
CANARUSH EXTRACTIONS, INC.

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022 AND 2021
(Unaudited)

INDEX TO FINANCIAL STATEMENTS

(UNAUDITED)

	Page
INDEPENDENT ACCOUNTANT'S REVIEW REPORT	1
FINANCIAL STATEMENTS:	
Balance Sheet	2
Statement of Operations	3
Statement of Changes in Stockholders' Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Canarush Extractions, Inc.
Phoenix, Arizona

We have reviewed the accompanying financial statements of Canarush Extractions, Inc. (the "Company,"), which comprise the balance sheet as of December 31, 2022 and December 31, 2021, and the related statement of operations, statement of shareholders' equity (deficit), and cash flows for the year ending December 31, 2022 and December 31, 2021, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Going Concern

As discussed in Note 11, certain conditions indicate that the Company may be unable to continue as a going concern. The accompanying financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

Set Apart FS

November 9, 2022
Phoenix, Arizona

CANARUSH EXTRACTIONS INC.**BALANCE SHEET****(UNAUDITED)**

As of December 31,	2022	2021
(USD \$ in Dollars)		
ASSETS		
Current Assets:		
Cash & Cash Equivalents	\$ 1,400,615	\$ 510,000
Accounts Receivable, net	1,305,936	350,777
Inventory	16,299,000	8,012,223
Due from Related Parties	1,000,000	1,000,000
Prepays and Other Current Assets	-	650,000
Total Current Assets	20,005,551	10,523,000
Total Assets	\$ 20,005,551	\$ 10,523,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	\$ 197,697	\$ 50,438
Credit Cards	26,597	1,212
Loans payable	70,000	-
Line of Credit	304,167	-
Other Current Liabilities	23,771	227
Total Current Liabilities	622,232	51,877
Simple Agreement for Future Equity (SAFEs)	2,108,625	610,000
Total Liabilities	2,730,856	661,877
STOCKHOLDERS EQUITY		
Common Stock	7,039,676	7,039,676
Retained Earnings/(Accumulated Deficit)	(29,776,083)	(18,225,553)
Total Stockholders' Equity	(22,736,407)	(11,185,887)
Total Liabilities and Stockholders' Equity	\$ 20,005,551	\$ 10,523,000

See accompanying notes to financial statements.

CANARUSH EXTRACTIONS INC.
STATEMENTS OF OPERATIONS
(UNAUDITED)

For Fiscal Year Ended December 31,	2022	2021
(USD \$ in Dollars)		
Net Revenue	\$ 8,009,838	\$ 1,456,145
Cost of Goods Sold	1,760,846	590,628
Gross profit	6,248,992	2,046,763
Operating expenses		
General and Administrative	453,405	108,021
Sales and Marketing	1,361,522	341,764
Total operating expenses	1,814,926	449,786
Operating Income/(Loss)	4,434,066	2,046,763
Interest Expense	112,448	-
Other Loss/(Income)	78,235	-
Income/(Loss) before provision for income taxes	4,243,383	1,596,977
Provision/(Benefit) for income taxes	-	-
Net Income/(Net Loss)	\$ 4,243,383	\$ 1,596,977

See accompanying notes to financial statements.

CANARUSH EXTRACTIONS INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

(in , \$US)	Common Stock		Retained earnings/ (Accumulated Deficit)	Total Shareholder Equity
	Shares	Amount		
Balance—December 31, 2020	83,000	\$ 3,231,699	\$ -	\$ 3,231,699
Issuance of Stock	17,000	3,807,977		3,807,977
Net income/(loss)			18,225,553	18,225,553
Balance—December 31, 2021	100,000	7,039,676	\$ 18,225,553	\$ 11,185,887
Net income/(loss)			11,185,887	11,185,887
Balance—December 31, 2022	100,000	\$ 7,039,676	\$ 29,776,083	\$ 22,736,407

See accompanying notes to financial statements.

CANARUSH EXTRACTIONS INC.
STATEMENTS OF CASH FLOWS
(UNAUDITED)

