding			
Basic and diluted (Note 13)		55,762,392	54,187,392

The accompanying Notes form an integral part of these consolidated financial statements.

CWE European Holdings Inc.

Consolidated Statements of Cash Flows for the Year Ended December 31

	2024 Canadian Dollar	2023 Canadian Dollar (Unaudited)
Cash flows from operating activities		
Profit (loss) for the year	371,372	(859,510)
Adjustments to reconcile net Income (loss) to net cash provided by (used in) operating activities		
Items not effecting Cash		
Depreciation and Amortization	58,904	312,057
Changes working capital		
Trade and other receivables	150,411	(104,920)
Prepays and Deposits	(33,343)	65,554
Inventory	(471,574)	200,603
Right of Use Assets	268,430	239,539
Intangible Assets	855	36,417
Accounts Payable and Accrued Liabilities	(229,002)	(662,701)
Other Accounts Payable	66,606	113,755
Net cash provided by (used in) operating activities	182,658	(659,205)
Cash flows from investing activities		
Investment in Property and Equipment	(67,267)	(4,730)
Cash deficit from discontinued operation, Annex A	-	(68,772)
Net cash used in investing activities	(67,267)	(73,502)
Cash flows from financing activities		
Current Lease Liabilities	25,250	(29,321)
Short Term Loans and Current Portion of Long - Term Debt	1,673	178,111
Private Placement	189,000	450,063
Right of Use Assets	(681,645)	18,600
Receipts for future issuance of shares and warrants units	240,648	-
Loans to a Shareholder	(55,488)	31,436
Loans from Related Parties	105,683	3,194
Lease Obligations	291,352	(132,487)
Long Term Loans	(5,958)	(192,330)
Net cash provided by financing activities	110,515	327,266
Effect of exchange rate fluctuations on Cash and Cash Equivalent	34,976	250,053
Net increase (decrease) in cash and cash equivalent for year	260,882	(153,388)
Cash and Cash Equivalent at Beginning of Year	228,356	381,744
Cash and cash equivalent at end of year	489,238	228,356

The accompanying Notes form an integral part of these consolidated financial statements

Annex A - Additional information for disposal of consolidated subsidiary - ZWEI

	2023 Canadian Dollar
	<u>(Unaudited)</u>
Cash flows from discontinued operation of consolidated subsidiary - ZWEI	
Loss incurred	(157,327)
Cash proceed	1
Proceed receivable	167,782
Trade Receivables	8,462
Other Accounts Receivable	164,655
Inventory	115,690
Property and Equipment	123,868
Accounts Payable and Accrued Liabilities	(215,028)
Other Accounts Payable	<u>(276,825)</u>
Net cash deficit from discontinued operation	(68,772)

The accompanying Notes form an integral part of these consolidated financial statements.

1. General

Reporting Entity

CWE European Holdings Inc. (the "Company" or "CWE") was incorporated under the Business Corporations Act (Canada) on June 5, 2019.

The Company's head office and office records address is located at #210-577 Great Northern Way, Vancouver, BC, V5T 1E1. The registered and records office is Suite 2400, 525 – Avenue SW, Calgary, AB, T2P 1G1, Canada.

The Company acquired a 89.6% interest in DCI Cannabis Institut GmbH ("DCI") in Germany on July 4, 2019. On April 16, 2020, the Company acquired a 100% interest in CWE Trading UG ("CWE UG") in Germany. On August 5, 2020, the Company acquired a 100% interest in CWE Trading EINS GmbH ("CWE EINS GmbH") in Germany. On April 4, 2021, the Company acquired a 100% interest in CWE Holding Europe GmbH ("CWE Holding GmbH") and on April 15, 2021, the Company acquired a 100% interest in CWE Trading ZWEI GmbH ("CWE ZWEI GmbH") in Germany.

Company's Operations

The Company operates retail hemp and cannabidiol (CBD) businesses in Germany.

Material Events in the Reporting Period

On September 6, 2024, the Company completed a non-brokered \$0.12 unit financing for \$189,000 which consisted of 1,575,000 units. Each unit was comprised of one common share and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of \$0.14 until April 3, 2027.

On October 11, 2023, the Company completed a non-brokered \$0.12 unit financing for \$107,163 which consisted of 893,025 units. Each unit was comprised of one common share and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of \$0.14 until April 3, 2027.

On October 27, 2023, the Company completed a non-brokered \$0.12 unit financing for \$342,900 which consisted of 2,857,500 units. Each unit was comprised of one common share and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of \$0.14 until April 3, 2027.

On December 30, 2023, the Company sold its CWE Trading ZWEI GmbH subsidiary for \$1 to a related party. At December 31, 2023, the related party owed \$283,285 to the Company (see Note 2).

In 2023, the Company extended the term of all the warrants to April 3, 2027.

Definitions

In these financial statements –

- (1) The Company – CWE European Holdings Inc.
- (2) The Group – CWE European Holdings Inc. and its subsidiaries.
- (3) Consolidated companies/subsidiaries – Companies, the financial statements of which are fully consolidated, directly or indirectly, with the financial statements of the Company.
- (4) Related party – Within its meaning in IAS 24 (2009), "Related Party Disclosures".

Financial Position

These consolidated financial statements have been prepared on the basis of a going concern which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent on being able to raise the necessary funding to continue operations, through public equity, debt financings, joint arrangements and other contractual arrangements, or being able to operate profitably in the future. Until 2024, the Company has incurred losses since

inception and as at December 31, 2024 has negative working capital of \$164,405 (December 31, 2023, unaudited – negative \$831,802), and an accumulated losses of \$ 3,322,328. While the Company reported a profit in 2024, it does not have a significant history of profitable operations. There is no assurance that additional funding will be available on a timely basis or on terms acceptable to the Company. If the Company is unable to obtain sufficient funding, the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles as a going concern will be in doubt. These uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

As part of their ongoing responsibilities, the Company's Board of Directors and Management have undertaken a thorough review of the Company's cash flow forecast and potential liquidity risks. Forecasts of operating results and cash flow projections were prepared for the period of 12 months from the date of approval of the financial statements. According to such projections, the Company's Board of Directors and Management believe that the Company has sufficient resources for the continuation of its research and development activities and to meet its obligations for at least 12 months from the date of approval of the financial statements.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying amount of assets, the reported expenses, and the balance sheet classifications used.

The Company's operations are dependent upon certain key personnel including related parties.

Material Events Subsequent to the Date of Statement of Financial Position

On April 10, 2025, subsequent to date of the statement of financial position, the Company completed a non-brokered \$0.12 unit financing for \$302,385 which consisted of 2,519,875 units. Each unit was comprised of one common share and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of \$0.14 until April 3, 2027.

As of the date of statement of financial position the company received \$ 240,648 payments for subscription of units, that were charge to shareholders' capital as receipts for future issuance of units shares and warrants.

On August 18, 2025 subsequent to date of the statement of financial position, Neural Therapeutics Inc. acquired a 30.75% interest in the Company for a consideration consist aggregate 79,999,960 of Neural Shares to former CWE shareholders, based on an agreed exchange ratio of 4 Neural Shares for each CWE ordinary share previously held by such CWE shareholders, representing approximately 47.4% of Neural issued and outstanding common shares on a post-transaction basis.

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements were authorized for issue on September 30, 2025 by the Board of Directors of the Company.

First Time Adoption of IFRS

The statements of financial position as of December 31, 2024, and 2023 and the related statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the years ended December 31, 2024 and 2023 are the first financial statements of the Company which are presented in accordance with IFRS. As such, the Company makes an explicit and unreserved statement of compliance with IFRS. On date of transition to IFRS as of January 1, 2023, the Company has stated its statements of financial position under IFRS. As a result, the entity has recognized all assets and liabilities required by IFRS; derecognized all assets and liabilities not permitted by IFRS; classified all assets, liabilities and components of equity in accordance with IFRS; and measured all assets and liabilities in accordance with IFRS. There was no impact on January 1, 2023 (*Unaudited*) on the statements of financial position on the first-time adoption of IFRS.

Consolidated Financial Statements

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3.

Subsidiaries are those entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Company controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the parent company.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Company. A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

These consolidated financial statements include accounts of the Company and its subsidiaries under control.

			Percentage		
			2024	2023	2022
	CWE European Holdings Inc.	Canada			
	CWE Trading GmbH	Germany	100	100	100
	CWE Trading EINS GmbH	Germany	100	100	100
	CWE Holding Europe GmbH	Germany	100	100	100
	DCI Cannabis Institut GmbH	Germany	89.6	89.6	89.6
	CWE Trading ZWEI GmbH	Germany	-	-	100

The Company has 100% ownership of all subsidiaries noted in the chart above, except for DCI Cannabis Institut GmbH, which is 89.6% owned by the Company.

Measurement of non-controlling interests on the date of the business combination

Non-controlling interests that are instruments that give rise to a present ownership interest and entitle the holder to a share of net assets in the event of liquidation (for example: ordinary shares), are measured at the date of the business combination at either fair value, or at their proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis. This accounting policy choice does not apply to other instruments that meet the definition of non-controlling interests (for example: options to ordinary shares). Such instruments will be measured at fair value or in accordance with other relevant IFRSs.

Allocation of profit or loss and other comprehensive income to the shareholders

Profit or loss and any part of other comprehensive income are allocated to the owners of the Company and the non-controlling interests. Total profit or loss and other comprehensive income is allocated to the owners of the Company and the non-controlling interests even if the result is a negative balance of non-controlling interests.

Transactions with non-controlling interests, while retaining control

Transactions with non-controlling interests while retaining control are accounted for as equity transactions. Any difference between the consideration paid or received and the change in non-controlling interests is included in the owners' share in equity of the Company directly in retained earnings.

The amount of adjustment to non-controlling interests is calculated as follows:

For an increase in the holding rate, according to the proportionate share acquired from the balance of non-controlling interests in the consolidated financial statements prior to the transaction.

For a decrease in the holding rate, according to the proportionate share realized by the owners of the subsidiary in the net assets of the subsidiary, including goodwill.

Sale of a subsidiary company CWE Trading ZWEI GmbH

On December 30, 2023, the Company sold its CWE Trading ZWEI GmbH subsidiary for \$167,783, fully paid during 2024.

Presented hereunder are the results attributable to the subsidiary CWE Trading ZWEI GmbH operations:

	<u>2023</u> <u>(Unaudited)</u>
Results of discontinued operation of consolidated subsidiary - ZWEI	
Revenue	327,422
Expenses	409,418
Results from operating activities before taxes on income	<u>81,996</u>
Taxes on income	(388)
Net loss	<u><u>81,608</u></u>

Effect of disposal of ZWEI on the financial position of the Group

	<u>December 31</u> <u>2023</u> <u>(Unaudited)</u>
Asset sold	\$ 669,016
Liabilities sold	343,906
Net assets sold	<u>325,110</u>
Consideration received	167,783
Loss from disposal of ZEWI	<u>157,327</u>

Use of Estimates, Judgments and Assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses and other income during the period. Actual results may differ from these estimates.

The preparation of accounting estimates in the Company's financial statements requires that management of the Company makes assumptions regarding circumstances and events that involve considerable uncertainty. Company Management prepares the estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate, including judgments regarding going concern of the Company see in Note 1.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Deferred tax assets

The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future or whether taxable temporary differences will reverse such that deferred tax assets can be utilized. Recognition therefore involves a degree of estimation and judgement regarding the future financial performance or the timing of the reversed deferred tax liabilities where deferred tax assets have been recognized.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Estimates of useful lives of property and equipment

Management's judgment involves consideration of intended use, industry trends and other factors in determining the expected useful lives of depreciable assets and determining depreciation methods.

Leases

The Company applies judgment to determine the lease term for some lease contracts in which it is a lessee that includes renewal options. The assessment of whether the Company is reasonably certain to exercise such options will impact the lease term, which significantly impacts the amount of lease liabilities and right-of-use assets recognized.

