

# **Armada Mercantile Ltd.**

## **Condensed Consolidated Interim Financial Statements**

**Three and Nine Months Ended November 30, 2023, and 2022**

**(Unaudited – Expressed in Canadian Dollars)**

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## **NOTICE TO READER**

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

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

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

**ARMADA MERCANTILE LTD.****Condensed Consolidated Interim Statements of Financial Position****(Unaudited - Expressed in Canadian Dollars)**

	November 30, 2023	February 28, 2023
<b>ASSETS</b>	\$	\$
<i>Current</i>		
Cash and cash equivalents	101,443	399,556
Short-term investment	347,913	-
Accounts receivable	6,469	6,469
Other receivable	5,794	-
Due from related parties (Note 5)	79,163	99,749
Marketable securities – (Note 8)	5,415,282	5,415,943
	5,956,064	5,921,717
<b>Investment in Oxygen Funding, Inc. – (Note 3)</b>	1	1
<b>Advances and Investment in SNMBROTHERS LLC. - (Note 12)</b>	459,548	459,548
<b>Total Assets</b>	<b>6,415,613</b>	<b>6,381,266</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
<i>Current</i>		
Accounts payable & accrued liabilities	494,879	489,319
GST payable	1,339	1,566
Notes payable	7,149	7,149
Income taxes payable	30,648	30,627
<b>Total liabilities</b>	<b>534,015</b>	<b>528,661</b>
<b>Shareholders' Equity (Deficit)</b>		
Share capital – (Note 6)	7,277,441	7,277,441
Share capital subscribed – (Note 6)	170,700	170,700
Contributed surplus – (Note 7)	437,139	437,139
AOCI	83,792	92,999
Deficit	(2,087,474)	(2,125,674)
<b>Total shareholders' equity</b>	<b>5,881,598</b>	<b>5,852,605</b>
<b>Total liabilities and shareholders' equity</b>	<b>6,415,613</b>	<b>6,381,266</b>

**Contingencies – (Note 9)****Approved by the Board:***“Patrick Cole”**Director Patrick Cole**“Michelle Cole”**Director Michelle Cole**See accompanying notes to the condensed consolidated interim financial statements.*

**ARMADA MERCANTILE LTD.****Condensed Consolidated Interim Statements of Income and Comprehensive Income****(Unaudited - Expressed in Canadian Dollars)**

	<b>Three months ended November 30,</b>		<b>Nine months ended November 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue				
Other income and interest income	<b>67,637</b>	116,640	<b>154,176</b>	311,306
Total income	<b>67,637</b>	116,640	<b>154,176</b>	311,306
Expenses				
Bank charges and interest	<b>106</b>	109	<b>736</b>	368
Listing and transfer agent	<b>6,860</b>	3,077	<b>17,022</b>	11,148
Management fees - (Note 5)	<b>16,378</b>	25,233	<b>48,659</b>	50,474
Office supplies and miscellaneous	<b>2,985</b>	9,464	<b>12,767</b>	19,201
Professional fees – (Note 5)	<b>1,900</b>	4,300	<b>5,600</b>	12,900
Referral fees	-	(7)	-	970
Rent – (Note 5)	<b>3,276</b>	-	<b>9,732</b>	-
Telephone	<b>225</b>	162	<b>1,420</b>	279
Travel	<b>3,874</b>	6,028	<b>19,379</b>	22,514
Unrealized decrease in marketable securities	-	2,474	<b>661</b>	11,174
Foreign exchange loss (gain)	-	(95,018)	-	(102,363)
Total expense (recovery)	<b>35,604</b>	(44,178)	<b>115,976</b>	26,665
Net income	<b>32,033</b>	160,818	<b>38,200</b>	284,641
Translation of subsidiary	<b>5,974</b>	-	<b>(9,207)</b>	-
Comprehensive income	<b>38,007</b>	160,818	<b>28,993</b>	284,641
Net income attributable to shareholders of the Company	<b>32,033</b>	160,742	<b>38,200</b>	284,554
Net income attributable to minority interests	-	76	-	87
	<b>32,033</b>	160,818	<b>38,200</b>	284,641
Comprehensive income attributable to shareholders of the Company	<b>32,033</b>	160,742	<b>38,200</b>	284,641
Comprehensive income attributable to minority interests	-	-	-	-
	<b>32,033</b>	160,742	<b>38,200</b>	284,641
Earnings per share for the period – basic and diluted	<b>0.00</b>	0.01	<b>0.00</b>	0.02
Weighted average number of shares outstanding	<b>19,025,418</b>	17,951,134	<b>19,025,418</b>	17,951,134