For Fiscal Year Ended December 31,	2022	2021
(USD \$ in Dollars)		
CASH FLOW FROM OPERATING ACTIVITIES		
Net income/(loss)	\$ 4,243,383	\$ 1,596,577
Changes in operating assets and liabilities:		
Accounts receivable, net	(955,159)	(350,777)
Inventory	(8,286,777)	(8,012,223)
Prepays and Other Current Assets	1,000,000	(1,000,000)
Due from Related Parties	-	50,000
Accounts Payable	147,259	50,438
Credit Cards	25,385	1,212
Other Current Liabilities	23,544	227
Net cash provided/(used) by operating activities	14,287,131	10,857,700
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	-	-
Net cash provided/(used) in investing activities	-	-
CASH FLOW FROM FINANCING ACTIVITIES		
Capital Contribution	-	170,000
Line of Credit	304,167	-
Borrowing on Loans payable	70,000	-
Borrowing on SAFEs	1,498,625	610,000
Net cash provided/(used) by financing activities	1,872,791	780,000
Change in Cash	890,615	510,000
Cash—beginning of year	510,000	-
Cash—end of year	\$ 1,400,615	\$ 510,000
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 68,397	\$ -
Cash paid during the year for income taxes	\$ -	\$ -
OTHER NONCASH INVESTING AND FINANCING ACTIVITIES AND SUPPLEMENTAL DISCLOSURES		
Purchase of property and equipment not yet paid for	\$ -	\$ -
Issuance of equity in return for note	-	
Issuance of equity in return for accrued payroll and other liabilities		

See accompanying notes to financial statements.

CANARUSH EXTRACTIONS INC.
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED TO DECEMBER 31, 2022 AND DECEMBER 31, 2021

1. NATURE OF OPERATIONS

Canarush Extractions Inc. was incorporated on December 18, 2019, in the state of Arizona. The financial statements of Canarush Extractions Inc. (which may be referred to as the “Company”, “we”, “us”, or “our”) are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Company’s headquarters are located in Phoenix, Arizona.

Canarush Extractions Inc is an Arizona-based premium medical cannabis company changing the way people perceive, consume and enjoy cannabis. Its mission is to create the world's most approachable, accessible, and iconic cannabis brand. According to Headset data, our water soluble CBD drops is the number one selling concentrate SKU in Arizona with regards to both total unit volume and total dollar sales.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (“US GAAP”). The Company has adopted the calendar year as its basis of reporting.

Use of Estimates

The preparation of financial statements in conformity with United States GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all cash in banks. The Company’s cash is deposited in demand accounts at financial institutions that management believes are creditworthy. The Company’s cash and cash equivalents in bank deposit accounts, at times, may exceed federally insured limits. As of December 31, 2022, and December 31, 2021, the Company’s cash and cash equivalents did not exceed FDIC insured limits.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at net realizable value or the amount that the Company expects to collect on gross customer trade receivables. We estimate losses on receivables based on known troubled accounts and historical experience of losses incurred. Receivables are considered impaired and written-off when it is probable that all contractual payments due will not be collected in accordance with the terms of the agreement. As of December 31, 2022, and 2021, the Company determined that no reserve was necessary.

Inventories

Inventories are valued at the lower of cost and net realizable value. Costs related to finished goods which are determined using a FIFO (first-in-first-out) method.

Income Taxes

CANARUSH EXTRACTIONS INC.
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED TO DECEMBER 31, 2022 AND DECEMBER 31, 2021

Canarush Extractions Inc. is a C corporation for income tax purposes. The Company accounts for income taxes under the liability method, and deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided on deferred tax assets if it is determined that it is more likely than not that the deferred tax asset will not be realized. The Company records interest, net of any applicable related income tax benefit, on potential income tax contingencies as a component of income tax expense. The Company records tax positions taken or expected to be taken in a tax return based upon the amount that is more likely than not to be realized or paid, including in connection with the resolution of any related appeals or other legal processes. Accordingly, the Company recognizes liabilities for certain unrecognized tax benefits based on the amounts that are more likely than not to be settled with the relevant taxing authority. The Company recognizes interest and/or penalties related to unrecognized tax benefits as a component of income tax expense.

Concentration of Credit Risk

The Company maintains its cash with a major financial institution located in the United States of America which it believes to be creditworthy. Balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, the Company may maintain balances in excess of the federally insured limits.

Revenue Recognition

The Company recognizes revenues in accordance with FASB ASC 606, Revenue from Contracts with Customers, when delivery of goods is the sole performance obligation in its contracts with customers. The Company typically collects payment upon sale and recognizes the revenue when the item has shipped and has fulfilled its sole performance obligation.

Revenue recognition, according to Topic 606, is determined using the following steps:

- 1) Identification of the contract, or contracts, with the customer: the Company determines the existence of a contract with a customer when the contract is mutually approved; the rights of each party in relation to the services to be transferred can be identified, the payment terms for the services can be identified, the customer has the capacity and intention to pay, and the contract has commercial substance.
- 2) Identification of performance obligations in the contract: performance obligations consist of a promised in a contract (written or oral) with a customer to transfer to the customer either a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.
- 3) Recognition of revenue when, or how, a performance obligation is met: revenues are recognized when or as control of the promised goods or services is transferred to customers.