Determination of fair value

Preparation of the financial statements requires the Group to determine the fair value of certain assets and liabilities. When determining the fair value of an asset or liability, the Company uses observable market data as much as possible. There are three levels of fair value measurements in the fair value hierarchy that are based on the data used in the measurement, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly

Level 3: inputs that are not based on observable market data.

Measurement of variable consideration

In order to determine the transaction price, the Group estimates the amount of the variable consideration and recognizes revenue in an amount where there is a high probability that its inclusion will not result in a significant revenue reversal in the future after the uncertainty has been resolved.

As of December 31, 2024, and 2023 the fair value of variable elements relates to setup of the systems, training, being part of the brand, is considered immaterial for a separate measurement.

Assessment of expected credit losses

When testing financial assets for impairment, the Group assesses whether the credit risk attributable to the financial asset has increased significantly since its initial recognition, and uses forward-looking information to measure expected credit losses.

Classification of expenses recognized in the statement of income

Classification of expenses is recognized in the statement of income based on the function of the expense. This method of classification is appropriate for understanding the business of the Company.

Operating Cycle

The operating cycle of the Company is one year. Thus, current assets and current liabilities include items the realization of which is intended and anticipated to take place within one year.

Foreign Currency Translations

Functional and presentation currencies

The consolidated financial statements of the Company are presented in Canadian Dollars, the functional currency of the parent Company and the reporting currency of the Group.

Translation from Functional Currency to Presentation Currency by a subsidiary companies operates in Germany, whose functional and reporting currency is Euro, is performed as follow: (1) all assets and liabilities were translated using the closing exchange rate as of the balance sheet date; (2) equity items were translated using historical exchange rates; (3) items of comprehensive income/loss, unless this is not practicable to assess the cumulative effect of the rates prevailing on the transaction dates; were translated at the average exchange of each reported

year; and (4) the resulting translation differences have been reported as foreign currencies translation adjustments within other comprehensive income/loss.

Transactions, assets and liabilities in foreign currency

Transactions denominated in foreign currencies are initially recognized in functional currency at the exchange rate at the date of the transaction. Following the initial recognition, monetary assets and liabilities denominated in foreign currency are remeasured to the functional currency at the exchange rate of each reporting date. Exchange rate differences are recognized in profit or loss.

Non-monetary assets and liabilities denominated in foreign currency and measured at cost are measured at the exchange rate at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are measured into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue to operate and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company's capital is composed of its shareholders' equity and its liabilities.

The Company manages and adjusts its capital structure whenever changes to the risk characteristics of the underlying assets or changes in economic conditions occur. To maintain or adjust the capital structure, the Company may issue new shares or acquire, dispose of or jointly operate certain of its assets. In order to facilitate the management of its capital requirements, the Company actively monitors its liquidity and short and long-term funding requirements. There was no change to the Company's approach to capital management during the year.

Future financing is dependent upon market conditions and there can be no assurance the Company will be able to raise funds in the future should the need arise. The Company defines capital as shareholders equity plus the convertible debentures.

The Company manages its capital structure to maximize its financial flexibility by 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 but rather relies on the expertise of the Company's management to sustain the future development of the business.

The Company's objective when managing its capital is to maintain adequate levels of funding to support its operations and maintain the necessary corporate and administrative functions to facilitate these activities.

In order to maintain or adjust the capital structure, the Company (upon approval from its Board of Directors, as required) may issue additional capital, primarily through equity financing. The Board of Directors reviews and approves any material transaction out of the ordinary course of business, including major investments, as well as annual capital and operating budgets. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable, see also Note 21.

3. MATERIAL ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash balances available for immediate use, not restricted and call deposits. Cash equivalents are considered as highly liquid investments, including unrestricted highly liquid investments and short-term bank deposits with an original maturity of three months or less from the date of acquisition or with a maturity of more than three months, but which are redeemable on demand without penalty, and which form part of the Company's cash management. Short-term highly liquid investments (with original maturities of three months or less) consist of readily convertible into known amounts of cash and are exposed to insignificant risks of change in value.

Revenue recognition

The Company generates revenue primarily from the sale of retail hemp and cannabidiol (CBD), primarily to customers in Germany.

Revenue for retail operations is measured at the fair value of the consideration received, when control of the goods is transferred to the customer and the collectability is reasonably assured. Payment is generally made with cash or credit card.

Revenue for sales to other businesses is measured at the fair value of the consideration received, net of discounts, when control of the goods is transferred to the customer and the collectability is reasonably assured. Payment is made under general commercial terms.

Fixed fee for franchisees arrangement paid to the Company in a relatively very short period, is recognized upon the parties to the contract have approved the contract and they are committed to satisfying the obligations attributable to them.

Fair value of variable elements relates to setup of the systems, training, being part of the brand, is considered immaterial for a separate measurement.

Royalty payment for franchisees is recognized upon it is probable that the royalty payment, to which the Company is entitled, is reasonably assured to be collected

Financial instruments

Non-derivative financial assets

Initial recognition and measurement of financial assets

The Group initially recognizes trade receivables and debt instruments issued on the date that they are created. All other financial assets are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. A financial asset is initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial asset. A trade receivable without a significant financing component is initially measured at the transaction price. Receivables originating from contract assets are initially measured at the carrying amount of the contract assets on the date classification was changed from contract asset to receivables.

Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the Group to the cash flows from the asset expire, or the Group transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred. When the Group retains substantially all of the risks and rewards of ownership of the financial asset, it continues to recognize the financial asset.

Classification of financial assets into categories and the accounting treatment of each category

Financial assets are classified at initial recognition to one of the following measurement categories: amortized cost; fair value through other comprehensive income – investments in debt instruments; fair value through other comprehensive income – investments in equity instruments; or fair value through profit or loss.

Financial assets are not reclassified in subsequent periods unless, and only if, the Group changes its business model for the management of financial debt assets, in which case the affected financial debt assets are reclassified at the beginning of the period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at fair value through profit or loss:

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

A debt instrument is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated at fair value through profit or loss:

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

In certain cases, on initial recognition of an equity investment that is not held for trading, the Group irrevocably elects to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or fair value through other comprehensive income as described above, as well as financial assets designated at fair value through profit or loss, are measured at fair value through profit or loss. On initial recognition, the Group designates financial assets at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group has balances of trade and other receivables and deposits that are held within a business model whose objective is collecting contractual cash flows. The contractual cash flows of these financial assets represent solely payments of principal and interest that reflects consideration for the time value of money and the credit risk. Accordingly, these financial assets are measured at amortized cost.

Assessment of the business model for debt assets

The Group assesses the objective of the business model within which the financial asset is held on the level of the portfolio, since this best reflects the manner by which the business is managed and information is provided to management. The following considerations are taken into account in the assessment of the Group's business model:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- How the performance of the business model and the financial assets within the model is evaluated and reported to the entity's key management people;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated (for example, whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for the sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for purposes of assessment of the business model, consistent with the Group's continuing recognition of those financial assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis, are measured at fair value through profit or loss.

Assessment whether cash flows are solely payments of principal and interest

For the purpose of assessing whether the cash flows are solely payments of principal and interest, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the

time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the timing or amount of the cash flows;
- Terms that may change the stated interest rate, including variable interest;
- Extension or prepayment features; and
- Terms that limit the Group's claim to cash flows from specified assets (for example a non-recourse financial asset).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation, received or paid, for early termination of the contract. Additionally, for a financial asset acquired at a significant premium or discount compared to its contractual stated value, a feature that permits or requires prepayment at an amount that substantially represents the contractual stated value plus accrued (but unpaid) interest (which may also include reasonable additional compensation, received or paid, for early termination), is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement and gains and losses

Financial assets at fair value through profit or loss

These assets are subsequently measured at fair value. Net gains and losses, including any interest income or dividend income, are recognized in profit or loss (other than certain derivatives designated as hedging instruments).

Investments in equity instruments at fair value through other comprehensive income

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Investments in debt instruments at fair value through other comprehensive income

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Non-derivative financial liabilities

Non-derivative financial liabilities include bank overdrafts, loans and borrowings from banks and others, marketable debt instruments, finance lease liabilities, and trade and other payables.

Initial recognition of financial liabilities

The Group initially recognizes debt securities issued on the date that they originated. All other financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Subsequent measurement of financial liabilities

Financial liabilities (other than financial liabilities at fair value through profit or loss) are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities are designated at fair value through profit or loss if the Group manages such liabilities and their performance is assessed based on their fair

value in accordance with the Group's documented risk management strategy, providing that the designation is intended to prevent an accounting mismatch, or the liability is a combined instrument including an embedded derivative.

Transaction costs directly attributable to an expected issuance of an instrument that will be classified as a financial liability are recognized as an asset in the framework of deferred expenses in the statement of financial position. These transaction costs are deducted from the financial liability upon its initial recognition, or are amortized as financing expenses in the statement of income when the issuance is no longer expected to occur.

Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation of the Group, as specified in the agreement, expires or when it is discharged or cancelled.

Substantial modification in terms of debt instruments

An exchange of debt instruments having substantially different terms, is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Furthermore, a substantial modification of the terms of an existing financial liability, or an exchange of debt instruments having substantially different terms between an existing borrower and lender, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability at fair value.

In such cases the entire difference between the amortized cost of the original financial liability and the fair value of the new financial liability is recognized in profit or loss as financing income or expense.

The terms are substantially different if the discounted present value of the cash flows according to the new terms, including any commissions paid, less any commissions received and discounted using the original effective interest rate, is different by at least ten percent from the discounted present value of the remaining cash flows of the original financial liability.

In addition to the aforesaid quantitative criterion, the Group examines, inter alia, whether there have also been changes in various economic parameters inherent in the exchanged debt instruments, therefore, as a rule, exchanges of CPI-linked debt instruments with unlinked instruments are considered exchanges with substantially different terms even if they do not meet the aforementioned quantitative criterion.

Upon the swap of debt instruments with equity instruments, equity instruments issued at the extinguishment and de-recognition of all or part of a liability, are a part of "consideration paid" for purposes of calculating the gain or loss from de-recognition of the financial liability.

The equity instruments are initially recognized at fair value, unless fair value cannot be reliably measured – in which case the issued instruments are measured at the fair value of the derecognized liability. Any difference between the amortized cost of the financial liability and the initial measurement amount of the equity instruments is recognized in profit or loss under financing income or expenses.

Non-substantial modification in terms of debt instruments

In a non-substantial modification in terms (or exchange) of debt instruments, the new cash flows are discounted using the original effective interest rate, and the difference between the present value of the new financial liability and the present value of the original financial liability is recognized in profit or loss.

Offset of financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Management determines the classification of its financial assets at initial recognition.

The following table shows the classification of the Company's financial instruments:

Financial assets	
Cash and cash equivalents	Amortized cost
Accounts receivables	Amortized cost
Receivables from Related Parties	Amortized cost
Loans to Shareholders	Amortized cost
Financial liabilities	
Accounts payable and accruals	Amortized cost
Loans Payable	Amortized cost
Loans from Shareholders	Amortized cost
Loans from Related Parties	Amortized cost

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss and comprehensive loss. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized. As at December 31, 2024, the Company recognized a bad debts expense of \$Nil in the consolidated statement of income (loss) and comprehensive income (loss) for the year ended December 31, 2024 (2023 unaudited - \$Nil).

The Group recognizes a provision for expected credit losses in respect of:

- Financial assets at amortized cost;
- Investment in debt instruments at fair value through other comprehensive income;
- Contract assets (as defined in IFRS 15); and
- Lease receivables.

The Group has elected to measure the provision for expected credit losses in respect of trade receivables, contract assets and lease receivables at an amount equal to the full lifetime credit losses of the instrument.

With respect to other debt assets, the Group measures the provision for expected credit losses at an amount equal to the full lifetime expected credit losses, other than the provisions hereunder that are measured at an amount equal to the 12-month expected credit losses:

- Debt instruments that are determined to have low credit risk at the reporting date; and
- Other debt instruments and deposits, for which credit risk has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available with no undue cost or effort. Such information includes quantitative and qualitative information, and an analysis, based on the Group's past experience and informed credit assessment, and it includes forward-looking information.

