

TAAT GLOBAL ALTERNATIVES INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED APRIL 30, 2023 AND 2022
(Unaudited)
(Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW

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

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

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

TAAT Global Alternatives Inc.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian Dollars - Unaudited)

	April 30, 2023	October 31, 2022 (Audited)
As at,	\$	\$
ASSETS		
Current assets		
Cash	437,628	676,813
Receivables (Note 5)	4,616,846	4,465,592
Prepays (Note 10)	634,554	368,603
Inventory (Note 9)	4,559,219	5,100,092
Loan receivable (Note 6)	120,609	70,870
	10,368,856	10,681,970
Non-current assets		
Property and equipment (Note 7)	4,108,796	4,682,904
Intangible assets (Notes 4 and 8)	1,655,924	1,982,000
Goodwill (Notes 4 and 8)	493,778	493,778
Loan receivable (Note 6)	230,812	247,675
Deposits (Note 10)	523,254	497,355
Total assets	17,381,420	18,585,682
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 12)	2,225,396	2,479,072
Notes payable (Note 13)	4,576,547	2,771,431
Lease liabilities (Note 11)	975,580	779,280
	7,777,523	6,029,783
Non-current liability		
Notes payable (Note 13)	159,801	133,384
Lease liabilities (Note 11)	2,946,423	3,625,964
Total liabilities	10,883,747	9,789,131
Shareholders' equity		
Share capital (Note 14)	94,552,379	88,487,379
Reserves (Note 14)	27,827,313	33,073,179
Accumulated other comprehensive income (loss)	(361,355)	(454,607)
Deficit	(115,520,664)	(112,309,400)
	6,497,673	8,796,551
Total liabilities and shareholders' equity	17,381,420	18,585,682

Nature of operations (Note 1)

Subsequent events (Note 20)

Approved and authorized by the Board on June 28, 2023:

"John Cumming" Director *"Joel Dumaesq"* Director

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

TAAT Global Alternatives Inc.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in Canadian Dollars - Unaudited)

For the	Three-months ended April 30, 2023 \$	Three-months ended April 30, 2022 \$	Six-months ended April 30, 2023 \$	Six-months ended April 30, 2022 \$
REVENUE				
Sales	22,229,020	515,464	45,515,983	985,246
Cost of goods sold	(20,932,591)	(277,846)	(43,111,493)	(615,663)
Gross profit	1,296,429	237,618	2,404,490	369,583
EXPENSES				
Accounting and legal	105,855	146,643	389,823	260,147
Accretion and interest expense (Note 11)	192,086	24,971	340,540	58,168
Amortization (Notes 7 and 8)	457,262	279,813	956,026	578,598
Bad debt expense	3,254	-	33,972	-
Filing and regulatory	50,383	57,265	61,744	100,181
Foreign exchange (gain) loss	(240,568)	(186,053)	151,639	(473,025)
Management and consulting (Note 14)	235,367	620,308	468,338	1,015,620
Office, rent and administrative (Note 15)	368,205	204,635	775,101	331,788
Other operating costs	311,798	-	481,196	-
Investor relations and shareholder communication	23,020	775,484	66,583	1,644,503
Product marketing	34,033	411,650	166,431	1,183,587
Research and development	16,422	846	35,058	170,113
Share-based payments (Notes 14 and 15)	209,494	189,036	435,309	588,707
Share-based payments – RSU (Notes 14 and 15)	113,886	1,273,748	278,825	4,982,634
Travel	14,532	10,970	90,295	74,876
Salaries and wages	618,328	451,140	1,922,435	1,190,963
	(2,513,357)	(4,260,456)	(6,653,315)	(11,706,860)
Loss for the period	(1,216,928)	(4,022,838)	(4,248,825)	(11,337,277)
Other items				
License income (Note 19)	999,733	-	999,733	-
Other income	61,161	55	115,083	77,174
Gain on lease forgiveness (Note 11)	-	119,882	-	237,088
Gain on extinguishment of decommissioning provision (Note 12)	-	79,000	-	79,000
Income tax expense	(77,255)	-	(77,255)	-
Loss on termination of lease	-	(18,874)	-	(18,874)
Net loss for the period	(233,289)	(3,842,775)	(3,211,264)	(10,962,889)
OTHER COMPREHENSIVE LOSS				
Item that may be reclassified subsequently to profit or loss				
Foreign exchange loss on translating foreign operations	(159,459)	(238,524)	93,252	(283,865)
Comprehensive loss	(392,748)	(4,081,299)	(3,118,012)	(11,246,754)
Basic and diluted loss per common share	(0.00)	(0.04)	(0.03)	(0.11)
Weighted average number of common shares outstanding	108,701,648	102,607,770	107,922,311	102,546,561

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

TAAT Global Alternatives Inc.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars - Unaudited)

	April 30, 2023	April 30, 2022
For the six-months ended,	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(3,211,264)	(10,962,889)
Non-cash items:		
Foreign exchange	357,718	(473,025)
Amortization	956,026	578,598
Accretion and interest expense	340,540	58,168
Gain on lease forgiveness	-	237,088
Gain on extinguishment of decommissioning liability	-	79,000
Loss on termination of lease	-	(18,874)
Shares issued for salaries	105,000	-
Share-based compensation	435,309	588,707
Share-based compensation – RSU	278,825	4,982,634
Changes in non-cash working capital items:		
Receivables	(151,254)	259,650
Deposits and prepaid expenses	(291,850)	355,284
Inventory	540,873	(1,375,721)
Accounts payable and accrued liabilities	(588,901)	(1,211,326)
Net cash used in operating activities	(1,228,978)	(6,902,706)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on property and equipment, net of additions	(92,643)	(80,252)
Net cash used in investing activities	(92,643)	(80,252)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(636,270)	(206,434)
Proceeds from notes payable and line of credit, net of additions and repayments	1,834,341	-
Proceeds from exercise of options	-	1,232,609
Net cash provided by financing activities	1,198,071	1,026,175
Change in cash during the period	(123,550)	(5,956,783)
Effect of change in foreign currency	(115,635)	(283,865)
Cash, beginning of the period	676,813	11,810,863
Cash, end of the period	437,628	5,570,215

Supplemental Cash Flow Disclosure

Cash paid for interest	183,378	-
Cash paid for taxes	-	-
Non-cash Investing and Financing Activities		
Recognition of Right of Use Asset (Note 11)	-	4,579,665
Issuance of finder's shares (Note 14)	-	199,998
Conversion of RSU	5,960,000	-
Fair value of transfer on exercise of stock options and warrants (Note 14)	-	951,766

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

TAAT Global Alternatives Inc.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY (DEFICIENCY)

(Expressed in Canadian Dollars – Unaudited)