*See the accompanying notes to the condensed consolidated interim financial statements.*

**ARMADA MERCANTILE LTD.****Condensed Consolidated Interim Statements of Changes in Equity****Unaudited - Expressed in Canadian Dollars**

	<b>Number of Shares</b>	<b>Share Capital</b>	<b>Share Capital Subscribed</b>	<b>Contributed Surplus</b>	<b>Accumulated Other Comprehensive Income</b>	<b>Deficit</b>	<b>Total</b>
		\$	\$	\$	\$	\$	\$
Balance, February 28, 2022	19,104,409	7,277,441	170,700	437,139	-	(2,368,982)	5,516,298
Translation of subsidiary	-	-	-	-	92,999	-	92,999
Net income for the year	-	-	-	-	-	243,308	243,308
Balance, February 28, 2023	19,104,409	7,277,441	170,700	437,139	92,999	(2,125,674)	5,852,605
Translation of subsidiary	-	-	-	-	(9,207)	-	(9,207)
Net income for the period	-	-	-	-	-	38,200	38,200
Balance, November 30, 2023	19,104,409	7,277,441	170,700	437,139	83,792	(2,087,474)	5,881,598

*See the accompanying notes to the condensed consolidated interim financial statements*

**ARMADA MERCANTILE LTD.**  
**Condensed Consolidated Interim Statements of Cash Flows**  
**(Unaudited - Expressed in Canadian Dollars)**

<b>Nine months ended November 31,</b>	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Operating Activities		
Net income for the period	<b>38,200</b>	284,641
Changes in non-cash working capital balances:		
Unrealized decrease (increase) in marketable securities	<b>661</b>	11,191
Non-controlling interest	-	(87)
Accrued interest income	<b>(5,028)</b>	-
Other receivable	<b>(5,794)</b>	(528)
Accounts payable and accrued liabilities	<b>(3,853)</b>	2,410
Income taxes payable	-	1,594
	<b>24,186</b>	299,221
Investing activities		
Investment in short-term investment	<b>(342,885)</b>	-
Advances and Investment in SNMBROTHERS, LLC	-	(38,098)
	<b>(342,885)</b>	(38,098)
Financing activities		
Advances from (to) related parties	<b>20,586</b>	(89,458)
	<b>20,586</b>	(89,458)
Increase (decrease) in cash during the period	<b>(298,113)</b>	171,665
Cash and equivalents, beginning of period	<b>399,556</b>	202,830
Cash and cash equivalents, end of period	<b>101,443</b>	374,495

*See the accompanying notes to the condensed consolidated interim financial statements*

**ARMADA MERCANTILE LTD.****Notes to Condensed Consolidated Interim Financial Statements****Three and Nine Months Ended November 30, 2023, and 2022****(Unaudited - Expressed in Canadian Dollars)**

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**1. Nature of Business and Going Concern**

The Company was incorporated under the laws of British Columbia on June 24, 1987, and is engaged in the business of investing in new and existing businesses and organizations. As at May 31, 2021, the Company is a financial services company that focuses on merchant banking primarily through its wholly owned subsidiary Armada Group USA, Inc. On July 19, 2002, the Company incorporated Armada Group USA, Inc. to establish business operations in the United States in the financial services industry. Armada Group USA, Inc. is wholly owned by the Company and was incorporated in the State of Delaware. On December 28, 2011, Armada Group USA, Inc., incorporated in the State of California, a wholly owned subsidiary, Armada Finance LLC. On September 20, 2013, Armada Group USA, Inc. dissolved Armada Finance LLC in the State of California. On October 24, 2013, Armada Group USA, Inc. formed Armada Finance LLC in the State of Wyoming. The principal assets in Armada Finance LLC were the Liquid Capital of America Corp. franchise. Effective December 31, 2014, all parties involved agreed to terminate the agreement.

On March 18, 2021, the Company incorporated a 51% subsidiary, RichGrandDad Financial Ltd. ("RGD") under the Business Corporations Act (BC). RGD was capitalized on April 21, 2021, with \$20,000 USD (\$24,144CDN) by way of a \$20,000 USD (\$24,144CDN) loan from the minority shareholder. A total of 100,000 common shares in the capital stock of RGD were subscribed for at an aggregate value of \$1 USD. (See Note 3)

The Company, through its investment in Oxygen Funding, Inc., offers commercial finance services to companies; internationally, including account receivables "factoring", supply chain, equipment leasing, merchant cash advance, and purchase order and other types of specialized finance.