The Group assumes that the credit risk of a financial asset has increased significantly since initial recognition when contractual payments are past due for more than 30 days.

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full; or
- The contractual payments of the financial asset are past due for more than 90 days.

The Group considers a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime expected credit losses are expected credit losses that result from all possible default events over the expected life of the financial asset. 12-month expected credit losses are the expected credit losses that result from possible default events within the 12 month period after the reporting date. The maximum period considered when assessing expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt instruments at fair value through other comprehensive income are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following events:

- Significant financial difficulty of the issuer or borrower;
- A breach of contract such as a default or payments being past due;
- The restructuring of a loan or payment due to the Group on terms that the Group would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

Presentation of provision for expected credit losses in the statement of financial position

Provisions for expected credit losses of financial assets measured at amortized cost are deducted from the gross carrying amount of the financial assets.

For investments in debt instruments at fair value through other comprehensive income, the provision for expected credit losses is recognized in other comprehensive income and it does not reduce the carrying amount of the financial asset.

Write-off

The gross carrying amount of a financial asset is written off when the Group does not have reasonable expectations of recovering a financial asset at its entirety or a portion thereof. This is usually the case when the Group determines that the debtor does not have assets or sources of income that may generate sufficient cash flows for paying the amounts being written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Write-off constitutes a de-recognition event.

De-recognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company recognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also recognizes financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on de-recognition are recognized in statement of loss and comprehensive loss.

The Company's financial instruments at December 31, 2024, consist as follows:

	Level 1	Level	Level 3
Financial assets			
Cash & cash equivalents	\$ 489,237	\$ –	\$ –
Trade accounts receivable	–	–	227,678
Other accounts receivable			103,076
Financial liabilities			
Accounts payable and accruals	\$ –	\$ –	\$ 345,804
Other accounts payable and accruals	–	–	1,005,341
Loans Payable	–	–	200,777
Loans from Shareholders	–	–	–
Loans from Related Parties	–	–	150,263

Cash and cash equivalents, and accounts receivables have been measured at fair value using Level 1 inputs.

The carrying value of accounts receivables, accounts payable and accruals, lease obligations, and loans payable, approximate their fair value because of the short-term nature of these instruments or their ability of prompt liquidation.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

Incremental costs directly attributable to an expected issuance of an instrument that will be classified as an equity instrument are recognized as an asset in deferred expenses in the statement of financial position. The costs are deducted from equity upon the initial recognition of the equity instruments or are amortized as financing expenses in the statement of income when the issuance is no longer expected to take place.

Financing Income and Expenses

Financing income comprises interest income on funds invested, dividend income, gains on changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, net gains on disposal of an investment in a debt instrument measured at fair value through other comprehensive income, gains on hedging instruments that are recognized in profit or loss and the reclassification of net gains and losses previously recognized in other comprehensive income on cash flow hedges of foreign currency and interest rate risks for borrowings.

Financing expenses comprise interest expense on borrowings, changes in time value of provisions and deferred consideration, changes in the fair value of contingent consideration from a business combination, changes in the fair value of financial assets at fair value through profit or loss, net losses on disposal of an investment in a debt instrument measured at fair value through other comprehensive income, impairment losses on financial assets (other than losses on impairment of trade receivables, other receivables and contract assets that are presented in a separate item) and losses on hedging instruments that are recognized in profit or loss. Borrowing costs, which are not capitalized to qualifying assets, are recognized in profit or loss using the effective interest method.

In the statements of cash flows, interest received and dividends received are presented as part of cash flows from investing activities.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either financing income or financing expenses depending on whether foreign currency movements are in a net gain or net loss position.

Interest income or expense is recognized using the effective interest method. Generally, in calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the financial asset or to the amortized cost of the financial liability, as applicable. However, for credit-impaired financial assets that were purchased or created, or for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

Inventory

Inventories are measured at the lower cost and net realizable value. The cost of inventories is based on the first-in first-out ("FIFO") method, and includes expenditure incurred in acquiring the inventories and the costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable.

Intangible assets

Intangible assets include software, licences and domains. Intangible assets are amortized over their useful life (software 3 years, licences 15 years, domain is indefinite).

Domains are not amortized due to the expected perpetual nature of the asset. The Company reviews domain assets for impairment annually. The amortization period and the amortization method for an intangible asset are reviewed annually and adjustments, where applicable, are made on a prospective basis. The carrying amount of these assets is reviewed whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable.

When there has been a significant adverse change, the carrying amount of the asset is reduced to the highest of the present value of expected cash flows; the amount that could be realized by selling the asset; and the amount that could be realized by exercising the Company's right to any collateral held as security.

Expenditure, including that incurred in order to maintain an intangible assets current level of performance, is expensed as incurred.

Property and equipment

Property and equipment are recorded at cost that includes expenditure that is directly attributable to the acquisition of the asset, less accumulated depreciation and accumulated impairment write-downs. These assets are depreciated over the estimated useful lives of each asset using straight line method, reflecting the expected consumption of its economic benefits.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting year and adjusted if appropriate.

Routine maintenance and minor repairs are expensed as incurred.

Gains and losses on disposal of equipment are recognized within "other income" or "other expenses", as applicable, in profit or loss statement.

The estimated useful lives for the current and comparative periods are as follows:

	Years
Leaseholds	Over the term of the lease (3 – 10 years)
Furniture and equipment	3 – 9 years
Electric equipment and computers	5 – 11 years
Vehicles	4 – 9 years

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its property and equipment to determine whether there is an indication of impairment. If any such indication exists, the extent of the impairment charge is determined based on the estimated recoverable amount of the asset.

The recoverable amount of the asset used for this purpose is the higher of the fair value less costs to sell and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assignments of the time value of money and the risks specific to the asset.

If the recoverable amount of the asset is estimated to be less than its carrying value, the recorded amount of the asset is reduced to its recoverable amount. An impairment charge is recognized immediately in the statement of loss and comprehensive loss, unless the asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to a maximum amount equal to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset when it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably. There were no provisions recorded for the years presented in these consolidated financial statements

Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Unrecognized deferred tax assets are reassessed by Management at each reporting date and are recognized to the extent that it is probable that the deferred tax asset be utilized against future taxable income, allow the deferred income tax asset to be recovered.

As of December 31, 2024, Management believed that the deferred tax assets is not likely to be realizable against taxable income in the foreseeable future and therefore has provided a valuation allowance against the deferred tax asset.

Warrants

Equity financing transactions may involve issuance of common shares units. A unit comprises a certain number of common shares and a certain number of share purchase warrants.

Proceeds received from the issuance of units, consisting of common shares and warrants, are allocated to common shares and warrants on a relative fair value basis whereby the common shares are valued based on the quoted market price of the common shares at the time the units are issued, and the share purchase warrants are valued using the Black-Scholes option pricing model.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

In its assessment of whether an arrangement conveys the right to control the use of an identified asset, the Group assesses whether it has the following two rights throughout the lease term:

- (a) The right to obtain substantially all the economic benefits from use of the identified asset; and
- (b) The right to direct the identified asset's use.

Contracts that award the Group control over the use of a leased asset for a period of time in exchange for consideration, are accounted for as leases. Upon initial recognition, the Group recognizes a liability at the present value of the balance of future lease payments (these payments do not include certain variable lease payments), and concurrently recognizes a right-of-use asset at the same amount of the lease liability, adjusted for any prepaid or accrued lease payments, plus initial direct costs incurred in respect of the lease.

Since the interest rate implicit in the Group's leases is not readily determined, the incremental borrowing rate of the lessee is used. Subsequent to initial recognition, the right-of-use asset is accounted for using the cost model and depreciated over the shorter of the lease term or useful life of the asset.

The Group has elected to apply the practical expedient by which short-term leases of up to one year and/or leases in which the underlying asset has a low value, are accounted for such that lease payments are recognized in profit or loss on a straight-line basis, over the lease term, without recognizing an asset and/or liability in the statement of financial position.

The lease term is the non-cancellable period of the lease plus periods covered by an extension or termination option if it is reasonably certain that the lessee will or will not exercise the option, respectively.

Variable lease payments that depend on an index or a rate are initially measured using the index or rate existing at the commencement of the lease and are included in the measurement of the lease liability. When the cash flows of future lease payments change as the result of a change in an index or a rate, the balance of the liability is adjusted against the right-of-use asset.

Other variable lease payments that are not included in the measurement of the lease liability are recognized in profit or loss in the period in which the event or condition that triggers payment occurs.

After lease commencement, a right-of-use asset is measured on a cost basis less accumulated depreciation and accumulated impairment losses and is adjusted for re-measurements of the lease liability. Depreciation is calculated on a straight-line basis over the useful life or contractual lease period, whichever earlier, as follows:

- Right of use buildings 3 – 10 years
- Right of use other equipment 4 - 9 years

Earning per common share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The diluted loss per share calculation assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. The Company's outstanding stock options and in the money warrants did not materially affect the earnings per share for the year

ended December 31, 2024. All of the Company's outstanding stock options and warrants were anti-dilutive for the year ended December 31, 2023.

New Accounting standards not yet adopted

IFRS 18, Presentation and Disclosure in Financial Statements

This standard replaces IAS 1, Presentation of Financial Statements. The purpose of the standard is to provide improved structure and content to the financial statements, particularly the income statement. The standard includes new disclosure and presentation requirements that were taken from IAS 1, Presentation of Financial Statements, with small changes.

As part of the new disclosure requirements, companies will be required to present two subtotals in the income statement: operating profit and profit before financing and taxes. Furthermore, for most companies, the results in the income statements will be classified into three categories: operating profit, profit from investments and profit from financing.

In addition to the changes in the structure of the income statements, the standard also includes a requirement to provide separate disclosure in the financial statements regarding the use of management-defined performance measures (non-GAAP measures).

Furthermore, the standard adds specific guidance for aggregation and disaggregation of items in the financial statements and in the notes. The standard will encourage companies to avoid classifying items as 'other' (for example, other expenses), and using this classification will lead to additional disclosure requirements.

The standard is effective from annual reporting periods beginning on or after January 1, 2027, with earlier application being permitted

The Company is examining the effects of the standard on its financial statements with no plans for early adoption.