Share capital							
	Number	Amount \$	Obligation to Issue Shares \$	Reserve \$	Deficit \$	Accumulated Other Comprehensive Income (Loss) \$	Total \$
Balance, October 31, 2022	106,526,655	88,487,379	-	33,073,179	(112,309,400)	(454,607)	8,796,551
Net and comprehensive loss	-	-	-	-	(3,211,264)	93,252	(3,118,012)
Shares issued for salaries	175,000	105,000	-	-	-	-	105,000
Conversion of RSUs	2,000,000	5,960,000	-	(5,960,000)	-	-	-
Restricted share units granted	-	-	-	278,825	-	-	278,825
Share-based compensation	-	-	-	435,309	-	-	435,309
Balance, April 30, 2023	108,701,655	94,552,379	-	27,827,313	(115,520,664)	(361,355)	6,497,673
Balance, October 31, 2021	101,370,675	82,079,923	199,998	20,218,444	(87,676,063)	103,358	14,925,660
Net and comprehensive loss	-	-	-	-	(10,962,889)	(283,865)	(11,246,754)
Options exercised	1,170,436	2,184,375	-	(951,766)	-	-	1,232,609
Share issuance costs	66,666	-	(199,998)	-	-	-	(199,998)
Restricted share units granted	-	-	-	4,982,634	-	-	4,982,634
Share-based compensation	-	-	-	588,707	-	-	588,707
Balance, April 30, 2022	102,607,777	84,264,298	-	23,375,235	(98,638,952)	(180,507)	10,482,856

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

TAAT Global Alternatives Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended April 30, 2023 and 2022

(Expressed in Canadian Dollars - Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

TAAT Global Alternatives Inc. ("TAAT" or the "Company") was incorporated on June 5, 2006 in British Columbia under the Business Corporations Act. The Company develops, manufactures, and distributes alternative product categories such as tobacco, hemp and other emerging consumer packaged goods ("CPG") segments. The Company is listed on the Canadian Stock Exchange ("CSE") under the symbol "TAAT" as well as OTCQB, under the symbol "TOBAF" and on the Frankfurt Stock Exchange under the symbol "2TP2". As at the date of these condensed interim consolidated financial statements, the Company has elected to suspend its application to be listed on the Nasdaq Capital Market on the basis that it is not possible for the application to move forward despite the Company's management concluding that all requirements were sufficiently met in prior years.

On April 28, 2021, the Company changed its name to TAAT Global Alternatives Inc. from TAAT Lifestyle & Wellness Ltd.

The Company's registered address is Suite 810 – 789 West Pender Street, Vancouver, BC V6C 1H2.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company is in the development phase of its business focus. The Company has incurred losses since inception and to date has not generated significant revenues and positive cash flows from operations. During the period ended April 30, 2023, the Company incurred a net loss of \$3,211,264 (April 30, 2022 - \$10,962,889) and, as of that date, the Company's deficit is \$115,520,664 (October 31, 2022 - \$112,309,400). These conditions indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. The continuance of the Company's operations is dependent on its ability to increase demand for its products and generate positive cash inflows. Should the Company not be considered a going concern certain assets and liabilities may require restatement on a liquidation basis. No adjustments have been made to the carrying value of assets and liabilities in these consolidated financial statements. These adjustments could be material.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and in accordance with IAS 34 – Interim Financial Reporting. Certain information and note disclosures normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed, and therefore the condensed interim consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the years ended October 31, 2022 and 2021, including the accompanying notes thereto.

The Board of Directors approved these condensed interim consolidated financial statements on June 28, 2023.

Basis of Presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial assets that are measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for the cash flow information.

Foreign currency transactions

The Company's presentation currency is the Canadian dollar which is the functional currency of the Company and TT Enterprises Inc. The functional currency of TAAT International LLC and ADCO Distributors Inc. is the US dollar. Functional currency is the principal currency of the economic environment in which each entity operates.

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their functional currency equivalent using foreign exchange rates prevailing at the statement of financial position date. Non-monetary assets and liabilities are translated at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities. Revenue and expense items, at the rate of exchange prevailing at the transaction date. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the year.

TAAT Global Alternatives Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended April 30, 2023 and 2022

(Expressed in Canadian Dollars - Unaudited)

2. BASIS OF PREPARATION (cont'd)

Foreign currency transactions (cont'd)

For presentation purposes, all amounts for TAAT International LLC and ADCO Distributors Inc. are translated from the US dollar functional currency to the Canadian dollar presentation currency for each period. Statement of financial position accounts, with the exception of equity, are translated using the exchange rate at the end of each reporting period, transactions on the statement of comprehensive loss are recorded at the average rate of exchange during the period, and equity accounts are translated using historical actual exchange rates. Exchange gains and losses arising from translation to the Company's presentation currency are recorded as cumulative translation adjustment, which is included in accumulated other comprehensive loss.

Significant Estimates, Judgments and Assumptions

The preparation of the Company's condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of net assets, liabilities, and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates and judgments are consistent with those presented in Note 2 to the Company's annual consolidated financial statements.

Basis of Consolidation

A subsidiary is an entity the Company controls when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. These consolidated financial statements include the accounts of the Company and its subsidiaries:

	Ownership Interest	Jurisdiction
TT Enterprises Inc.	100%	Canada
TAAT International LLC	100%	United States
Beyond Alternatives LLC	100%	United States
TAAT Holdings LLC	100%	United States
ADCO Distributors Inc. ("ADCO")	100%	United States
ADS Inc. (Wholly Owned Subsidiary of ADCO)	100%	United States
Puffs Inc. (Wholly Owned Subsidiary of ADCO)	100%	United States
Jayvee's Brands LLC	100%	United States

Subsidiaries are fully consolidated in the Company's consolidated financial statements from the date that control commences until the date that control ceases. Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as described in Note 3 to the annual consolidated financial statements have been consistently applied in the presentation of these condensed interim consolidated financial statements.

New Accounting Standards

The Company continues to review changes to IFRS standards, there are no other pending IFRSs that are expected to be relevant to the Company's condensed interim consolidated financial statements.

TAAT Global Alternatives Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended April 30, 2023 and 2022

(Expressed in Canadian Dollars - Unaudited)

4. BUSINESS COMBINATION

ADCO Distributors, Inc.

On April 20, 2022, TAAT entered into a definitive securities exchange agreement (the “Definitive Agreement”) with ADCO Distributors, Inc. and HLND Holdings, Inc. (together referred to as “ADCO” or the “Target”), and Hayford Cardinal Holdings, Inc., Red Carpet/Hobe Sound, Inc. and Barry Adelman (collectively, the “Vendors”), which were amended on April 27, 2022 and May 13, 2022 (the “Amending Agreements”). ADCO is the parent entity of a convenience and tobacco wholesaler based in the state of Ohio. Pursuant to the Definitive Agreement, TAAT acquired all of the issued and outstanding common stock of ADCO (the “Acquisition”) which results in 100% ownership of ADCO to be held by TAAT.

On May 18, 2022, the Company acquired 100% of the issued and outstanding shares of ADCO. As consideration, the Company issued 3,786,572 common shares with a fair value of \$3,895,040 (US\$3,043,000) (the “Consideration Shares”) and made a cash payment of \$1,182,153 (US\$911,000) for total consideration of \$5,077,193 (US\$3,954,000). In accordance with IFRS 3, the equity consideration on transfer was measured at fair value at the acquisition date, which is the date control was obtained. The fair value of the shares was determined by considering the vesting dates of the tranche of shares, and applying a discount for lack of marketability (“DLOM”) to reflect the share restrictions.

The Consideration Shares are subject to up to a 24-month lock-up. One-third (1/3) of the aggregate Consideration Shares will be released on the fourth (4th), eight (8th), and twelfth (12th) month from the Closing Date, respectively. In the event that either of the principals of ADCO resign from their current positions prior to March 31, 2023, any Consideration Shares that have not been released in accordance with the schedule set out above shall be subject to an extended lock-up expiring 24 months from closing.