These consolidated interim financial statements have been prepared in accordance with IFRS applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

As at November 30, 2023, the Company has accumulated losses of \$2,087,474 (February 28, 2023: \$2,125,674), a working capital of \$5,422,049 (February 28, 2022 - \$5,393,056) and expects to continue as a going concern. However, if the Company does not continue to be profitable it may incur further losses in the development of its business, all of which may affect the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they become due.

The Canada office and USA office of the Company are located at 1616 West 3<sup>rd</sup> Avenue, Vancouver, BC, V6J 1K2 and 9575 Pinehurst Drive, Roseville, CA 95747.



## **2. Summary of Significant Accounting Policies (cont'd)**

### **Basis of Presentation and Statement of Compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 *Interim Financial Reporting* and should be read in conjunction with the annual financial statements for the year ended February 28, 2023, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

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

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, Armada Group USA Inc. and Armada Finance, LLC and a 51% owned subsidiary, RichGrandDad Financial Ltd. All inter-company transactions and balances are eliminated upon consolidation.

These financial statements were approved and authorized for issue by the board of directors on January 26, 2024.

## **2. Summary of Significant Accounting Policies**

The Company has not adopted new accounting policies since its recent year ended February 28, 2023.

### **Critical Accounting Estimates, Judgments, and Uncertainties**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

### **Future accounting pronouncements**

A number of new standards, amendments to standards and interpretations are not yet effective as at the date of issuing these statements and have not been applied in preparing these financial statements. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

**ARMADA MERCANTILE LTD.****Notes to Condensed Consolidated Interim Financial Statements****Three and Nine Months Ended November 30, 2023, and 2022**(Unaudited - Expressed in Canadian Dollars)

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**3. Investment in Oxygen Funding, Inc.**

In January 17, 2018, the Company by way of its wholly owned subsidiary, Armada Group USA, Inc. (Armada) acquired a 30% ownership in Oxygen Funding Inc. (OFI), a State of California, USA company, and in conjunction with Oxygen Funding LLC (OFL) are in the business of factoring the accounts of its clients pursuant to factoring and security agreements in consideration for the following:

- a. Armada will seek capital from its sources on a best-efforts basis into OFI to replace certain capital investment in OFI's clients: \$350,000 (US) by January 25, 2018, and the remainder by February 28, 2018.
- b. OFI will file the necessary paperwork to change its S corporation status to C corporation status.
- c. All accounts factored through OFI will be underwritten and serviced by OFI.
- d. OFI will pay a broker fee whenever OFI funds a client referred by Armada or OFL.
- e. OFI shall pay Armada USA a funding fee of 50% of net earnings for any factored account funded by OFI using capital arranged by Armada.
- f. OFI shall pay OFL a servicing fee of 50% of net earnings for any factored account funded by OFI using capital arranged by Armada.
- g. In the event OFI funds factored accounts using capital not arranged by Armada, OFL shall be paid a serving fee of 100% of the net earnings.

The Company has assessed that the fair value of the 2,423 shares of OFI, representing 30% of the total issued and outstanding common shares of OFI of 8,077 common shares, on a fully diluted basis is not determinable and has accordingly recorded a nominal value of \$1 (February 28, 2023 - \$1).

**4. Short-Term Investment**

As at November 30, 2023, the Company invested in a certificate of deposit ("CD") issued by a bank in the USA in July 2023. This CD has a principal of \$342,885 (US \$252,455) and accrued interest of \$5,028, will mature on January 25, 2024, and has an interest of 4.4% per annum. The Company did not have any CD with maturity more than three months at the recent year ended February 28, 2023.

**5. Related Party Transactions**

The following table summarizes the Company's key management compensation for the director and CEO who is responsible for planning, directing and controlling the activities of the entity and related party transactions not otherwise disclosed in these condensed consolidated interim financial statements.

<b>Nine months ended November 30,</b>	<b>2023</b>	<b>2022</b>
Management fees	\$ 48,659	\$ 34,782
Expenses reimbursed to a director of the Company	\$ 31,900	\$ 27,741
Rent to a director of the Company	\$ 9,732	\$ -

These transactions were in the normal course of operations and are measured at fair value, being the consideration established and agreed to by the related parties.