4. TRADE ACCOUNTS RECEIVABLE

The following table shows the aging of the Company's trade receivables:

	December 31, 2024	December 31, 2023
1 to 90 days	\$ 165,428	\$ 44,954
91 days and older	140,255	25,450
	305,683	70,404
Allowance for credit risk of collection	(78,005)	(24,424)
	\$ 227,678	\$ 45,980

5. OTHER ACCOUNTS RECIEVABLE

	December 31, 2024	December 31, 2023
Prepays	20,130	96,281
Sales taxes Receivable	39,258	22,243
Other receivables	43,688	316,661
	\$ 103,076	\$ 435,185

6. INVENTORY

The following comprises inventory:

	December 31, 2024	December 31, 2023
Raw materials	\$ 99,404	\$ -
Finished goods	821,728	449,558
	\$ 921,132	\$ 449,558

7. INTANGIBLE ASSETS

	Software	Licences	Domains	Total
Cost:				
As of January 1, 2024 (unaudited)	\$ 14,031	\$ 20,546	\$ 48,759	\$ 83,336
Additions	-	-	-	-
Disposals	-	-	-	-
As of December 31, 2024,	\$ 14,031	\$ 20,546	\$ 48,759	\$ 83,336
Amortization:				
As of January 1, 2024 (unaudited)	\$ 9,898	\$ 17,877	\$ -	\$ 27,776
Additions	593	262	-	855
Disposals	-	-	-	-
As of December 31, 2024	10,491	18,140	-	28,631
Net book value December 31, 2024	\$ 3,540	\$ 2,406	\$ 48,759	\$ 54,705
Cost:				
As of January 1, 2023 (unaudited)	\$ 39,783	\$ 21,824	\$ 48,759	\$ 110,365
Additions	-	409	-	409
ZWEI disposals	(25,751)	(1,687)	-	(27,438)
As of December 31, 2023 (unaudited)	\$ 14,031	\$ 20,546	\$ 48,759	\$ 83,336
Amortization:				
As of January 1, 2023 (unaudited)	\$ 8,206	\$ 10,182	\$ -	\$ 18,388
Additions	5,159	8,648	-	13,807
ZWEI disposals	(3,467)	(953)	-	(4,420)
As of December 31, 2023 (unaudited)	\$ 9,898	17,877	-	27,776
Net book value December 31, 2023 (unaudited)	\$ 4,133	\$ 2,668	\$ 48,759	\$ 55,560

8. PROPERTY AND EQUIPMENT AND RIGHT OF USE ASSETS

	Right of use other	Leaseholds	Computers	Electric equipment	Furniture and equipment	Vehicles	Total	Right of use buildings
Cost:								
December 31, 2023 (unaudited)	16,082	95,974	32,885	73,446	241,754	149,667	609,808	2,535,747
Additions	-	-	-	51,634	-	15,633	67,267	681,645
Disposals	-	-	-	-	-	-	-	-
December 31, 2024	16,082	51,332	29,033	125,080	241,754	165,300	677,075	3,217,392
Accumulated Depreciation:								
December 31, 2023 (unaudited)	16,082	68,022	32,885	65,266	162,319	133,141	477,715	1,979,640
Additions	-	6,129	-	17,196	24,028	11,553	58,906	268,430
Disposals	-	-	-	-	-	-	-	-
December 31, 2024	16,082	74,151	32,885	82,462	186,348	144,694	536,621	\$ 2,248,070
Netbook value December 31, 2024	\$ -	\$ 21,823	\$ -	\$ 10,716	\$ 42,619	\$ 55,405	\$ 140,454	\$ 969,322

	Right of use other	Leaseholds	Computers	Electric equipment	Furniture and equipment	Vehicles	Total	Right of use buildings
Cost:								
December 31, 2022 (unaudited)	\$ 16,082	\$ 95,974	\$ 32,885	\$ 79,322	\$ 356,470	\$ 149,667	\$ 730,399	\$ 2,554,347
Additions	-	-	-	-	2,919	-	2,919	-
Sale of subsidiary	-	-	-	(5,876)	(117,635)	-	(123,511)	(18,600)
Disposals	-	-	-	-	-	-	-	-
December 31, 2023 (unaudited)	16,082	95,974	32,885	73,446	241,754	149,667	609,808	2,535,747
Accumulated Depreciation:								
December 31, 2022 (unaudited)	\$ 16,082	\$ 61,985	\$ 32,885	\$ 62,802	\$ 134,185	\$ 106,909	\$ 414,847	\$ 1,740,101
Additions	-	6,037	-	3,916	51,053	26,232	87,239	239,539
Sale of subsidiary	-	-	-	(1,452)	(22,919)	-	(24,371)	-
Disposals	-	-	-	-	-	-	-	-
December 31, 2023 (unaudited)	16,082	68,022	32,855	65,266	162,319	133,141	477,715	1,979,640
Net book value December 31, 2023 (unaudited)	\$ -	\$ 27,952	\$ -	\$ 8,181	\$ 79,435	\$ 16,525	\$ 132,093	\$ 556,107

9. OTHER ACCOUNTS PAYABLE

	December 31, 2024 (Audited)	December 31, 2023 (unaudited)
Other tax payable	397,159	54,017
Sale tax payable	115,711	409,940
Accrued liabilities	492,471	474,778
	\$ 1,005,341	\$ 938,735

10. LEASE OBLIGATIONS

Balance, December 31, 2022	\$ 845,141
Additions and Disposals	-
Imputed interest	18,295
ZWEI	(18,600)
Foreign exchange	159,06
	5
Payments	(320,568)
Balance, December 31, 2023	683,333
Additions	421,494
Imputed interest	31,190
Foreign exchange	135,05
	2
Payments	(271,134)
Balance, December 31, 2024	\$ 999,935
	\$ 270,748
Current portion	
Long-term portion	\$ 729,187

The Company applied an incremental annual borrowing rate of 3.5% for calculating lease liabilities.

11. INCOME TAXES

The Group is assessed for tax purposes on unconsolidated basis.

The Canadian and German corporate tax rate applicable to the taxable income of the Group are 27% and 27 % for Canada, and 30% and 30% for Germany in 2024 and 2023, respectively.

Reconciliation between the theoretical tax on the pre-tax profit and the tax expense

	For the year ended	
	December 31, 2024 (Audited)	December 31, 2023 (Unaudited)
Income (loss) before income taxes	\$ 755,846	\$ (859,122)
Primary tax rate of the group	26.5%	26.5%
Tax calculated according to the Group's primary tax rate	\$ 200,299	\$ (227,667)
Differences due to foreign tax rates and other adjustments	48,916	(13,517)
Change in unrecognized deductible temporary differences	135,259	241,572
Income tax expense	\$ 384,474	\$ 388

Unrecognized deferred tax assets

The Company has not recognized a deferred tax asset for losses carry forwards and temporary differences arising between the tax basis of assets and liabilities and their carrying amounts, as it is not likely be realized against taxable income in the foreseeable future, see Note 1.

	December 31,	December 31,
	2024	2023
	(Audited)	(unaudited)
Capital lease obligation	\$ 58,600	\$ 87,584
Share issuance costs	-	-
Operating losses carry forward - Canada	564,579	497,723
Operating losses carry forward - Germany	142,417	142,417
	\$ 765,596	\$ 727,724

Carry-forward losses

The Canadian and German operating tax loss carry forwards expire as noted in the table below. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

As of December 31, 2024, the Group's operating tax losses carry forwards expire, as follows:

	Canada	Germany
2040	\$ 72,160	\$
2041	354,515	
2042	642,149	
2043	809,377	
2044	252,287	
Indefinitely		670,058
	<u>\$ 2,130,488</u>	<u>\$ 670,058</u>

12. LOANS PAYABLE

	December 31, 2023 (unaudited)	Additions 2024	Repayments 2024	December 31, 2024
Loans for Vehicles				
Current portion	\$ 17,874	\$ 5,958	\$ (16,298)	\$ 7,534
Long-term portion	5,958	(5,958)	-	-
	23,832	-	(16,298)	7,534
Other Loans				
Transvendo loan	181,230	12,013	-	193,243
	\$ 205,062	\$ 12,013	\$ (16,298)	\$ 200,777

Details of loans payable All values in Euro

Loan issuer	Loan subject	Start of contract	End of contract	Original financing amount	Balance December 31, 2024	Re-payments 2024	Interest/ fees paid 2024	Interest rate
Transvendo	Crowd funding	May 17, 2017	May 23, 2022	129,450	129,450	-	6,538	5%
Automobile Wittchen	Skoda Superb	Jan 19, 2019	Dec 23, 2025	23,000	3,991	3,729	430	-
Automobile Wittchen	VW Golf	Jun 19	May 24	16,800	-	1,689	163	-
Automobile Wittchen	Dodge RAM	Feb 21, 2021	Feb 25, 2025	27,900	1,056	6,558	854	3.5%
				197,150	134,497	11,976	7,985	

13. SHAREHOLDERS' EQUITY

Shares

The Company authorized share capital includes an unlimited number of common shares having no par value. On December 31, 2024, 55,762,392 common shares were issued and outstanding.

Warrants

During the year ended December 31, 2024, the Company completed the following transactions:

On September 6, 2024, the Company completed a non-brokered \$0.12 unit financing for \$189,000 which consisted of 1,575,000 units. Each unit was comprised of one common share and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of \$0.14 until April 3, 2027.

During the year ended December 31, 2023, the Company completed the following transactions:

On October 11, 2023, the Company completed a non-brokered \$0.12 unit financing for \$107,163 which consisted of 893,025 units. Each unit was comprised of one common share and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of \$0.14 until April 3, 2027.

On October 27, 2023, the Company completed a non-brokered \$0.12 unit financing for \$348,900 which consisted of 2,857,500 units. Each unit was comprised of one common share and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of \$0.14 until April 3, 2027.

In 2023, the Company extended the term of all the warrants to April 3, 2027. The Company transferred a balance of \$108,580 related to the 2021 warrants and \$16,428 related to the 2022 warrants from common shares to warrants.

The fair value of the warrants is recognized upon issuance as an equity reserve until expiration or exercise.

A summary of the Company's warrants for the year ending December 31, 2024, is presented below:

	December 31, 2024 (Audited)		December 31, 2023 (Unaudited)	
	Warrants	Weighted average exercise price	Warrants	Weighted average exercise price
Outstanding, beginning of year	28,489,347	\$ 0.13	26,520,385	\$0.13
Investor Warrants - Private Placements	1,575,000	\$ 0.14	3,750,525	0.14
Broker warrants expired	-	-	(1,781,563)	0.12
Outstanding, end of year	30,064,347	\$ 0.13	28,489,347	\$ 0.13

As at December 31, 2024, the following warrants were outstanding and exercisable:

Date of grant	Number of warrants	Exercise price	Expiry date
March 3, 2021	1,250,000	0.12	April 7, 2027
April 8, 2021	9,183,333	0.12	April 7, 2027
April 9, 2021	12,697,989	0.12	April 7, 2027
November 11, 2022	1,607,500	0.12	April 7, 2027
October 11, 2023	893,025	0.14	April 7, 2027
October 27, 2023	2,857,500	0.14	April 7, 2027
September 6, 2024	1,575,000	0.14	April 7, 2027
	30,064,347		

The fair value of the warrants issued or revalued in 2024 and 2023 was estimated using a relative fair value attribution of the Black-Scholes model for pricing options using the following weighted average assumptions:

	2021 and 2022 revaluations	October 11, 2023	October 27, 2023	September 6, 2024
Share price	\$0.10	\$0.10	\$0.10	\$0.10
Stock price	\$0.12 to \$0.14	\$0.14	\$0.14	\$0.14
Risk-free interest rate	3.00%	0.26%	0.26%	0.297%
Expected stock volatility	100%	100%	100%	100%
Expected life	2 years	2 years	2 years	2 years
Dividend yield	0%	0%	0%	0%

Broker Warrants

The Company issued 1,781,563 broker warrants to brokers as part of equity financings (see above). The fair value of the broker warrants of \$78,152 was recognized upon issuance as an equity reserve until expiration or exercise. These warrants expired in 2023, and accordingly the related balance was allocated to common share capital.

Fully Diluted Shares

The basic average shares outstanding in 2024 (54,686,572) are not adjusted for warrants as the warrants are at the money and not increase the fully diluted shares outstanding.

The basic average shares outstanding in 2023 (51,143,915) are not adjusted for warrants as the Company reported a loss and the warrants would be non-dilutive.

14. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party's making of financial or operational decisions, or if both parties are controlled by the same third party. The Company has transactions with key management personnel, shareholders and their family members.

Transactions with related parties, if any, are incurred in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and approved by the related parties.

Compensations to related parties	Nature	January 1 to December 31, 2024	January 1 to December 31, 2023 (unaudited)
Chief Financial Officer - outgoing	Consulting Fee	\$ 70,000	\$ 90,000
Chief Financial Officer - incoming	Consulting Fee	\$ 20,000	\$ -
Liabilities to related parties	Nature	December 31, 2024	December 31, 2023 (unaudited)
Chief Financial Officer - outgoing	Payable	\$ 40,737	\$ 15,122
Chief Financial Officer - incoming	Payable	5,000	-
		<u>\$ 45,737</u>	<u>\$ 15,122</u>

A. Meckler Corporate Finance Inc. charged management fees for services as Chief Financial Officer for eight months in 2024 (12 months in 2023). John C. Ross Consulting Inc. charged management fees for services as Chief Financial Officer for four months in 2024. At December 31, 2024 A. Meckler Corporate Finance Inc. was owed \$40,737 (2023 – \$15,122) and John C. Ross Consulting Inc. was owed \$5,000 (2023 – \$Nil). Directors did not charge fees or receive any payments in 2024 and 2023.