In accordance with IFRS 3, the substance of a transaction constitutes a business combination as the business of ADCO meets the definition of a business under the standard. Accordingly, the assets acquired and the liabilities assumed have been recorded at their respective estimated fair values as of the acquisition date. The purchase price is based on management’s estimate of fair value of the common shares issued.

In connection with the acquisition of ADCO, the Company issued 112,195 finder common shares with a fair value of \$114,439 and paid cash of \$36,957 to an arm’s length party for total finders’ fees of \$184,785, which were expensed as transaction cost on the Statement of Loss and Comprehensive Loss in accordance with IFRS 3. The Company recorded a gain on settlement of debt of \$33,389.

TAAT Global Alternatives Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended April 30, 2023 and 2022

(Expressed in Canadian Dollars - Unaudited)

4. BUSINESS COMBINATIONS (cont'd)

ADCO Distributors, Inc. (cont'd)

The table below summarizes the fair value of the assets acquired and the liabilities assumed at the effective acquisition date:

Consideration paid during the year ended October 31, 2022		\$
Fair value of shares issued		3,895,040
Cash paid		1,182,153
		5,077,193
Net assets acquired:		
Cash		118,343
Accounts receivable		4,236,924
Notes receivable (Note 6)		252,061
Prepays and deposits		265,271
Inventory		2,853,749
Property and equipment (Note 7)		146,354
Accounts payable and accrued liabilities		(2,361,934)
Notes payable (Note 13)		(3,252,353)
Intangible assets – customer relationships (Note 8)		2,299,000
Goodwill (Note 8)		519,778
Total		5,077,193

The Company determined that ADCO's business objectives were synergistic with the Company's business plans and objectives. Goodwill consists of an assembled workforce, cost synergies and future economic potential of ADCO.

Boksborg Ventures Inc.

On December 14, 2022 and amended on March 1, 2023, the Company entered into an asset purchase agreement with Boksborg Ventures Inc. ("Boksborg"), where the Company will acquire assets related to the Boksborg's Break Free™ mobile application and \$3,600,000 working capital (the "Boksborg Acquisition") from Boksborg (the "Boksborg Transaction") and as consideration for the Boksborg Acquisition, the Company will issue an aggregate of 17,000,000 common shares (the "Boksborg Consideration Shares") with a portion of which is allocated to the \$3,600,000 working capital purchased. The Boksborg Acquisition was terminated on March 31, 2023.

5. RECEIVABLES

	April 30, 2023	October 31, 2022
	\$	\$
Trade receivables, net of allowance	4,264,420	4,146,133
Sales tax receivable	352,426	319,459
Total	4,616,846	4,465,592

TAAT Global Alternatives Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended April 30, 2023 and 2022

(Expressed in Canadian Dollars - Unaudited)

6. LOANS RECEIVABLE

	\$
Balance, October 31, 2021	12,384
Loan receivables acquired (Note 4)	252,061
Additions	42,972
Interest accrued	3,995
Principal payments received	(5,460)
Foreign exchange	12,593
Balance, October 31, 2022	318,545
Additions	101,618
Interest accrued	7,910
Principal payments received	(79,517)
Foreign exchange	2,865
Balance, April 30, 2023	351,421
Current portion	120,609
Non-current portion	230,812

During the year ended October 31, 2021, the Company lent \$12,384 (US\$10,000) to a third party. The loan is non-interest bearing and payable on demand, the full balance was outstanding as at October 31, 2021 and October 31, 2022.

During the year ended October 31, 2022, the Company acquired loans receivable of \$252,061 as a result of the acquisition of ADCO on May 18, 2022 (Note 4). The loans receivable accrues interest at 6% per annum. During the year ended October 31, 2022, the Company accrued interest of \$3,962 (US\$2,927) and received principal payments of \$5,460 (US\$4,000) for the loans receivable. During the period ended April 30, 2023, the Company accrued interest of \$7,754 (US\$5,723) and received principal repayments of \$10,838 (US\$8,000) for the loans receivable.

During the year ended October 31, 2022, the Company lent \$42,972 (US\$31,484) to a third party with weekly payments beginning on October 20, 2022 of US\$750 per week. The loans receivable accrues interest at 1% per annum and the remaining balance of the loan is due on June 1, 2023. During the year ended October 31, 2022, the Company accrued interest of \$33 (US\$24) for the loans receivable. During the period ended April 30, 2023, the Company accrued interest of \$156 (US\$115) and received principal payments of \$29,270 (US\$21,604) for the loans receivable.

During the period ended April 30, 2023, the Company lent \$101,618 (US\$75,000) to a third party with weekly payments of US\$2,000 per week. The loans receivable accrues no interest and is due on demand. During the period ended April 30, 2023, the Company received principal payments of \$39,409 (US\$29,088) for the loans receivable.

TAAT Global Alternatives Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended April 30, 2023 and 2022

(Expressed in Canadian Dollars - Unaudited)

7. PROPERTY AND EQUIPMENT

	Furniture & equipment \$	Computer s \$	Vehicles & machinery \$	Building & land \$	Right of use asset \$	Total \$
Cost:						
October 31, 2021	154,534	128,473	366,408	-	4,956,154	5,605,569
Additions	178,445	7,680	141,706	-	312,504	640,335
Transferred from business acquisition (Note 4)	-	14,622	18,356	113,376	-	146,354
Disposals and write-offs	-	-	(84,114)	-	-	(84,114)
Termination of lease	-	-	-	-	(376,488)	(376,488)
October 31, 2022	332,979	150,775	442,356	113,376	4,892,170	5,931,656
Additions	-	-	92,643	-	-	92,643
Disposals and write-offs	-	-	(66,283)	-	-	(66,283)
April 30, 2023	332,979	150,775	468,716	113,376	4,892,170	5,958,016
Amortization:						
October 31, 2021	(36,349)	(71,874)	(137,119)	-	(465,756)	(711,098)
Charge for the year	(60,447)	(48,240)	(88,619)	(3,076)	(1,059,676)	(1,260,058)
Termination of lease	-	-	-	-	222,724	222,724
Cumulative translation adjustment	16,031	3,731	7,950	8,344	463,624	499,680
October 31, 2022	(80,765)	(116,383)	(217,788)	5,268	(839,084)	(1,248,752)
Charge for the period	(25,273)	(12,509)	(54,355)	(1,822)	(529,909)	(623,868)
Cumulative translation adjustment	104,483	(21,883)	(111,627)	(8,965)	61,392	23,400
April 30, 2023	(1,555)	(150,775)	(383,770)	(5,519)	(1,307,601)	(1,849,220)
Net book value:						
October 31, 2022	252,214	34,392	224,568	118,644	4,053,086	4,682,904
April 30, 2023	331,424	-	84,946	107,857	3,584,569	4,108,796

The right of use assets relates to rental property leases entered into by the Company, with associated lease liabilities (Note 11). During the year ended October 31, 2022, the Company terminated the Post Industrial lease and derecognized the right of use asset related to the lease (Note 11).