## 5. Related Party Transactions (Continued)

Amounts due from related parties were as follows:

	November 30, 2023	February 28, 2023
Due from the president and director of the Company	\$ 79,163	\$ 99,749

The balances are non-interest bearing and have no set terms of repayment.

## 6. Share Capital and Share Capital Subscribed

### Authorized:

The authorized common share capital of the Company at November 30, 2023, is 200,000,000 (Feb. 28, 2023 - 200,000,000) shares without par value. The authorized preferred share capital of the Company at November 30, 2023, is 100,000,000 (Feb. 28, 2023 - 100,000,000) shares without par value.

### Issued and outstanding:

During the nine months ended November 30, 2023, and 2022, there was no common share issuance nor redemption.

### Subscribed preferred share capital

The subscribed preferred share capital is as follows:

- i) 526,315 Series A Preferred Shares at US \$0.285 per share for gross proceeds of \$US 150,000. The Series A Preferred Shares may be converted into common shares of the Company at the ratio of one Series A Preferred Share for each common share of the Company if the market trading price of the common shares of Vocalscape Networks, Inc., a Nevada Corporation, listed on the OTC Bulletin Board in the United States is trading at less than US \$1.00 per share on a fully diluted basis as of the first anniversary date of the issuance of the Series A Preferred Shares.

1,027,275 Series B Preferred Shares at US \$0.285 per share in settlement of US \$292,773 owed to a person related to the director of the Company. The Series B Preferred Shares may be converted into common shares of the Company at the ratio of one Series B Preferred Share for each common share at the sole discretion of the Company.

On March 25, 2021, 1,027,275 of the Company's common shares were issued pursuant to the conversion as listed in the Series B preferred shares subscription agreement. The Series B Preferred shares may be converted into common shares of the Company at a ratio of one Series B Preferred Share for each common share at the sole discretion of the Company. The balance at November 30, 2023, and February 28, 2023, is Nil.

- ii) 131,582 Series B Preferred Shares at US \$0.285 per share in settlement of US \$37,500

**ARMADA MERCANTILE LTD.****Notes to Condensed Consolidated Interim Financial Statements****Three and Nine Months Ended November 30, 2023, and 2022**(Unaudited - Expressed in Canadian Dollars)

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**6. Share Capital and Share Capital Subscribed (Cont'd)**Subscribed preferred share capital (cont'd)

- iii) (\$42,106) owed to a director of the Company. The Series B Preferred Shares may be converted into common shares of the Company at the ratio of one Series B Preferred Share for each common share of the Company at the sole discretion of the Company. These Series B Preferred Shares were cancelled at February 29, 2016.
- iv) 555,555 Series C Preferred Shares at US \$0.45 per share in settlement of US \$250,000 (\$292,500) owed to a creditor of the Company and 126,000 Series C Preferred Shares subscribed for at US \$0.45 per share. The Series C Preferred Shares may be converted into common shares of the Company at the ratio of one Series C Preferred Share for each common share of the Company at the sole discretion of the Company. 555,555 Series C Preferred Shares were cancelled at February 29, 2016; leaving a balance of 126,000 Series C Preferred Shares remaining.

On March 25, 2021, 126,000 of the Company's common shares were issued pursuant to the conversion as listed in the Series C preferred shares subscription agreement. The Series C Preferred shares may be converted into common shares of the Company at a ratio of one Series C Preferred Share for each common share at the sole discretion of the Company. The balance at November 30, 2023, and February 28, 2023, is Nil.

Incentive Stock Options

In October 2003, the Board of Directors approved the Company's Stock Option Plan ("the Plan"). The Plan provides for the granting of stock options to qualified directors and employees to purchase up to 3,222,443 common shares of the Company. Under the Plan, the granting of stock options, exercise prices and terms are determined by the Board of Directors. Stock options must be non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed an aggregate of 10% of the issued and outstanding shares of the Company at the time of granting and may not exceed 5% to any one individual. For incentive options, the exercise price shall not be less than the fair market value of the Company's common stock on the grant date. Options can have a maximum term of five years and terminate 30 days following the termination of the optionee's employment, except in the case of retirement, death or disability, in which case they terminate six months after the event. Vesting of options is made at the time of granting of the options at the discretion of the Board of Directors. Once approved and vested options are exercisable at any time.

As of November 30, 2023, and February 28, 2023, there were no share purchase options outstanding.

Warrants

As of November 30, 2023, and February 28, 2023, there were no share purchase warrants outstanding.