LOANS FROM RELATED PARTIES

Shareholder		Balance December 31, 2024	Balance December 31, 2023	Interest rate
Shareholder A	May 2024	15,807	-	5%
Shareholder B	May 2021	24,906	14,187	5%
Shareholder C	May 2021	75,685	-	5%
Shareholder D - Director	May 2021	8,928	8,013	5%
Related party	May 2021	24,937	23,380	5%
		150,263	44,580	

The liabilities to related parties have no maturity date and bear average interest rate of 4.495% during 2024 and 2023.

Interest charged on balance of liability of related parties is \$7,438 and \$2,207 in 2024 and 2023, respectively, see Note 20.

LOAN TO A SHAREHOLDER

The liabilities of related parties have no maturity date and bear average interest rate of 5% and 5% during 2024 and 2023, respectively.

Interest charged on balance of liability to related parties is \$3,370 and \$560 in 2024 and 2023, respectively, see Note 20.

15. OPERATING SEGMENTS

The Company determined its operating segments according to how the business activities are managed and evaluated by the Company's chief operating decision maker. The Company operates under one operating segment, being the sale of consumer goods made of hemp. Sales are made to retail customers, to other businesses and to franchisees. All the Company's revenues are earned in the subsidiaries which operate in Germany.

16. REVENUES

	January 1 to December 31, 2024	January 1 to December 31, 2023 (unaudited)
Sale -retail	\$ 6,630,222	\$ 4,015,463
Sale - business	267,772	162,171
Franchise	218,712	132,458
	\$ 7,116,706	\$ 4,310,092

17. COST OF REVENUES

	January 1 to December 31, 2024	January 1 to December 31, 2023 (unaudited)
Finished goods - open	\$ 1,693,723	\$ 534,471
Salaries and related benefits	239,804	85,732
Amortization of rights to use lease assets	51,270	9,769
Depreciation	6,312	1,090
Rent and maintenance costs	41,353	10,840
Distribution	-	71,660
Other manufacturing costs	168,964	30,298
Decrease in inventories	781,902	1,127,153
	\$ 2,983,328	\$ 1,871,013

18. SELLING

	January 1 to December 31, 2024	January 1 to December 31, 2023 (unaudited)
Salaries and related benefits	\$ 923,724	\$ 906,376
Amortization of rights to use lease assets	204,275	207,592
Depreciation	57,370	47,968
Rent and maintenance costs	375,851	446,970
Advertising	189,803	120,922
Other	24,015	9,107
	\$ 1,775,038	\$ 1,738,935

19. GENERAL AND ADMINISTRATIVE

	January 1 to December 31, 2024	January 1 to December 31, 2023 (unaudited)
Salaries and related benefits	\$ 551,687	\$ 446,432
Management Fees (Note 14)	90,000	90,000
Amortization of rights to use leased assets	12,885	4,885
Depreciation	6,452	2,504
Rent and maintenance costs	42,272	54,201
Professional fees	402,791	228,413
Investor relations	12,885	47,686
Credit risk on accounts receivable	154,862	-
License	56,350	56,788
Other	182,063	168,151
	\$ 1,512,247	\$ 1,099,060

20. FINANCIAL INCOME AND EXPENSES

	January 1 to December 31, 2024	January 1 to December 31, 2023 (unaudited)
Financing income		
interest on loan to shareholder	\$ 3,370	\$ 560
Remeasurement of lease liability	4,395	-
Interest income on cash and cash equivalents	16,149	-
Total financing income recognized in profit or loss	23,914	560
Financial liabilities measured at amortized cost:		
Interest expense on loans from related parties (Note 14)	7,438	2,207
Interest in expense on liabilities	41,757	15,572
Interest expense on lease liabilities	31,190	26,706
Bank and credit card charges	26,064	24,287
Total financing expenses recognized in profit and loss	106,447	68,772
	\$ 82,533	\$ 68,212

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, receivables from related parties, loans to shareholders, accounts payables and accruals, loans payable, loans from shareholders and loans from related parties. These financial instruments are exposed to certain risks, including credit risk, interest rate risk, liquidity risk and other market risk.

Credit risk:

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash is held mainly through large Canadian and German financial institutions. The Company considers credit risk on its cash to be minimal.

The business primarily deals with products sold via the retail channel through Company-owned stores. The expected credit loss in this situation would be low due to the fact there are no receivables and sales are recorded once the product is sold and paid on the spot.

When determining the allowance for estimated credit losses the Company will consider historical experience with the customer, current market and industry conditions and any specific collection issues. As of December 31, 2024 and 2023, the Company did not have any material overdue accounts besides the already identified specific credit risks, for which allowances had been built (see also Note 6 and 13).

Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining cash and cash equivalent balances to ensure that it is able to meet its short term and long-term obligations as and when they fall due. Trades payable and accrued liabilities are due within the current operating period.

The Company manages liquidity risk through the management of its capital structure as described in Notes 1 and 13.

As of December 31, 2024, the Company has a negative working capital of \$164,405 (December 31, 2023, unaudited – negative \$831,802).

Market risk:

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

Interest Rate Risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk from its secured loans and convertible debentures. The Company's interest rates on these loans are fixed and the sensitivity of the Company's loss before tax to a reasonably possible change in market interest rates is considered minimal.

Other Market Risk:

Other market risk that the Company is exposed to includes currency risk. Currency risk is the risk of loss due to fluctuation of foreign exchange rates and the effects of these fluctuations on foreign currency denominated monetary assets and liabilities. The Company is not exposed to significant currency risk as the parent entity and subsidiaries primarily transact in their functional currencies.

Legal and Operational Risk:

The Company's business is subject to a variety of laws, regulations, and guidelines relating to the marketing, manufacturing, management, transportation, storage, sale, packaging and labeling, disposal and, if necessary, acquisition of hemp and CBD. The Company is subject to laws, regulations, and guidelines relating to health and safety, the conduct of operations, taxation of products and the protection of the environment. As the laws, regulations and guidelines pertaining to the hemp and CBD industry are relatively new, it is possible that significant legislative amendments may still be enacted that address current or future regulatory issues or perceived inadequacies in the regulatory framework. It is also possible that laws that impact the Company's business may not develop as we expect or on the timeline we expect, if and when it occurs. Changes to such laws, regulations, and guidelines, may cause material adverse effects on the business, financial condition and operations.

The legislative framework pertaining to the German hemp and CBD market is subject to significant regulation. The legal framework and its interpretation and enforcement varies geographically and results in asymmetric regulatory and market environments. Different competitive pressures, additional compliance requirements, and other costs may limit our ability to participate in such markets.

The Company is exposed to risk related to its retail stores in Germany as a result of the legal framework in which it operates. Since 2019, the Company has been subjected to multiple stores raided by the local government, with products confiscated, resulting in the Company writing off the confiscated inventory (2021 - \$12,955) and depressing its sales. There is no assurance that these raids will stop in the future.

SCHEDULE “B”

CWE European Holdings Inc. Consolidated Interim Condensed Financial Statements for
the Six Months Ended June 30, 2025 and 2024



CWE EUROPEAN HOLDINGS INC.

**CONSOLIDATED INTERIM CONDENSED
FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED JUNE 30, 2025
(EXPRESSED IN CANADIAN DOLLARS)**

Notice To Reader

The accompanying unaudited condensed interim consolidated financial statements of CWE European Holdings Inc. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

CWE European Holdings Inc.

CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2025 AND 2024 (Expressed in Canadian Dollars - Unaudited)

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CWE European Holdings Inc.
Consolidated Interim Condensed Statements of Financial Position
(Expressed in Canadian Dollars – Unaudited)

	Note	June 30, 2025	December 31, 2024
Assets			
Cash and Cash Equivalents		340,081	489,238
Trade Accounts Receivable	4	386,582	227,678
Other Accounts Receivable	5	579,484	103,076
Inventory	6	1,299,666	921,132
Loans to a Shareholder	14	85,564	67,401
Total current assets		2,691,377	1,162,692
Lease Deposits		206,505	163,423
Property and Equipment	8	124,863	140,454
Right of Use Assets	8	812,750	969,322
Intangible Assets	7	54,269	54,705
Total non-current assets		1,198,389	1,417,409
Total assets		3,889,766	3,136,432
Liabilities			
Accounts Payable and Accrued Liabilities		1,147,160	345,804
Other Accounts Payable	9	800,606	1,005,341
Lease Obligations	10	250,769	270,748
Short Term Loans and Current Portion of	12		
Long -Term Debt		210,227	200,777
Loans from Related Parties	14	254,039	150,263
Total current liabilities		2,662,801	1,972,933
Long Term Loans		-	-
Lease Obligations	10	669,835	729,187
Total non-current liabilities		669,835	729,187
Total liabilities		3,322,636	2,702,120
Equity			
Non-controlling interests:			
Share Capital		3,742	3,742
Accumulated Losses		(137,329)	(157,964)
Other Comprehensive income		-	-
		(133,587)	(154,222)
Equity attributable to owners of the Company		690,717	588,534
Total Equity		557,130	434,312
Total Liabilities and Shareholders' Equity		3,889,766	3,136,432

The accompanying Notes form an integral part of these unaudited consolidated interim condensed financial statements.



John Ross
Chief Financial Officer



Ronnie Jaegermann
Chief Executive Officer



Jörn Follmer
Chairman of the Board of Directors

CWE European Holdings Inc.

Consolidated Interim Condensed Statements of Changes in Equity

(Expressed in Canadian Dollars – Unaudited)

	Number of common shares (#)	Share Capital (\$)	Warrants (\$)	Foreign currency translation differences of foreign operations (\$)	Accumulated Losses (\$)	Total shareholders' equity (deficiency) (\$)
December 31, 2023 (Unaudited)	54,187,392	1,745,975	1,281,843	264,198	(3,693,700)	(401,684)
Foreign exchange translation	-	-	-	(94,597)	-	(94,597)
Net loss	-	-	-	-	1,002,246	1,002,246
June 30, 2024	54,187,392	1,745,975	1,281,843	169,601	(2,691,454)	505,965
Private placements (Note 13)	1,575,000	189,000	-	-	-	189,000
Receipts for future issuance of shares and warrants units (Note 1)	-	240,648	-	-	-	240,648
Fair value of warrants issued (Note 13)	-	(81,196)	81,196	-	-	-
Foreign exchange translation	-	-	-	129,573	-	129,537
Net loss	-	-	-	-	(630,874)	(630,874)
December 31, 2024	55,762,392	2,094,427	1,363,039	299,174	(3,322,328)	434,312
Private placements (Note 13)	1,460,000	175,200	-	-	-	175,200
Receipts for future issuance of shares and warrants units (Note 1)	-	(240,648)	-	-	-	(240,648)
Fair value of warrants issued (Note 13)	-	(41,801)	41,801	-	-	-
Foreign exchange translation	-	-	-	289,000	-	289,000
Net profit	-	-	-	-	(100,734)	(100,734)
June 30, 2025	57,222,392	1,962,765	1,429,253	588,174	(3,423,062)	557,130

The accompanying Notes form an integral part of these unaudited consolidated interim condensed financial statements.

CWE European Holdings Inc.