8. INTANGIBLE ASSETS AND GOODWILL

During the years ended October 31, 2020, 2021 and 2022, pursuant to the business combinations (Note 4), the Company acquired intangible assets and goodwill as follows:

	Goodwill \$	Intangibles – Customer Relationships \$	Total \$
Balance, October 31, 2021	1,075,959	-	1,075,959
Acquired from business combinations (Note 4)	519,778	2,299,000	2,818,778
Amortization	-	(302,885)	(302,885)
Impairment	(1,101,959)	(14,115)	(1,116,074)
Balance, October 31, 2022	493,778	1,982,000	2,475,778
Amortization	-	(326,076)	(326,076)
Balance, April 30, 2023	493,778	1,655,924	1,655,924

TAAT Global Alternatives Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended April 30, 2023 and 2022

(Expressed in Canadian Dollars - Unaudited)

8. INTANGIBLE ASSETS AND GOODWILL (cont'd)

As at October 31, 2020 and 2021, the Company performed a recoverable value calculation for TrueToke and TAAT Intl. at the CGU level. As the fair value less costs to dispose of each CGU is not readily determinable, the Company estimated the value in use of the CGU to determine the recoverable value through a discounted cash flow analysis. The recoverable value of the TrueToke intangibles and goodwill were estimated to be \$Nil and accordingly, the intangible assets and goodwill were impaired to \$Nil. The recoverable value of goodwill related to TAAT Intl. was estimated to be higher than the carrying value: therefore, no impairment on goodwill was recognized. These cash flows are projected for a period of 5 years for TrueToke and 2 years for TAAT Intl. using a pre-tax discount rate of 30%. These projections carry a material degree of uncertainty in estimating the recoverable amounts. In making such assumptions, management has used its best estimate of future economic and market conditions. These valuations are categorized as Level 3 in the fair value hierarchy.

As at October 31, 2022, the Company performed a recoverable value calculation for TAAT Intl. and found that the recoverable value of goodwill related to TAAT Intl. was estimated to be lower than the carrying value: therefore, the goodwill was impaired to \$Nil and an impairment expense of \$1,075,959 was recorded.

On May 18, 2022, the Company acquired ADCO and recognized intangible assets of \$2,299,000 and goodwill of \$519,778 on the date of acquisition. The estimated useful life of the intangible assets is 3.5 years. During the period ended April 30, 2023, the Company recognized \$326,076 (year ended October 31, 2022 - \$302,885) as amortization of the intangible asset.

As at October 31, 2022, the Company performed a recoverable value calculation for ADCO and found that the recoverable value of intangible assets and goodwill was estimated to be lower than the carrying value: therefore, the goodwill was impaired to be \$493,778 with an impairment expense of \$26,000 recorded and the intangible assets were impaired to \$1,982,000 with an impairment expense of \$14,115 recorded.

9. INVENTORY

As at April 30, 2023 and October 31, 2022 inventory consists of the following:

	April 30, 2023	October 31, 2022
	\$	\$
Smokable products and finished goods	2,747,591	3,596,431
Hemp	604,472	657,263
Packaging	278,258	285,535
Promotional products	146,069	68,029
Sundry, candy and grocery items	782,829	492,834
Total	4,559,219	5,100,092

During the period ended April 30, 2023, the Company wrote off inventories of \$Nil (Year ended October 31, 2022 - \$85,003). During the period ended April 30, 2023 the Company recognized \$43,140,451 (Year ended October 31, 2022 - \$38,069,148) of sold inventory in cost of goods sold.

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10. PREPAIDS AND DEPOSITS

As at April 30, 2023 and October 31, 2022, prepaids consist of the following:

	April 30, 2023	October 31, 2022
	\$	\$
Marketing	24,805	7,324
Consulting	-	16,700
Legal	-	13,649
General and administrative	609,749	330,930
Total	634,554	368,603

As at April 30, 2023, the Company has long-term security deposits in place related to rental property leases and furniture purchases of \$523,254 (October 31, 2022 - \$497,355).

11. LEASE LIABILITIES**Post Industrial Lease**

During the year ended October 31, 2020, the Company recognized right of use asset of \$376,489 (including transaction costs) and lease liability of \$328,999. During the year ended October 31, 2022, the Company terminated the lease and recognized a loss on termination of lease of \$36,821 and derecognized the right of use asset (Note 7) and the associated lease liability.

At the commencement date of the lease, the lease liability was measured as the present value of the future lease payments that were not paid at that date. These lease payments are discounted using a discount rate of 10%, which is the Company's approximate incremental borrowing rate.

The following is a continuity schedule of the lease liability for the year ended October 31, 2022 and as at April 30, 2023:

	\$
Balance, October 31, 2020	280,924
Lease additions	-
Lease payments	(155,564)
Interest expense on lease liabilities	19,243
Foreign exchange	9,463
Balance, October 31, 2021	154,066
Lease payments	(35,604)
Interest expense on lease liabilities	3,333
Foreign exchange	4,658
Termination of lease	(126,453)
Balance, October 31, 2022 and April 30, 2023	-

Hughes Airport Center Lease

During the year ended October 31, 2021, the Company recognized right of use asset of \$1,291,983 (\$1,043,268 USD) and lease liability of \$1,267,201 (\$1,016,852 USD).

At the commencement date of the lease, the lease liability was measured as the present value of the future lease payments that were not paid at that date. These lease payments are discounted using a discount rate of 10%, which is the Company's approximate incremental borrowing rate.

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11. LEASE LIABILITIES (cont'd)

Hughes Airport Center Lease (cont'd)

The following is a continuity schedule of the lease liability for the period ended April 30, 2023 and year ended October 31, 2022:

	\$
Balance, October 31, 2021	1,231,735
Lease payments	(354,748)
Interest expense on lease liabilities	112,378
Foreign exchange	136,590
Balance, October 31, 2022	1,125,955
Lease payments	(178,061)
Interest expense on lease liabilities	51,137
Foreign exchange	(7,823)
Balance, April 30, 2023	991,208
Current portion	280,110
Non-current portion	711,098

Hughes Parkway Lease

During the year ended October 31, 2021, the Company recognized right of use asset of \$3,287,682 (\$2,654,782 USD) and lease liability of \$3,228,443 (\$2,606,947 USD).

At the commencement date of the lease, the lease liability was measured as the present value of the future lease payments that were not paid at that date. These lease payments are discounted using a discount rate of 8.5%, which is the rate determined per the lease agreement. Additionally, the base rent is abated (the "Abated Base Rent") for the fifth (5th) calendar month of the lease term to the ninth (9th) full calendar month (the "Abatement Period"). During the year ended October 31, 2022, the Company recorded a gain on the Abated Base Rent of \$712,694 (\$522,158 USD) which was offset by interest expenses abated on the lease of \$341,343 (\$279,191 USD) for a total gain on lease forgiveness of \$371,351.

The following is a continuity schedule of the lease liability for the period ended April 30, 2023 and year ended October 31, 2022:

	\$
Balance, October 31, 2021	3,103,232
Lease abatement	(371,351)
Lease payments	(76,678)
Interest expense on lease liabilities	23,191
Foreign exchange	307,103
Balance, October 31, 2022	2,985,497
Lease payments	(400,531)
Interest expense on lease liabilities	120,785
Foreign exchange	(25,124)
Balance, April 30, 2023	2,680,627
Current portion	620,555
Non-current portion	2,060,072

East Flamingo Road

During the year ended October 31, 2022, the Company recognized right of use asset of \$30,969 (\$24,016 USD) and lease liability of \$27,672 (\$21,460 USD).