**7. Contributed Surplus**

Balance, November 30, 2023, and February 28, 2023	<u>\$</u>	<u>437,139</u>
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**ARMADA MERCANTILE LTD.****Notes to Condensed Consolidated Interim Financial Statements****Three and Nine Months Ended November 30, 2023, and 2022**

(Unaudited - Expressed in Canadian Dollars)

**8. Marketable Securities**

The Company's marketable securities, which are classified as FVTPL have been valued at their market prices.

<b>November 30, 2023</b>		<b>February 28, 2023</b>	
<b>Cost</b>	<b>Market</b>	<b>Cost</b>	<b>Market</b>
\$426,224	\$5,415,282	\$426,224	\$5,415,943

**9. Contingencies**

The Company's wholly owned subsidiary, Armada Group USA, filed a complaint for breach of contract and fraud related to a \$150,000 convertible note plus accrued interest provided to Vocalscape Networks, Inc. Judgment has been granted to the Company in the amount of approximately \$462,000 USD. In the Company's judgment, no portion of this amount will be recognized until collection can be assured.

**10. Financial Instrument - Fair Value Measurement**

Measurement of the fair value of financial instruments is made under a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

Level 1 - quoted prices in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - inputs for the asset or liability that are not based on observable market data.

At November 30, 2023, and February 28, 2023, the levels in the fair value hierarchy into which the Company's financial assets and liabilities measured and recognized in the balance sheet at fair value are categorized as follows:

		<b>November 30, 2023</b>	<b>February 28, 2023</b>
		<b>\$</b>	<b>\$</b>
Cash & cash equivalents	Level 1	101,443	399,556
Short-term investment	Level 1	347,913	-
Marketable securities	Level 1	5,415,282	5,415,943

## **11. Financial Instrument – Risk Management**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The fair values of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments.

### **Financial Instrument Risk Exposure**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

#### **Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's credit risk is primarily attributable to its bank accounts and accounts receivable. Bank accounts are with a Canadian Schedule 1 banks. Management believes that the credit risk with respect to receivable is remote.

#### **Liquidity Risk**

Liquidity risk is the risk that the Company may be unable to meet its financial obligations as they fall due or that it will be required to meet them at excessive cost. The Company reviews its working capital position regularly to ensure there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company manages its liquidity risk through private placements. The Company's operating cash requirements including amounts projected to complete its existing capital expenditure program are continuously monitored and adjusted as input variables change.

The Company's operating cash requirements including amounts projected to complete its existing capital expenditure program are continuously monitored and adjusted as input variables change. These variables include but are not limited to commodity prices, cost overruns on capital projects and changes to government regulations relating to land tenure, allowable production and availability of markets. As these variables change, liquidity risks may necessitate the need for the Company to pursue equity issuances, obtain project or debt financing, or enter into joint arrangements. There is no assurance that the necessary financing will be available in a timely manner.

#### **Interest Rate Risk**

The Company is exposed to the risk that the value of financial instruments will change due to movements in market interest rates. The Company does not use derivative instruments to reduce its interest rate risk as the Company's management believes that the likely financial impact of interest rate changes does not justify using derivatives.

The only significant market risk exposure to which the Company is exposed is short-term interest rate risk. The Company's bank account earns interest income at variable rates. The Company's future interest income is exposed to short-term rates.

**11. Financial Instrument – Risk Management (Continued)**

**Commodity Price Risk**

The Company is not subject to commodity price risk.

**Foreign Exchange Risk**

The Company is not exposed to material foreign exchange risk on its financial instruments.

**12. Advances and Investment in SNMBROTHERS LLC**

Pursuant to an Amended Operating Agreement dated May 19, 2022, the Company's 51% owned subsidiary RichGrandDad Financial Ltd. and Mohamed Badi Deroulche of Long Beach, State of California, USA have formed SNMBROTHERS LLC, a Limited Liability Company (the "Company"), according to the laws of the state of Delaware, USA in which the Company was formed on October 17, 2018. Prior to this amended operating agreement (the "Amended Agreement"), the Company entered into an operating agreement on October 17, 2018 (the "Agreement"). On May 19, 2022, the Company registered to "do business as" Ace Foods for the purposes of conducting business and performing marketing activities under this name. The Company is hereby entering into this Amended Agreement effective as of May 19, 2022, and it is adopted by the members.

As at November 30, 2023, and February 28, 2023, the Company had an advance of \$459,548 to SNMBROTHERS LLC.