Consolidated Condensed Interim Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars - Unaudited)

		Three Months Ended June 30,		Six Months Ended June 30,	
	Note	2025	2024	2025	2024
		\$	\$	\$	\$
Revenue	15	2,779,402	2,114,480	5,025,555	3,850,696
Cost of Revenue	16	1,747,950	884,965	3,054,601	1,591,405
Gross Profit	17	1,031,452	1,232,757	1,970,954	2,259,291
Selling	18	609,681	512,972	1,137,345	816,167
General and Administration	19	520,129	266,728	807,314	396,522
Write off bad debts		47,466	-	47,466	-
Other expenses (income)		-	-	-	-
		1,177,276	779,700	1,992,125	1,212,689
Operating profit (loss)		(145,824)	453,057	(21,171)	1,046,602
Financial (Income)	20	(3,206)	(5,326)	(7,555)	(10,324)
Financial expense	20	38,336	23,153	54,837	45,920
		35,130	17,827	47,282	35,596
Profit (loss) before taxes on income		(180,954)	435,230	(68,453)	1,011,006
Income taxes	11	(36,870)	(1,399)	(32,281)	8,760
Net income (loss) for the period		(217,824)	436,629	(100,734)	1,002,246
Other comprehensive income that will be transferred to profit or loss:					
Foreign currency translation differences of foreign operations		(1,290)	(14,309)	289,000	(94,597)
Total Comprehensive Income (loss)		(219,114)	422,320	188,266	907,649
Net Income (Loss) for the period:					
Attributed to the owners of the Company					
- CWE group		(228,750)	440,608	(121,369)	997,690
Attributed to Non- Controlling Interest		10,926	(3,979)	20,635	4,556
Earnings per common share					
Basic and diluted		(0.00)	0.01	(0.00)	0.02
Weighted average number of common shares outstanding					
Basic and diluted (Note 13)		57,061,952	54,187,392	56,415,762	54,187,392

The accompanying Notes form an integral part of these unaudited consolidated interim condensed financial statements.

CWE European Holdings Inc.

Consolidated Condensed Interim Statements of Cash Flows

(Expressed in Canadian Dollars - Unaudited)

	Six Months Ended June 30,	
	2025	2024
Cash flows from operating activities		
Profit (loss) for the period	(100,734)	1,002,246
Adjustments to reconcile net Income (loss) to net cash provided by (used in) operating activities		
Items not effecting Cash		
Depreciation and Amortization	22,548	28,433
ROU asset depreciation	156,570	110,345
Intangible depreciation	436	423
Changes working capital		
Trade and other receivables	(326,991)	186,183
Prepays and Deposits	(351,403)	(49,251)
Inventory	(378,534)	(75,703)
Accounts Payable and Accrued Liabilities	14,151	(705,400)
Other Accounts Payable	574,090	38,796
Net cash provided by (used in) operating activities	(389,868)	535,982
Cash flows from investing activities		
Investment in Property and Equipment	(6,956)	-
Cash deficit from discontinued operation, Annex A	-	(55,087)
Net cash used in investing activities	(6,956)	(55,087)
Cash flows from financing activities		
Current Lease Liabilities	(19,979)	(96,753)
Short Term Loans and Current Portion of Long - Term Debt	9,450	181,123
Private Placement	(36,000)	-
Right of Use Assets	(63,510)	-
Receipts for future issuance of shares and warrants units	-	-
Loans from Related Parties	112,156	11,557
Lease Obligations	(59,352)	-
Long Term Loans	(18,160)	-
Net cash provided by financing activities	(75,395)	95,927
Effect of exchange rate fluctuations on Cash and Cash Equivalent	323,062	(239,357)
Net increase (decrease) in cash and cash equivalent for year	(149,157)	337,466
Cash and Cash Equivalent at Beginning of Year	489,238	228,356
Cash and cash equivalent at end of period	340,081	565,822

The accompanying Notes form an integral part of these unaudited consolidated interim condensed financial statements

1. General

Reporting Entity

CWE European Holdings Inc. (the “Company” or “CWE” or “the Group”) was incorporated under the Business Corporations Act (Canada) on June 5, 2019.

The Company’s head office and office records address is located at #210-577 Great Northern Way, Vancouver, BC, V5T 1E1. The registered and records office is Suite 2400, 525 – Avenue SW, Calgary, AB, T2P 1G1, Canada.

The Company acquired a 89.6% interest in DCI Cannabis Institut GmbH (“DCI”) in Germany on July 4, 2019. On April 16, 2020, the Company acquired a 100% interest in CWE Trading UG (“CWE UG”) in Germany. On August 5, 2020, the Company acquired a 100% interest in CWE Trading EINS GmbH (“CWE EINS GmbH”) in Germany. On April 4, 2021, the Company acquired a 100% interest in CWE Holding Europe GmbH (“CWE Holding GmbH”) and on April 15, 2021, the Company acquired a 100% interest in CWE Trading ZWEI GmbH (“CWE ZWEI GmbH”) in Germany.

Company’s Operations

The Company operates retail hemp and cannabidiol (CBD) businesses in Germany.

Material Events in the Reporting Period

On April 10, 2025, the Company completed a non-brokered \$0.12 unit financing for \$175,200 which consisted of 1,460,000 units. Each unit was comprised of one common share and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of \$0.14 until April 3, 2027.

On September 6, 2024, the Company completed a non-brokered \$0.12 unit financing for \$189,000 which consisted of 1,575,000 units. Each unit was comprised of one common share and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of \$0.14 until April 3, 2027.

On October 11, 2023, the Company completed a non-brokered \$0.12 unit financing for \$107,163 which consisted of 893,025 units. Each unit was comprised of one common share and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of \$0.14 until April 3, 2027.

On October 27, 2023, the Company completed a non-brokered \$0.12 unit financing for \$342,900 which consisted of 2,857,500 units. Each unit was comprised of one common share and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of \$0.14 until April 3, 2027.

On December 30, 2023, the Company sold its CWE Trading ZWEI GmbH subsidiary for \$1 to a related party. At December 31, 2023, the related party owed \$283,285 to the Company (see Note 2).

In 2023, the Company extended the term of all the warrants to April 3, 2027.

Definitions

In these financial statements –

- (1) The Company – CWE European Holdings Inc.
- (2) The Group – CWE European Holdings Inc. and its subsidiaries.

(3) Consolidated companies/subsidiaries – Companies, the financial statements of which are fully

consolidated, directly or indirectly, with the financial statements of the Company.

(4) Related party – Within its meaning in IAS 24 (2009), “Related Party Disclosures”.

Financial Position

These consolidated financial statements have been prepared on the basis of a going concern which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent on being able to raise the necessary funding to continue operations, through public equity, debt financings, joint arrangements and other contractual arrangements, or being able to operate profitably in the future. In the first six months of 2025, the Company incurred a loss of \$100,734 and had working capital of \$28,576. Until 2024, the Company has incurred losses since inception and as at December 31, 2024 has negative working capital of \$164,405 (December 31, 2023, unaudited – negative \$831,802), and an accumulated losses of \$3,322,328. While the Company reported a profit in 2024, it does not have a significant history of profitable operations. There is no assurance that additional funding will be available on a timely basis or on terms acceptable to the Company. If the Company is unable to obtain sufficient funding, the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles as a going concern will be in doubt. These uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

As part of their ongoing responsibilities, the Company's Board of Directors and Management have undertaken a thorough review of the Company's cash flow forecast and potential liquidity risks. Forecasts of operating results and cash flow projections were prepared for the period of 12 months from the date of approval of the financial statements. According to such projections, the Company's Board of Directors and Management believe that the Company has sufficient resources for the continuation of its research and development activities and to meet its obligations for at least 12 months from the date of approval of the financial statements.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying amount of assets, the reported expenses, and the balance sheet classifications used.

The Company's operations are dependent upon certain key personnel including related parties.

Material Events Subsequent to the Date of Statement of Financial Position

On August 18, 2025 subsequent to date of the statement of financial position, Neural Therapeutics Inc. (Neural) acquired a 30.75% interest in the Company via an exchange of 79,999,960 Neural Shares to former CWE shareholders, based on an agreed exchange ratio of 4 Neural Shares for each CWE ordinary share previously held by such CWE shareholders, representing approximately 47.4% of Neural issued and outstanding common shares on a post-transaction basis.

On April 8, 2025 the Company entered into agreements to settle debts of \$952,512 via the issuance of 7,937,600 common shares. The common shares were issued August 8, 2025. Related parties held \$516,600 of the debts and received 4,305,000 common shares, on the same market-based share value as other debt holders.

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). These consolidated interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 ("**IAS 34**"), Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB and should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2024. The same accounting policies and methods of computation are followed in these consolidated interim condensed financial statements as compared with the most recent annual consolidated financial statements as at and for the period ended December 31, 2024. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2025 could result in restatement of these consolidated interim condensed financial statements.

The consolidated financial statements were authorized for issue on October 23, 2025 by the Board of Directors of the Company.

Consolidated Interim Condensed Financial Statements

These consolidated interim condensed financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3. These consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Subsidiaries are those entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Company controls another entity.

The consolidated interim condensed financial statements of the subsidiaries are prepared for the same reporting period as the Company. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the parent company.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Company. A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated consolidated interim condensed financial statements.

These consolidated interim condensed financial statements include accounts of the Company and its subsidiaries under control.

		2025	Percentage 2024	2023
CWE European Holdings Inc.	Canada			
CWE Trading GmbH	Germany	100	100	100
CWE Trading EINS GmbH	Germany	100	100	100
CWE Holding Europe GmbH	Germany	100	100	100
DCI Cannabis Institut GmbH	Germany	89.6	89.6	89.6
CWE Trading ZWEI GmbH	Germany	-	-	-

The Company has 100% ownership of all subsidiaries noted in the chart above, except for DCI Cannabis Institut GmbH, which is 89.6% owned by the Company.

Measurement of non-controlling interests on the date of the business combination

Non-controlling interests that are instruments that give rise to a present ownership interest and entitle the holder to a share of net assets in the event of liquidation (for example: ordinary shares), are measured at the date of the business combination at either fair value, or at their proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis. This accounting policy choice does not apply to other instruments that meet the definition of non-controlling interests (for example: options to ordinary shares). Such instruments will be measured at fair value or in accordance with other relevant IFRSs.

Allocation of profit or loss and other comprehensive income to the shareholders

Profit or loss and any part of other comprehensive income are allocated to the owners of the Company and the non-controlling interests. Total profit or loss and other comprehensive income is allocated to the owners of the Company and the non-controlling interests even if the result is a negative balance of non-controlling interests.

Transactions with non-controlling interests, while retaining control

Transactions with non-controlling interests while retaining control are accounted for as equity transactions. Any difference between the consideration paid or received and the change in non-controlling interests is included in the owners' share in equity of the Company directly in retained earnings.

The amount of adjustment to non-controlling interests is calculated as follows:

For an increase in the holding rate, according to the proportionate share acquired from the balance of non-controlling interests in the consolidated financial statements prior to the transaction.

For a decrease in the holding rate, according to the proportionate share realized by the owners of the subsidiary in the net assets of the subsidiary, including goodwill.

Use of Estimates, Judgments and Assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses and other income during the period. Actual results may differ from these estimates.

The preparation of accounting estimates in the Company's financial statements requires that management of the Company makes assumptions regarding circumstances and events that involve considerable uncertainty. Company Management prepares the estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions

according to the pertinent circumstances of each estimate, including judgments regarding going concern of the Company see in Note 1.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Deferred tax assets

The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future or whether taxable temporary differences will reverse such that deferred tax assets can be utilized. Recognition therefore involves a degree of estimation and judgement regarding the future financial performance or the timing of the reversed deferred tax liabilities where deferred tax assets have been recognized.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Estimates of useful lives of property and equipment

Management's judgment involves consideration of intended use, industry trends and other factors in determining the expected useful lives of depreciable assets and determining depreciation methods.

Leases

The Company applies judgment to determine the lease term for some lease contracts in which it is a lessee that includes renewal options. The assessment of whether the Company is reasonably certain to exercise such options will impact the lease term, which significantly impacts the amount of lease liabilities and right-of-use assets recognized.

Determination of fair value

Preparation of the financial statements requires the Group to determine the fair value of certain assets and liabilities. When determining the fair value of an asset or liability, the Company uses observable market data as much as possible. There are three levels of fair value measurements in the fair value hierarchy that are based on the data used in the measurement, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly

Level 3: inputs that are not based on observable market data.

Measurement of variable consideration

In order to determine the transaction price, the Group estimates the amount of the variable consideration and recognizes revenue in an amount where there is a high probability that its inclusion will not result in a significant revenue reversal in the future after the uncertainty has been resolved.

As of June 30, 2025 and December 31, 2024, the fair value of variable elements relates to setup of the systems, training, being part of the brand, is considered immaterial for a separate measurement.