At the commencement date of the lease, the lease liability was measured as the present value of the future lease payments that were not paid at that date. These lease payments are discounted using a discount rate of 5%, which is the interest rate per the lease agreement.

As at April 30, 2023, the lease term has ended and the Company has not renewed the lease.

TAAT Global Alternatives Inc.

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11. LEASE LIABILITIES (cont'd)

East Flamingo Road (cont'd)

The following is a continuity schedule of the lease liability for the period ended April 30, 2023 and year ended October 31, 2022:

	\$
Balance, October 31, 2021	-
Lease additions	27,672
Lease payments	(21,537)
Interest expense on lease liabilities	671
Foreign exchange	1,349
Balance, October 31, 2022	8,155
Lease payments	(8,092)
Interest expense on lease liabilities	34
Foreign exchange	(97)
Balance, April 30, 2023	-

Ohio Lease

During the year ended October 31, 2022, the Company recognized right of use asset of \$281,535 (\$223,355 USD) and lease liability of \$281,535 (\$223,355 USD).

At the commencement date of the lease, the lease liability was measured as the present value of the future lease payments that were not paid at that date. These lease payments are discounted using a discount rate of 12%, which is the interest rate per the lease agreement.

The following is a continuity schedule of the lease liability for the period ended April 30, 2023 and year ended October 31, 2022:

	\$
Balance, October 31, 2021	-
Lease additions	281,535
Lease payments	(41,630)
Interest expense on lease liabilities	31,455
Foreign exchange	14,277
Balance, October 31, 2022	285,637
Lease payments	(49,586)
Interest expense on lease liabilities	15,302
Foreign exchange	(1,186)
Balance, April 30, 2023	250,167
Current portion	74,915
Non-current portion	175,252

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	April 30, 2023	October 31, 2022
	\$	\$
Accounts payable	1,100,541	1,703,603
Sales tax payable	2,670	2,670
Accruals	1,122,185	772,799
Total	2,225,396	2,479,072

Included in accounts payable and accruals are amounts totaling \$488,041 (October 31, 2022 - \$379,303) due to related parties (Note 15).

During the year ended October 31, 2022, the Company wrote-off \$79,000 of accrued decommissioning liabilities from prior years.

TAAT Global Alternatives Inc.

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13. NOTES PAYABLE

	\$
Balance, October 31, 2021	-
Notes acquired from ADCO (Note 4)	3,252,353
Additions – third party notes payable	45,760
Additions – line of credit	11,442,816
Net principal payments and interest – third party notes payable	(52,818)
Net principal payments and interest – line of credit	(12,002,492)
Foreign exchange	219,196
Balance, October 31, 2022	2,904,815
Additions – related party notes payable (Note 15)	155,300
Additions – line of credit	9,771,987
Additions – third party notes payable	875,563
Net principal payments and interest – third party notes payable	(129,260)
Net principal payments and interest – line of credit	(8,839,249)
Foreign exchange	(2,808)
Balance, April 30, 2023	4,736,348
Current portion	4,576,547
Non-current portion	159,801

During the year ended October 31, 2022, the Company acquired ADCO, resulting in a consolidation of ADCO's notes payables (Note 4) as at October 31, 2022. On the date of acquisition, the Company acquired \$3,187,294 (US\$2,479,687) of notes payable owed to the bank and \$65,059 (US\$53,313) owed to third parties. The bank notes have interest rates ranging from 5.4% to 5.5% and the third party notes have interest rates ranging from 2.9% to 6.84%. On acquisition, the notes payable had maturities ranging from May 13, 2023 to October 17, 2029. The bank line of credit is due on demand, and interest accrues at the Wall Street Prime Daily rate with a margin of 1.50%.

During the year ended October 31, 2022, the Company borrowed an additional \$45,760 (US\$34,762) from a third party with an interest rate of 8.29% per annum with a maturity date of September 27, 2026.

During the period ended April 30, 2023, the Company borrowed an additional \$47,981 (US\$35,455) from a third party with an interest rate of 9.89% per annum with a maturity date of April 8, 2028.

As at April 30, 2023, notes payable due the bank was \$3,732,769 (US\$2,749,130) (October 31, 2022 – \$2,828,454 (US\$2,072,280)) including principal and accrued interest, and US notes payable due to third parties was \$113,411 (US\$83,526) (October 31, 2022 – \$76,361 (US\$55,946)) including principal and accrued interest. The bank notes payable had interest rates from 5.4% to 5.5% and third party notes payable had interest rates ranging from 2.9% to 9.89% as at April 30, 2023. The notes payable had maturities ranging from May 13, 2023 to October 17, 2029 as at October 31, 2022 and April 30, 2023. The bank line of credit is due on demand, and interest accrues at the Wall Street Prime Daily rate with a margin of 1.50%.

During the period ended April 30, 2023, the Company entered into notes payables with third parties totaling \$827,582 (of which \$100,000 was repaid during the period ended April 30, 2023) and \$155,300 with related parties (Note 15). Of the third parties notes payable, the notes payable of \$650,000 was received from one lender, matures in one year and accrues interest at 5% per annum. During the period ended April 30, 2023, the Company accrued interest of \$7,774 on the notes payable and the balance is \$657,774 as at April 30, 2023. The remaining notes payable with third parties are due on demand, with no interest accrued. The notes payable with related parties are unsecured, non-interest bearing and due on demand.

14. SHARE CAPITAL AND RESERVES

Authorized share capital

Unlimited number of common and preferred shares without par value.

Issued share capital

Shares issued during the period ended April 30, 2023

On November 4, 2022, the Company issued 175,000 common shares with a fair value of \$105,000 and \$75,000 in cash payments to settle debt with a former related party of \$180,000.

On January 11, 2023, 2,000,000 RSUs with a fair value of \$5,960,000 were converted into 2,000,000 common shares of the Company. On conversion of the RSUs, \$5,960,000 was transferred from reserves.

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14. SHARE CAPITAL AND RESERVES (cont'd)

Issued share capital (cont'd)

Shares issued during the period ended April 30, 2023 (cont'd)

As at April 30, 2023, 1,725,000 shares (October 31, 2022 – 3,450,000 shares) for the acquisition of TAAT Intl. (Note 4) remained in escrow.

Shares issued during the period ended April 30, 2022

On November 1, 2021, the Company issued 66,666 Finder's Shares in connection with a prior year private placement with a fair value of \$199,998 which was recorded in obligation to issue shares as at October 31, 2021.

During the six months ended April 30, 2022, the Company issued 1,170,436 common shares related to exercise of stock options for gross proceeds of \$1,232,609. Upon exercise of the stock options, the Company transferred \$951,766 from reserves.

Stock options and warrants

The Board of Directors of the Company adopted a stock option plan on April 25, 2013 (the "2013 Plan"), and confirmed the plan on July 26, 2018 at the Company's Annual General Meeting (the "Stock Option Plan"). The Stock Option Plan stipulates that the maximum aggregate number of Plan Shares that may be reserved for issuance under the Plan at any point in time is 10% of the outstanding shares at the time Plan Shares are reserved for issuance. The Stock Option Plan was approved by Disinterested Shareholders (defined in the 2013 Plan) of the Company on July 26, 2018.