The Company earns revenues from the sale of its products in over 400+ licensed dispensaries in Arizona, California and Oregon as well as direct to consumers on Binoidcbd.com who are our partners, as well as from Licensing Royalty.

Cost of sales

Costs of goods sold include supplies, freight and delivery and ingredients packaging.

Advertising and Promotion

CANARUSH EXTRACTIONS INC.
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED TO DECEMBER 31, 2022 AND DECEMBER 31, 2021

Advertising and promotional costs are expensed as incurred. Advertising and promotional expense for the years ended December 31, 2022, and December 31, 2021 amounted to \$250,165 and \$88,977, which is included in sales and marketing expense.

Fair Value of Financial Instruments

The carrying value of the Company's financial instruments included in current assets and current liabilities (such as cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value due to the short-term nature of such instruments).

The inputs used to measure fair value are based on a hierarchy that prioritizes observable and unobservable inputs used in valuation techniques. These levels, in order of highest to lowest priority, are described below:

Level 1—Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2—Observable prices that are based on inputs not quoted on active markets but corroborated by market data.

Level 3—Unobservable inputs reflecting the Company's assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

Subsequent Events

The Company considers events or transactions that occur after the balance sheet date, but prior to the issuance of the financial statements to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. Subsequent events have been evaluated through November 9, 2022, which is the date the financial statements were issued.

Recently Issued and Adopted Accounting Pronouncements

FASB issued ASU No. 2019-02, leases, that requires organizations that lease assets, referred to as "lessees", to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with lease terms of more than twelve months. ASU 2019-02 will also require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases and will include qualitative and quantitative requirements. The new standard for nonpublic entities will be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022, and early application is permitted. We are currently evaluating the effect that the updated standard will have on the financial statements and related disclosures.

The FASB issues ASUs to amend the authoritative literature in ASC. There have been a number of ASUs to date, including those above, that amend the original text of ASC. Management believes that those issued to date either (i) provide supplemental guidance, (ii) are technical corrections, (iii) are not applicable to us or (iv) are not expected to have a significant impact on our financial statements.

CANARUSH EXTRACTIONS INC.
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED TO DECEMBER 31, 2022 AND DECEMBER 31, 2021

3. INVENTORY

Inventory consists of the following items:

As of Year Ended December 31,	2022	2021
Finished goods	8,286,777	8,012,233
Total Inventory	\$8,286,777	\$8,012,233

4. DETAILS OF CERTAIN ASSETS AND LIABILITIES

Account receivables consist primarily of trade receivables and accounts payable consist primarily of trade payables. Prepaid and other current assets consist of the following items:

As of Year Ended December 31,	2022	2021
Prepays	-	1,000,000
Total Prepays and Other Current Assets	\$ -	\$ 1,000,000

Other current liabilities consist of the following items:

As of Year Ended December 31,	2022	2021
Payroll payable	23,771	227
Total Other Current Liabilities	\$ 23,771	\$ 227

5. CAPITALIZATION AND EQUITY TRANSACTIONS

Common Stock

The Company is authorized to issue 200,000 shares of Common Stock with no par value. As of December 31, 2022, and December 31, 2021, 100,000 shares have been issued and are outstanding, respectively.

6. DEBT

Promissory Notes & Loans

During the years presented, the Company entered received three loans. The details of the Company's loans and the terms are as follows:

Debt Instrument Name	Principal Amount	Interest Rate	Borrowing Period	Maturity Date	For the Year Ended December 2022					For the Year Ended December 2021				
					Interest Expense	Accrued Interest	Current Portion	Non-Current Portion	Total Indebtedness	Interest Expense	Accrued Interest	Current Portion	Non-Current Portion	Total Indebtedness
Tree of life seeds, LLC-Loan	\$ 30,000	0.00%	Fiscal year 2021	not set	\$ -	-	\$ 30,000	\$ -	\$ 30,000	\$ -	-	\$ -	\$ -	\$ -
Ray Momar -loan	\$ 10,000	0.00%	Fiscal year 2021	not set	\$ -	-	\$ 10,000	\$ -	\$ 10,000	\$ -	-	\$ -	\$ -	\$ -
Ray Momar - loan	\$ 30,000	0.00%	Fiscal year 2021	not set	\$ -	-	\$ 30,000	\$ -	\$ 30,000	\$ -	-	\$ -	\$ -	\$ -
Total					\$ -	\$ -	\$ 70,000	\$ -	\$ 70,000	\$ -	\$ -	\$ -	\$ -	\$ -

CANARUSH EXTRACTIONS INC.
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED TO DECEMBER 31, 2022 AND DECEMBER 31, 2021

The imputed interest for 0% interest loans was deemed immaterial and thus not recorded. Since there is no maturity date set and thus the loan may be called at any time, the loan was classified as current.