Assessment of expected credit losses

When testing financial assets for impairment, the Group assesses whether the credit risk attributable to the financial asset has increased significantly since its initial recognition, and uses forward-looking information to measure expected credit losses.

Classification of expenses recognized in the statement of income

Classification of expenses is recognized in the statement of income based on the function of the expense. This method of classification is appropriate for understanding the business of the Company.

Operating Cycle

The operating cycle of the Company is one year. Thus, current assets and current liabilities include items the realization of which is intended and anticipated to take place within one year.

Foreign Currency Translations

Functional and presentation currencies

The consolidated financial statements of the Company are presented in Canadian Dollars, the functional currency of the parent Company and the reporting currency of the Group.

Translation from Functional Currency to Presentation Currency by a subsidiary companies operates in Germany, whose functional and reporting currency is Euro, is performed as follow: (1) all assets and liabilities were translated using the closing exchange rate as of the balance sheet date; (2) equity items were translated using historical exchange rates; (3) items of comprehensive income/loss, unless this is not practicable to assess the cumulative effect of the rates prevailing on the transaction dates; were translated at the average exchange of each reported year; and (4) the resulting translation differences have been reported as foreign currencies translation adjustments within other comprehensive income/loss.

Transactions, assets and liabilities in foreign currency

Transactions denominated in foreign currencies are initially recognized in functional currency at the exchange rate at the date of the transaction. Following the initial recognition, monetary assets and liabilities denominated in foreign currency are remeasured to the functional currency at the exchange rate of each reporting date. Exchange rate differences are recognized in profit or loss.

Non-monetary assets and liabilities denominated in foreign currency and measured at cost are measured at the exchange rate at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are measured into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue to operate and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company's capital is composed of its shareholders' equity and its liabilities.

The Company manages and adjusts its capital structure whenever changes to the risk characteristics of the underlying assets or changes in economic conditions occur. To maintain or adjust the capital structure, the Company may issue new shares or acquire, dispose of or jointly operate certain of its assets. In order to facilitate the management of its capital requirements, the Company actively monitors its liquidity and short and long-term funding requirements. There was no change to the Company's approach to capital management during the year.

Future financing is dependent upon market conditions and there can be no assurance the Company will be able to raise funds in the future should the need arise. The Company defines capital as shareholders equity plus the convertible debentures.

The Company manages its capital structure to maximize its financial flexibility by 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 but rather relies on the expertise of the Company's management to sustain the future development of the business.

The Company's objective when managing its capital is to maintain adequate levels of funding to support its operations and maintain the necessary corporate and administrative functions to facilitate these activities.

In order to maintain or adjust the capital structure, the Company (upon approval from its Board of Directors, as required) may issue additional capital, primarily through equity financing. The Board of Directors reviews and approves any material transaction out of the ordinary course of business, including major investments, as well as annual capital and operating budgets. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable, see also Note 21.

3. MATERIAL ACCOUNTING POLICIES

In preparing these consolidated condensed interim financial statements, the material accounting policies and the material judgments made by management in applying the Company's material accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company's audited financial statements for the period ended December 31, 2024.

The preparation of consolidated condensed interim financial statements requires that the Company's management make judgments and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period. Actual future outcomes could differ from present estimates and judgments, potentially having material future effects on the Company's condensed interim financial statements. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

There have been no material changes to the accounting policies applied by the Company as compared to those disclosed in the annual consolidated financial statements for the year ended December 31, 2024.

New Accounting standards not yet adopted

IFRS 18, Presentation and Disclosure in Financial Statements

This standard replaces IAS 1, Presentation of Financial Statements. The purpose of the standard is to provide improved structure and content to the financial statements, particularly the income statement. The standard includes new disclosure and presentation requirements that were taken from IAS 1, Presentation of Financial Statements, with small changes.

As part of the new disclosure requirements, companies will be required to present two subtotals in the income statement: operating profit and profit before financing and taxes. Furthermore, for most companies, the results in the income statements will be classified into three categories: operating profit, profit from investments and profit from financing.

In addition to the changes in the structure of the income statements, the standard also includes a requirement to provide separate disclosure in the financial statements regarding the use of management-defined performance measures (non-GAAP measures).

Furthermore, the standard adds specific guidance for aggregation and disaggregation of items in the financial statements and in the notes. The standard will encourage companies to avoid classifying items as 'other' (for example, other expenses), and using this classification will lead to additional disclosure requirements.

The standard is effective from annual reporting periods beginning on or after January 1, 2027, with earlier application being permitted

The Company is examining the effects of the standard on its financial statements with no plans for early adoption.

4. TRADE ACCOUNTS RECEIVABLE

The following table shows the aging of the Company's trade receivables:

	June 30, 2025	December 31, 2024
1 to 90 days	\$ 296,523	\$ 165,428
91 days and older	140,262	140,255
	436,785	305,683
Allowance for credit risk of collection	(50,203)	(78,005)
	\$ 386,582	\$ 227,678

5. OTHER ACCOUNTS RECIEVABLE

	June 30, 2025	December 31, 2024
Prepays	\$ 328,451	\$ 20,130
Sales taxes Receivable	18,608	39,258
Other receivables	232,425	43,688
	\$ 579,484	\$ 103,076

6. INVENTORY

The following comprises inventory:

	June 30, 2025	December 31, 2024
Raw materials	\$ 84,216	\$ 99,404
Finished goods	1,215,450	821,728
	\$ 1,299,666	\$ 921,132

7. INTANGIBLE ASSETS

	Software	Licences	Domains	Total
Cost:				
As of December 31, 2024	\$ 14,031	\$ 20,546	\$ 48,759	\$ 83,336
Additions	-	-	-	-
Disposals	-	-	-	-
As of June 30, 2025	\$ 14,031	\$ 20,546	\$ 48,759	\$ 83,336
Amortization:				
As of December 31, 2024	\$ 10,491	\$ 18,140	\$ -	\$ 28,631
Additions	302	134	-	436
Disposals	-	-	-	-
As of June 30, 2025	10,793	18,273	-	29,067

Net book value								
June 30, 2025	\$	<u>3,238</u>	\$	<u>2,272</u>	\$	<u>48,759</u>	\$	<u>54,269</u>
Cost:								
As of January 1, 2024	\$	14,031	\$	20,546	\$	48,759	\$	83,336
Additions		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>
As of June 30, 2024	\$	<u>14,031</u>	\$	<u>20,546</u>	\$	<u>48,759</u>	\$	<u>83,336</u>
Amortization:								
As of January 1, 2024	\$	9,898		17,877		-		27,776
Additions		<u>294</u>		<u>130</u>		<u>-</u>		<u>424</u>
As of June 30, 2024	\$	<u>10,192</u>		<u>18,007</u>		<u>-</u>		<u>28,200</u>
Net book value								
June 30, 2024	\$	<u>3,839</u>	\$	<u>2,538</u>	\$	<u>48,759</u>	\$	<u>55,137</u>

8. PROPERTY AND EQUIPMENT AND RIGHT OF USE ASSETS

	Right of use other	Leaseholds	Computers	Electric equipment	Furniture and equipment	Vehicles	Total	Right of use buildings
Cost:								
December 31, 2024	16,082	95,9754	32,885	125,080	241,754	165,300	677,075	3,217,392
Additions	-	-	-	6,956	-	-	6,956	-
Disposals	-	-	-	-	-	-	-	-
June 30, 2025	16,082	95,974	32,885	132,037	241,754	165,300	684,032	3,217,392
Accumulated Depreciation:								
December 31, 2024	16,082	74,151	32,885	82,462	186,348	144,694	536,621	2,248,070
Additions	-	3,125	-	3,799	9,865	5,759	22,548	156,570
Disposals	-	-	-	-	-	-	-	-
June 30, 2025	16,082	77,725	32,885	86,260	196,213	150,453	559,168	2,404,610
Net book value								
June 30, 2025	\$ -	\$ 18,699	\$ -	\$ 45,777	\$ 45,542	\$ 14,846	\$ 150,453	\$ 812,752

	Right of use other	Leaseholds	Computers	Electric equipment	Furniture and equipment	Vehicles	Total	Right of use buildings
Cost:								
December 31, 2023	16,082	95,974	32,885	73,446	241,754	149,667	609,808	2,535,747
Additions	-	-	-	39,593	-	15,494	55,087	652,867
June 30, 2024	16,082	95,974	32,885	113,039	241,754	165,160	664,895	3,188,614

Accumulated Depreciation:								
December 31, 2023	16,082	68,022	32,855	65,266	162,319	133,141	477,715	1,979,640
Additions	-	3,037	-	1,234	18,229	5,843	28,344	110,345
June 30, 2024	16,082	71,059	32,855	66,500	180,548	138,985	506,059	2,089,985
Net book value								
June 30, 2024	-	24,915	-	46,539	61,206	26,176	158,836	1,098,629

9. OTHER ACCOUNTS PAYABLE

	June 30, 2025	December 31, 2024
Other tax payable	462,620	\$ 397,159
Sale tax payable	111,470	115,711
Accrued liabilities	226,516	492,471
	\$ 800,606	\$ 1,005,341

10. LEASE OBLIGATIONS

Balance, December 31, 2023	\$ 683,333
Additions and Disposals	421,494
Imputed interest	31,190
Foreign exchange	(271,134)
Payments	(320,568)
Balance, December 31, 2024	999,935
Additions	-
Imputed interest	16,511
Foreign exchange	(32,332)
Payments	(63,510)
Balance, June 30, 2025	\$ 920,604
Current portion	\$ 250,769
Long-term portion	\$ 669,835

The Company applied an incremental annual borrowing rate of 3.5% for calculating lease liabilities.

11. INCOME TAXES

The income tax expense for the interim period has not been recalculated through a full reassessment of deferred tax balances or preparation of detailed current tax computations. In accordance with the applicable provisions of IAS 34, income tax expense is recognized in each interim period based on management's best estimate of the weighted-average annual effective income tax rate expected for the full financial year, applied to year-to-date pre-tax income.

Accordingly, the Company has not updated the detailed disclosures and analyses presented in the annual consolidated financial statements for the year ended December 31, 2024. There have been no material changes in the Company's tax positions, deferred tax assets or liabilities, or in applicable income tax legislation since that date. Any necessary adjustments will be reflected in the annual financial statements when the full-year results and comprehensive tax computations are finalized in accordance with IAS 12 Income Taxes.

12. LOANS PAYABLE

	December 31, 2024 (unaudited)	Additions 2025	Repayments 2025	June 30, 2025
Loans for Vehicles				
Current portion	\$ 7,534	\$ -	\$ (4,815)	\$ 2,719
Long-term portion	-	-	-	-
	7,534	-	(4,815)	2,719
Other Loans				
Transvendo loan	193,243	14,265	-	207,508
	\$ 200,777	\$ 14,265	\$ (4,815)	\$ 210,227

Details of loans payable All values in Euro

Loan issuer	Loan subject	Start of contract	End of contract	Original financing amount	Balance June 30, 2025	Re-payments 2025	Interest/ fees paid 2025	Interest rate
Transvendo	Crowd funding	May 17, 2017	May 23, 2022	129,450	129,450	-	3,269	5%
Automobile Wittchen	Skoda Superb	Jan 19, 2019	Dec 23, 2025	23,000	1,696	2,295	182	-
Automobile Wittchen	VW Golf	Jun 19	May 24	16,800	-	-	-	-
Automobile Wittchen	Dodge RAM	Feb 21, 2021	Feb 25, 2025	27,900	-	1,056	10	3.5%
				197,150	131,146	3,351	3,461	

13. SHAREHOLDERS' EQUITY

Shares

The Company authorized share capital includes an unlimited number of common shares having no par value. On June 30, 2025, 57,222,392 (December 31, 2024 - 55,762,392) common shares were issued and outstanding.

On April 10, 2025, the Company completed a non-brokered \$0.12 unit financing for \$175,200 which consisted of 1,460,000 units. Each unit was comprised of one common share and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of \$0.14 until April 3, 2027.