Shareholders approved the adoption of a 20% rolling stock option plan (the "2020 Plan") at the Company's annual general and special meeting on August 14, 2020. The number of common shares proposed to be granted under the 2020 Plan is a maximum of 20% of the issued and outstanding common shares of the Company at the time of grant.

	Options		Warrants	
	Number of Options	Weighted Average Exercise Price \$	Number of Warrants	Weighted Average Exercise Price \$
Balance, October 31, 2021	15,521,666	1.55	833,333	3.50
Granted	6,857,500	0.85	-	-
Exercised ⁽¹⁾	(1,190,547)	1.04	-	-
Cancelled	(4,182,500)	2.65	-	-
Expired	(500,000)	1.00	-	-
Balance, October 31, 2022	16,506,119	1.55	833,333	3.50
Granted	250,000	0.57	-	-
Expired	(1,000,000)	2.98	-	-
Balance, April 30, 2023	15,756,119	0.90	833,333	3.50

(1) Weighted average share price on date of option exercise was \$3.11 for the year ended October 31, 2022.

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14. SHARE CAPITAL AND RESERVES (cont'd)**Stock options and warrants (cont'd)**

As at April 30, 2023, stock options outstanding are as follows:

Expiry date	Number #	Exercise price \$
August 14, 2024	750,000	1.00
June 16, 2025	4,513,619	0.25
September 17, 2025	1,985,000	1.19
December 2, 2024	400,000	2.93
December 30, 2025	225,000	2.36
April 15, 2026	775,000	2.98
June 20, 2027	6,857,500	0.85
November 18, 2027	250,000	0.57
	15,756,119	0.90

The weighted average price of options outstanding was \$0.90 (October 31, 2022 - \$1.03) and the weighted average life was 3.00 years (October 31, 2022 - 3.36 years). As of April 30, 2023, 14,381,119 options (October 31, 2022 - 14,943,619 options) were exercisable with weighted average exercise price \$0.91 (October 31, 2022 - \$1.02) and weighted average life of 2.96 years (October 31, 2022 - 3.29 years).

On August 14, 2020, the Company granted 1,250,000 stock options to a former Officer of the Company with an exercise price of \$1.00 per option expiring August 14, 2024. The options vest over several periods: 25% vest immediately, 25% vest on June 30, 2021, and 50% vest on December 31, 2021. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of \$1,096,988 assuming an expected life of 4 years, a risk-free interest rate of 0.33%, an expected dividend rate of 0.00%, and an expected annual volatility of 212%. The share-based payment expense related to the fair value of the options granted was \$381,122 during the year ended October 31, 2022 and \$419,977 during the year ended October 31, 2021. The options are fully vested as at October 31, 2022. During the year ended October 31, 2022, 500,000 of the remaining options were expired without being exercised.

On September 1, 2020, the Company granted 700,000 stock options to a consultant of the Company with an exercise price of \$0.90 per option expiring September 1, 2022. These options vest immediately and have a fair value, calculated using the Black-Scholes Option Pricing Model, of \$297,067 assuming an expected life of 2 years, a risk-free interest rate of 0.27%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%. The share-based payment expense related to the fair value of the options granted was \$297,067 during the year ended October 31, 2020. During the year ended October 31, 2022, all of the remaining options were cancelled without being exercised.

On September 1, 2020, the Company granted 300,000 stock options to an employee of the Company with an exercise price of \$0.90 per option expiring September 1, 2024. The options vest over several periods: 50% vest on December 31, 2020, and 50% vest on June 30, 2021. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of \$164,310 assuming an expected life of 3.67 years, a risk-free interest rate of 0.29%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%. The share-based payment expense related to the fair value of the options granted was \$108,150 during the year ended October 31, 2021 and \$56,160 during the year ended October 31, 2020. During the year ended October 31, 2022, all of the remaining options were cancelled without being exercised.

On September 17, 2020, the Company granted 3,100,000 stock options to consultants of the Company with an exercise price of \$1.19 per option expiring September 17, 2025. The options vest over several periods: 3,088,750 options vest immediately and 11,250 options vest on October 20, 2021. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of \$2,725,166 assuming an expected life of 5 years, a risk-free interest rate of 0.36%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%. The share-based payment expense related to the fair value of the options granted was \$8,094 during the year ended October 31, 2021 and \$2,717,072 during the year ended October 31, 2020.

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14. SHARE CAPITAL AND RESERVES (cont'd)

Stock options and warrants (cont'd)

On September 28, 2020, the Company granted 150,000 stock options to a consultant of the Company with an exercise price of \$2.00 per option expiring September 28, 2022. The options vest over several periods: 100,000 options vest immediately and 50,000 vest on January 29, 2021. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of \$156,510 assuming an expected life of 2 years, a risk-free interest rate of 0.25%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%. The share-based payment expense related to the fair value of the options granted was \$39,229 during the year ended October 31, 2021 and \$117,281 during the year ended October 31, 2020. During the year ended October 31, 2022, all of the remaining options were cancelled without being exercised.

On October 21, 2020, the Company granted 77,500 stock options to a consultant of the Company with an exercise price of \$2.75 per option expiring October 21, 2022. The options vest over several periods: 50% of the options vest immediately and 50% vest on October 21, 2021. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of \$108,408 assuming an expected life of 2 years, a risk-free interest rate of 0.23%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%. The share-based payment expense related to the fair value of the options granted was \$53,112 during the year ended October 31, 2021 and \$55,296 during the year ended October 31, 2020. During the year ended October 31, 2022, all of the remaining options were cancelled without being exercised.

On December 2, 2020, the Company granted 100,000 stock options to a consultant of the Company with an exercise price of \$2.93 per option expiring December 2, 2022. The options vest over several periods: 50% of the options vest immediately and 50% vest on February 1, 2021. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of \$152,886 assuming an expected life of 2 years, a risk-free interest rate of 0.27%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%. The share-based payment expense related to the fair value of the options granted was \$152,886 during the year ended October 31, 2021. During the year ended October 31, 2022, all of the remaining options were cancelled without being exercised.

On December 2, 2020, the Company granted 900,000 stock options to consultants and a former Officer of the Company with an exercise price of \$2.93 per option expiring December 2, 2024. The options vest over several periods: 200,000 of the options vest immediately, 325,000 stock options vest on June 30, 2021, and 375,000 stock options vest on December 30, 2021. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of \$2,381,728 assuming an expected life of 4 years, a risk-free interest rate of 0.41%, an expected dividend rate of 0.00%, and an expected annual volatility of 166%. The share-based payment expense related to the fair value of the options granted was \$689,180 during the year ended October 31, 2022 and \$1,692,548 during the year ended October 31, 2021. The options are fully vested as at October 31, 2022. During the year ended October 31, 2022, 250,000 of the remaining options were cancelled without being exercised.

On December 30, 2020, the Company granted 955,000 stock options to consultants of the Company with an exercise price of \$2.36 per option expiring December 30, 2025. The options vest immediately. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of \$1,665,870 assuming an expected life of 5 years, a risk-free interest rate of 0.41%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%. The share-based payment expense related to the fair value of the options granted was \$1,665,870 during the year ended October 31, 2021. During the year ended October 31, 2022, 630,000 of the remaining options were cancelled without being exercised.

On April 15, 2021, the Company granted 3,000,000 stock options to consultants and employees of the Company with an exercise price of \$2.98 per option expiring April 15, 2026. The options vest immediately. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of \$6,636,407 assuming an expected life of 5 years, a risk-free interest rate of 0.90%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%. The share-based payment expense related to the fair value of the options granted was \$6,636,407 during the year ended October 31, 2021. During the year ended October 31, 2022, 2,225,000 of the remaining options were cancelled without being exercised.

On April 15, 2021, the Company granted 1,000,000 stock options to a consultant with an exercise price of \$2.98 per option expiring April 15, 2023. The options vest over several periods: 250,000 of the options vest on the earlier of the first distribution agreement made with a minimum of 100,000 Euros signed by the Company or six months from the grant date, 250,000 stock options vest six months from the initial vesting date, 250,000 options vest twelve months from the initial vesting date and 250,000 vest eighteen months from the initial vesting date. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of \$1,967,520 assuming an expected life of 1.52 years, a risk-free interest rate of 0.24%, an expected dividend rate of 0.00%, and an expected annual volatility of 168%. The share-based payment expense related to the fair value of the options granted was \$1,214,503 during the year ended October 31, 2022 and \$118,594 during the period ended April 30, 2023. During the period ended April 30, 2023, all 1,000,000 options expired without being exercised.

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14. SHARE CAPITAL AND RESERVES (cont'd)

Stock options and warrants (cont'd)

On July 8, 2021, the Company granted 100,000 stock options to a consultant of the Company with an exercise price of \$3.03 per option expiring July 8, 2026. The options vest over 12 months. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of \$309,139 assuming an expected life of 5 years, a risk-free interest rate of 0.89%, an expected dividend rate of 0.00%, and an expected annual volatility of 159%. The share-based payment expense related to the fair value of the options granted was \$137,392 during the year ended October 31, 2022 and \$171,746 during the year ended October 31, 2021. During the year ended October 31, 2022, all of the remaining options were cancelled without being exercised.

On July 14, 2021, the Company granted 250,000 stock options to a consultant of the Company with an exercise price of \$3.05 per option expiring July 14, 2026. The options vest immediately. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of \$566,074 assuming an expected life of 5 years, a risk-free interest rate of 0.91%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%. The share-based payment expense related to the fair value of the options granted was \$566,074 during the year ended October 31, 2021. During the year ended October 31, 2022, all of the remaining options were cancelled without being exercised.

On June 20, 2022, the Company granted 6,857,500 stock options to consultants, directors and officers. The options have an exercise price of \$0.85 per option expiring June 20, 2027. 5,357,500 of the options vested immediately, and the remaining 1,500,000 options vest quarterly over a period of two years from issuance, starting on the 91st day of grant. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of \$5,441,514 assuming an expected life of 5 years, a risk-free interest rate of 3.35%, an expected dividend rate of 0.00%, and an expected annual volatility of 143%. The share-based payment expense related to the fair value of the options granted was \$4,850,594 during the year ended October 31, 2022 and \$301,369 during the period ended April 30, 2023.

On November 18, 2022, the Company granted 250,000 stock options to a consultant of the Company with an exercise price of \$0.57 per option expiring November 18, 2027. The options vest 100% two years from the date of grant. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of \$127,771 assuming an expected life of 5 years, a risk-free interest rate of 3.35%, an expected dividend rate of 0.00%, and an expected annual volatility of 142%. The share-based payment expense related to the fair value of the options granted was \$15,346 during the period ended April 30, 2023.

As at April 30, 2023, warrants outstanding are as follows:

Expiry date	Number #	Exercise price \$
October 13, 2023	833,333	3.50
	833,333	3.50

The weighted average price of warrants outstanding was \$3.50 (October 31, 2022 - \$3.50) and the weighted average life was 0.70 years (October 31, 2022 - 0.95 years).

Reserves

Reserve record items recognized as share-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

Restricted Share Units

The Board of Directors of the Company adopted a Restricted Share Unit plan on July 27, 2020 and confirmed the plan on December 16, 2020 (the "Restricted Share Units Plan"). The Restricted Share Units Plan stipulates that the maximum aggregate number of Plan Shares that may be reserved for issuance under the Plan at any point in time is 20% of the outstanding shares at the time Plan Shares are reserved for issuance.

On December 16, 2020, the Company granted 250,000 RSUs to a former Officer of the Company. 125,000 RSUs vest on August 31, 2021 and 125,000 RSUs vest on August 31, 2022. The RSUs expire five years from the vesting date. The Company recognized \$195,185 share-based payments during the year ended October 31, 2022 and \$604,816 as share-based payments for the RSUs during the year ended October 31, 2021. During the year ended October 31, 2022, all of the remaining RSUs were cancelled without being converted.

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14. SHARE CAPITAL AND RESERVES (cont'd)

Restricted Share Units (cont'd)

On December 16, 2020, the Company granted 200,000 RSUs to an employee of the Company. 100,000 RSUs vest on November 30, 2021 ("First Year RSUs") and 100,000 RSUs vest on November 30, 2022 ("Second Year RSUs"). The RSUs expire five years from the vesting date. On July 8, 2021, the Company and the employee entered into a departure agreement. As a result of the departure agreement, the First Year RSUs were forfeited on July 8, 2021 and the Second Year RSUs became fully vested. Further, on July 9, 2021, the employee converted the Second Year RSUs to 100,000 common shares of the Company, with a fair value of \$320,000 and transferred \$320,000 from reserves. During the year ended October 31, 2021, the Company recognized \$320,000 as share-based payments for the RSUs.

On December 13, 2021, the Company granted 2,000,000 RSUs to a former Officer of the Company. 1,000,000 RSUs vested immediately 2021 and 1,000,000 RSUs vest on July 19, 2022. The RSUs expire five years from the grant date. The Company recognized \$5,960,000 share-based payments during the year ended October 31, 2022. The RSUs are fully vested as at October 31, 2022.

On June 20, 2022, the Company granted 1,000,000 RSUs to an Officer of the Company, which will vest quarterly over a period of two years from issuance, starting on the 91st day of grant and shall entitle the Officer the ability to acquire one share of the Company per RSU. The RSUs were priced at \$0.88 based on the closing price of the shares on grant date and expire five years from the vesting date. The Company recognized \$387,101 share-based payments during the year ended October 31, 2022 and \$278,825 during the period ended April 30, 2023.

The fair value of the RSUs granted were determined using the market price of the Company's common shares on the date of grant.