Warrants

During the period ended June 30, 2025, the Company completed the following transactions:

On April 10, 2025, the Company completed a non-brokered \$0.12 unit financing for \$175,200 which consisted of 1,460,000 units. Each unit was comprised of one common share and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of \$0.14 until April 3, 2027.

During the year ended December 31, 2024, the Company completed the following transactions:

On September 6, 2024, the Company completed a non-brokered \$0.12 unit financing for \$189,000 which consisted of 1,575,000 units. Each unit was comprised of one common share

and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of \$0.14 until April 3, 2027.

A summary of the Company's warrants for the period ending June 30, 2025 and the year ending December 31, 2024, is presented below:

	June 30, 2025		December 31, 2024	
	Warrants	Weighted average exercise price	Warrants	Weighted average exercise price
Outstanding, beginning of year	30,064,347	\$ 0.13	28,489,347	\$0.13
Investor Warrants - Private Placements	1,460,000	0.14	1,575,000	0.14
Outstanding, end of period	31,524,347	\$ 0.13	30,064,347	\$ 0.13

As at June 30, 2025, the following warrants were outstanding and exercisable:

Date of grant	Number of warrants	Exercise price	Expiry date
March 3, 2021	1,250,000	0.12	April 7, 2027
April 8, 2021	9,183,333	0.12	April 7, 2027
April 9, 2021	12,697,989	0.12	April 7, 2027
November 11, 2022	1,607,500	0.12	April 7, 2027
October 11, 2023	893,025	0.14	April 7, 2027
October 27, 2023	2,857,500	0.14	April 7, 2027
September 6, 2024	1,575,000	0.14	April 7, 2027
April 10, 2025	1,460,000	0.14	April 7, 2027
	31,524,347		

The fair value of the warrants issued or revalued in 2025 and 2024 was estimated using a relative fair value attribution of the Black-Scholes model for pricing options using the following weighted average assumptions:

	2021 and 2022 revaluations	Oct. 11, 2023	Oct. 27, 2023	Apr. 10, 2025
Share price	\$0.10	\$0.10	\$0.10	\$0.10
Stock price	\$0.12 to \$0.14	\$0.14	\$0.14	\$0.14
Risk-free interest rate	3.00%	0.26%	0.26%	3.00%
Expected stock volatility	100%	100%	100%	100%
Expected life	2 years	2 years	2 years	2 years
Dividend yield	0%	0%	0%	0%

Fully Diluted Shares

The basic average shares outstanding in the first six months of 2025 (56,415,762) are not adjusted for warrants as the Company reported a loss and the warrants would be non-dilutive.

The basic average shares outstanding in the first six months of 2024 (54,187,392) are not adjusted for warrants as the warrant price and share prices are very similar, such that any warrants exercised would be offset by common shares repurchased, and hence, would be non-dilutive.

14. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party's making of financial or operational decisions, or if both parties are controlled by the same third party. The Company has transactions with key management personnel, shareholders and their family members.

Transactions with related parties, if any, are incurred in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and approved by the related parties. The CEO and Directors did not charge fees or receive any payments during the six-month ending June 30, 2025 and 2024, and during the year ending December 31, 2024.

Compensation to related parties	Six months ended			
	Nature	June 30, 2025		June 30, 2024
Chief Financial Officer - outgoing	Consulting Fee	\$	-	\$ 45,000
Chief Financial Officer - incoming	Consulting Fee	\$	30,000	\$ -

Liabilities to related parties	Six months ended			
	Nature	June 30, 2025		June 30, 2024
Chief Financial Officer - outgoing	Payable	\$	11,978	\$ 27,100
Chief Financial Officer - incoming	Payable		35,000	-
		\$	46,978	\$ 27,100

A. Meckler Corporate Finance Inc. charged management fees for services as Chief Financial Officer for six months in 2024. John C. Ross Consulting Inc. charged management fees for services as Chief Financial Officer for six months in 2025. At June 30, 2025, A. Meckler Corporate Finance Inc. was owed \$11,978 (December 31, 2024 – \$40,737) and John C. Ross Consulting Inc. was owed \$35,000 (December 31, 2024 – \$5,000). Directors did not charge fees or receive any payments in 2025 and 2024.

LOANS FROM RELATED PARTIES

Shareholder		Balance June 30, 2025	Balance December 31, 2024	Interest rate
Shareholder A	May 2024	17,684	15,807	5%
Shareholder B	May 2021	27,898	24,906	5%
Shareholder C	May 2021	-	75,685	5%
Shareholder D - Director	May 2021	94,105	8,928	5%
Related party	May 2021	114,352	24,937	5%
		254,039	150,263	

The liabilities to related parties have no maturity date and bear average interest rate of 4.495% during 2025 and 2024.

Interest charged on balance of liability of related parties is \$5,054 and \$3,757 in the first six months of 2025 and 2024, respectively, see Note 20.

LOAN TO A SHAREHOLDER

The liabilities of related parties have no maturity date and bear average interest rate of 5% and 5% during the first six months of 2025 and 2024, respectively.

Interest charged on balance of liability to related parties is \$1,892 and \$1,435 in the first six months of 2025 and 2024, respectively, see Note 20.

15. OPERATING SEGMENTS

The Company determined its operating segments according to how the business activities are managed and evaluated by the Company's chief operating decision maker. The Company operates under one operating segment, being the sale of consumer goods made of hemp. Sales are made to retail customers, to other businesses and to franchisees. All the Company's revenues are earned in the subsidiaries which operate in Germany.

16. REVENUES

	Six months ended	
	June 30, 2025	June 30, 2024
Sale -retail	\$ 3,287,442	\$ 3,727,455
Sale - business	1,401,724	79,399
Franchise	336,389	43,842
	\$ 5,025,555	\$ 3,850,696

17. COST OF REVENUES

	Six months ended	
	June 30, 2025	June 30, 2024
Finished goods - open	\$ 821,728	\$ 449,558
Salaries and related benefits	171,801	101,670
Amortization of rights to use lease assets	29,905	21,076
Depreciation	2,993	3,819
Rent and maintenance costs	60,766	61,837
Decrease in inventories	1,967,408	953,445
	\$ 3,054,601	\$ 1,591,405

18. SELLING

	Six months ended	
	June 30, 2025	June 30, 2024
Salaries and related benefits	\$ 662,660	\$ 392,159
Amortization of rights to use lease assets	119,150	83,973
Depreciation	27,207	34,706
Rent and maintenance costs	168,310	178,053
Advertising	142,826	104,271
Other	17,192	2,358
	\$ 1,137,345	\$ 759,520

19. GENERAL AND ADMINSTRATIVE

	Six months ended	
	June 30, 2025	June 30, 2024
Salaries and related benefits	\$ 441,662	\$ 210,371
Management Fees (Note 14)	30,000	45,000
Amortization of rights to use leased assets	26,445	19,454
Depreciation	3,060	3,903
Rent and maintenance costs	-	25,322
Professional fees	242,990	80,227
Investor relations	-	19,454
Other	63,157	12,242
	\$ 807,314	\$ 396,522

20. FINANCIAL INCOME AND EXPENSES

	Six months ended	
	June 30, 2025	June 30, 2024
Financing income		
Interest on loan to shareholder	\$ 1,892	\$ 1,435
Remeasurement of lease liability	-	-
Interest income on cash and cash equivalents	5,663	8,889
Total financing income recognized in profit or loss	7,555	10,324
Financial liabilities measured at amortized cost:		
Interest expense on loans from related parties (Note 14)	5,054	3,757
Interest in expense on liabilities	24,696	12,718
Interest expense on lease liabilities	16,511	11,574
Bank and credit card charges	8,576	24,287
Total financing expenses recognized in profit and loss	\$ 54,837	\$ 45,920

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, receivables from related parties, loans to shareholders, accounts payables and accruals, loans payable, loans from shareholders and loans from related parties. These financial instruments are exposed to certain risks, including credit risk, interest rate risk, liquidity risk and other market risk.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- (a) Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
- (b) Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- (c) Level 3 – inputs that are not based on observable market data.

The Company's financial instruments at June 30, 2025, consist as follows:

	Level 1	Level	Level 3
Financial assets			
Cash & cash equivalents	\$ 340,081	\$ –	\$ –
Trade accounts receivable	–	–	386,582
Other accounts receivable		–	579,484
	340,081	–	966,066
Financial liabilities			
Accounts payable and accruals	\$ –	\$ –	\$ 1,147,160
Other accounts payable and accruals	–	–	800,606
Loans Payable	–	–	210,227
Loans from Shareholders	–	–	–
Loans from Related Parties	–	–	254,039
	340,081	–	2,412,032
Net Financial assets (liabilities)	\$ 340,081	–	\$ (1,445,966)

Cash and cash equivalents, and accounts receivables have been measured at fair value using Level 1 inputs.

The carrying value of accounts receivables, accounts payable and accruals, lease obligations, and loans payable, approximate their fair value because of the short-term nature of these instruments or their ability of prompt liquidation.

Credit risk:

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash is held mainly through large Canadian and German financial institutions. The Company considers credit risk on its cash to be minimal.

The business primarily deals with products sold via the retail channel through Company-owned stores. The expected credit loss in this situation would be low due to the fact there are no receivables and sales are recorded once the product is sold and paid on the spot.

When determining the allowance for estimated credit losses the Company will consider historical experience with the customer, current market and industry conditions and any specific collection issues. As at June 30, 2025 and December 31, 2024, the Company did not have any material overdue accounts besides the already identified specific credit risks, for which allowances had been built (see also Note 6 and 13).

Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining cash and cash equivalent balances to ensure that it is able to meet its short term and long-term obligations as and when they fall due. Trades payable and accrued liabilities are due within the current operating period. The Company manages liquidity risk through the management of its capital structure as described in Notes 1 and 13.

As of June 30, 2025, the Company has working capital of \$28,576 (December 31, 2024 – deficit of \$164,405).

Market risk:

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

Interest Rate Risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate

risk from its secured loans and convertible debentures. The Company's interest rates on these loans are fixed and the sensitivity of the Company's loss before tax to a reasonably possible change in market interest rates is considered minimal.

Other Market Risk:

Other market risk that the Company is exposed to includes currency risk. Currency risk is the risk of loss due to fluctuation of foreign exchange rates and the effects of these fluctuations on foreign currency denominated monetary assets and liabilities. The Company is not exposed to significant currency risk as the parent entity and subsidiaries primarily transact in their functional currencies.

Sensitivity Analysis:

As of June 30, 2025, management has assessed that a 10% change in relevant market rates (foreign exchange, interest, or equity valuation) would not materially affect the Company's financial position or results of operations, given the nature and size of its exposures.

Legal and Operational Risk:

The Company's business is subject to a variety of laws, regulations, and guidelines relating to the marketing, manufacturing, management, transportation, storage, sale, packaging and labeling, disposal and, if necessary, acquisition of hemp and CBD. The Company is subject to laws, regulations, and guidelines relating to health and safety, the conduct of operations, taxation of products and the protection of the environment. As the laws, regulations and guidelines pertaining to the hemp and CBD industry in the Federal Republic of Germany are relatively new, it is possible that significant legislative amendments may still be enacted that address current or future regulatory issues or perceived inadequacies in the regulatory framework. It is also possible that laws that impact the Company's business may not develop as we expect or on the timeline as expected by the Company's management or on the expected timeline. Changes to such laws, regulations, and guidelines, may cause material adverse effects on the business, financial condition and operations.

The legislative framework pertaining to the German hemp and CBD market is subject to significant regulation. The legal framework and its interpretation and enforcement varies geographically and results in asymmetric regulatory and market environments. Different competitive pressures, additional compliance requirements, and other costs may limit our ability to participate in such markets.

The Company is exposed to risk related to its retail stores in Germany as a result of the legal framework in which it operates. Since 2019, the Company has been subjected to multiple stores raided by the local government, with products confiscated, resulting in the Company writing off the confiscated inventory (2021 - \$12,955) and depressing its sales. There is no assurance that these raids will stop in the future.