	Number of Restricted Share Units
Balance, October 31, 2021	250,000
Issued	3,000,000
Cancelled/forfeited	(250,000)
Balance, October 31, 2022	3,000,000
Converted	(2,000,000)
Balance, April 30, 2023	1,000,000

As at April 30, 2023, Restricted Share Units are outstanding are as follows:

Expiry date	Number Issued #	Issued and exercisable #
June 20, 2027	1,000,000	250,000
	1,000,000	250,000

15. RELATED PARTY TRANSACTIONS

Transactions during the period

Key management personnel comprise of the Chief Executive Officer ("CEO"), Chief Revenue Officer ("CRO"), Chief Financial Officer ("CFO"), and Directors of the Company. The remuneration of key management personnel is as follows:

	April 30, 2023 \$	April 30, 2022 \$
Salaries – Former CEO and former CRO	175,000	148,125
Directors fees	7,500	7,500
Consulting fees paid to a Director	1,000	-
Share-based payments to the CEO	580,194	-
Share-based payments to the former CEO	-	4,912,534
Share-based payments to the former CRO	-	192,867
	793,694	5,261,026

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15. RELATED PARTY TRANSACTIONS (Cont'd)

Transactions during the period (cont'd)

The Company incurred the following transactions with companies that are controlled by key management personnel of the Company:

	April 30, 2023	April 30, 2022
	\$	\$
Office expenses to a company controlled by the CFO	-	18,000
Consulting fees to a company controlled by the CEO	169,063	-
Consulting fees to a company controlled by the CFO	45,000	82,500
	214,063	100,500

Outstanding Balances

As at April 30, 2023, \$488,041 (October 31, 2022 - \$379,303) is due to related parties. All balances are unsecured, non-interest bearing and are due on demand.

During the period ended April 30, 2023, the Company received notes payable of \$155,300 from the CFO (Note 13). The notes payable is unsecured, non-interest bearing and are due on demand.

16. FINANCIAL INSTRUMENTS

Financial Instruments

The Company classifies and discloses fair value measurements based on a three-level hierarchy:

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

The Company's financial instruments are accounted for as follows:

Financial Instrument	Classification
Cash	FVTPL
Accounts payable and accrued liabilities	Amortized Cost
Loans payable	Amortized Cost
Notes payable	Amortized Cost
Lease liability	Amortized Cost
Receivables	Amortized Cost
Deposits	Amortized Cost
Loan receivable	Amortized Cost

The Company's receivables, prepaids, loan receivable, accounts payable and accrued liabilities approximates fair value due to their short term nature. The lease liability is classified as level 3 in the fair value hierarchy.

The Company's financial instruments are exposed to certain risks including liquidity risk, interest rate risk, liquidity risk and other market risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements.

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16. FINANCIAL INSTRUMENTS (cont'd)

Financial Instruments (cont'd)

Liquidity risk (cont'd)

As at April 30, 2023, the Company had a cash balance of \$437,628 (October 31, 2022 - \$676,813) to settle current liabilities of \$7,777,523 (October 31, 2022 - \$6,029,783) which are due within 12 months of April 30, 2023. The Company may need additional capital in the future to support its business model.

As at April 30, 2023, the Company has an undiscounted cash flow obligation of \$637,536, \$1,301,999, \$1,338,237 and \$1,278,887 related to lease liabilities due in fiscal 2023, 2024, 2025, and fiscal years beyond 2025 respectively (Note 11).

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. Receivables consist mainly of the commodity tax receivable and loan receivable. The Company has been successful in recovering receivables and believes credit risk with respect to receivables to be insignificant. The Company has been successful in recovering receivables and believes credit risk with respect to receivables to be insignificant. As at April 30, 2023, trade receivables were due from many different customers (October 31, 2022 - \$1,154,252 of trade receivables were due from one customer). During the period ended April 30, 2023, approximately 44% of sales recorded in its wholly owned subsidiary TAAT International LLC were to two customers (year ended October 31, 2022, 33% of sales in the Company were to two customers) and 47% of sales recorded in its wholly owned subsidiary Beyond Alternatives LLC were to two customers. No significant percentage of sales were to a single customer in ADCO.

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. The Company does not have a practice of trading derivatives.

a) Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at April 30, 2023 and October 31, 2022, the Company does not have any cash in short-term deposits.

b) Foreign currency risk

The majority of the Company's business is conducted in United States dollars. As such, the Company is exposed to foreign currency risk in fluctuations among the Canadian dollar and the US dollar. Fluctuations in the exchange rate among the Canadian dollar and the US dollar may have a material adverse effect on the Company's business and financial condition. Fluctuations do not have a significant impact on operating results.

17. CONTINGENCY

During the year ended October 31, 2020, the Company received a notice of a claim filed against the Company by a former consultant for breach of contract. The plaintiff is seeking damages in a combination of cash and common shares of the Company. Subsequent to the period end, both parties settled the issue with a termination payment (see – note 20). This amount was not known during the period end; therefore, no amount has been accrued in these consolidated financial statements.

During the year ended October 31, 2022, the Company's wholly owned subsidiary, TAAT International LLC, initiated arbitration with a former marketing partner. TAAT International LLC claims a breach of sponsorship agreement by the former marketing partner, and is seeking declaratory relief of the breach of covenant to rescission and or refund of the fund provided to the former marketing partner under the sponsorship agreement. The current status of the litigation is it is in arbitration with the authority of Colorado. The former marketing partner has filed a counter claim stating benefit was received during the contract, which TAAT International LLC refutes. The Company believes that the claim is without merit and at this time the outcome is not determinable. Therefore, no amount has been accrued in these consolidated financial statements.

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17. CONTINGENCY (cont'd)

On February 18, 2023, the Company's wholly owned subsidiary TAAT International filed a voluntary petition for non-individuals filing for bankruptcy with the District of Nevada under the Chapter 11 Bankruptcy Code. An estimate of the financial impact cannot be made at this time.

18. SEGMENTED INFORMATION

The Company has two reportable segments, being the sale of non-tobacco and tobacco products. The Company determined its reportable segments based on the relevant financial information provided to and reviewed by the Company's chief operating decision maker. Only revenues and expenses, and inventories related to the sale non-tobacco and tobacco products are reviewed by the chief operating decision maker to make decisions about the allocation of resources to, or the assessment of performance of the operating segments. Thus, only revenues, cost of sales and inventories are considered integral to decisions made for the business of the Company.

Selected segmented financial information is as follows:

Period ended April 30, 2023	Non-tobacco products	Tobacco products	Total
Revenues	3,820,222	41,695,761	45,515,983
Cost of sales	(2,031,431)	(41,080,062)	(43,111,493)
Gross profits	1,788,791	615,699	2,404,490
Inventories	2,339,353	2,219,866	4,559,219

Period ended April 30, 2022	Non-tobacco products	Tobacco products	Total
Revenues	985,246	-	985,246
Cost of sales	(615,663)	-	(615,663)
Gross profits	369,583	-	369,583
Inventories	2,214,311	-	2,214,311

19. LICENSE AND DISTRIBUTION INCOME

On November 1, 2022, the Company entered into a Trademark License and Distribution Agreement (the "Trademark Agreement") with an arm's length entity where the entity was granted a license to use the Company's Licensed Marks in connection with the Company's Licensed Products in several jurisdictions where the Company has trademarks. Pursuant to the Trademark Agreement, the Company received total fees of \$999,733 (US\$730,000) during the period ended April 30, 2023.

20. SUBSEQUENT EVENTS

On June 15, 2023, the Company issued 6,250,000 common shares with a fair value of \$1,187,500 to a former consultant for a termination fee. The Company also paid \$200,000 in cash and will pay \$100,000 in equal monthly installments including 6% interest for a period of twelve months.

On June 15, 2023, the Company granted 250,000 RSUs to an employee of the Company with a fair value of \$47,500. The RSUs vest immediately and expire 5 years from issuance.