Line of Credit

In 2022, the Company entered into two funding agreement with Keefx Funding in the aggregate amount of \$380,000. The Company agrees to pay Keef-X LLC in 24 equal Weekly payments. The total outstanding balance as of December 31, 2022, and December 31, 2021 was \$304,167 and 0, respectively

SAFE(s)

The details of the Company’s Simple Agreements for Future Equity (“SAFE”) and the terms are as follows:

SAFE(s)	Borrowing Period	Valuation Cap	Discount	As of Year Ended December 31,	
				2022	2021
Safes 2020	Fiscal Year 2020	\$ 12,000,000	80%	\$ 610,000	\$ 610,000
Safes 2021	Fiscal Year 2021	\$ 12,000,000	80%	\$ 1,498,625	\$ -
Total SAFE(s)				\$ 2,108,625	\$ 610,000

If there is an Equity Financing before the termination of this SAFE, on the initial closing of such Equity Financing, this Safe will automatically convert into the number of shares of SAFE Preferred Stock equal to the Purchase Amount divided by the Conversion Price. If there is a Liquidity Event before the termination of this SAFE, the investor in this SAFE will automatically be entitled to receive a portion of proceeds, due and payable to the Investor immediately prior to, or concurrent with, the consummation of such Liquidity Event, equal to the greater of (i) the Purchase Amount (the “Cash-Out Amount”) or (ii) the amount payable on the number of shares of Common Stock equal to the Purchase Amount divided by the Liquidity Price (the “Conversion Amount”). If there is a Dissolution Event before the termination of this Safe, the Investor will automatically be entitled to receive a portion of Proceeds equal to the Cash-Out Amount, due and payable to the Investor immediately prior to the consummation of the Dissolution Event.

7. INCOME TAXES

The provision for income taxes for the year ended December 31, 2021, and December 31, 2020 consists of the following:

As of Year Ended December 31,	2021	2020
Net Operating Loss	\$ (485,163)	\$ (80,698)
Valuation Allowance	485,163	80,698
Net Provision for income tax	\$ -	\$ -

Significant components of the Company’s deferred tax assets and liabilities on December 31, 2022, and December 31, 2021 are as follows:

As of Year Ended December 31,	2022	2021
Net Operating Loss	\$ (565,861)	\$ (80,698)
Valuation Allowance	565,861	80,698
Total Deferred Tax Asset	\$ -	\$ -

CANARUSH EXTRACTIONS INC.
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED TO DECEMBER 31, 2022 AND DECEMBER 31, 2021

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. On the basis of this evaluation, the Company has determined that it is more likely than not that the Company will not recognize the benefits of the federal and state net deferred tax assets, and, as a result, full valuation allowance has been set against its net deferred tax assets as of December 31, 2022 and December 31, 2021. The amount of the deferred tax asset to be realized could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased.

For the fiscal year ending December 31, 2022, the Company had federal cumulative net operating loss ("NOL") carryforwards of \$1,896,318, and the Company had state net operating loss ("NOL") carryforwards of approximately \$1,896,318. Utilization of some of the federal and state NOL carryforwards to reduce future income taxes will depend on the Company's ability to generate sufficient taxable income prior to the expiration of the carryforwards. The federal net operating loss carryforward is subject to an 80% limitation on taxable income, does not expire, and will carry on indefinitely.

The Company recognizes the impact of a tax position in the financial statements if that position is more likely than not to be sustained on a tax return upon examination by the relevant taxing authority, based on the technical merits of the position. As of December 31, 2022, and December 31, 2021, the Company had no unrecognized tax benefits.

The Company recognizes interest and penalties related to income tax matters in income tax expense. As of December 31, 2022, and December 31, 2021, the Company had no accrued interest and penalties related to uncertain tax positions.

8. RELATED PARTY

As of December 31, 2022, and December 31, 2021, the Company had loan receivables from the Chief Innovation Officer, Delyo Karthik, in the amount of \$10,000. The loan bears no interest rate and has not defined maturity date.

In 2021, the Company received two loans from one of its shareholders and the COO, Ray Momar, in the aggregate amount of \$40,000. The loans bear no interest rate and has no defined maturity date.

On September 8, 2022, the Company entered into a Convertible Promissory Note with one of the shareholders, Simon Ines, in the amount of \$150,000. The note bears an interest rate of 1% per annum and has a maturity date set on December 31, 2023.

On September 8, 2022, the Company entered into a Convertible Promissory Note with one of the shareholders and the COO, Ray Momar, in the amount of \$150,000. The note bears an interest rate of 1% per annum and has a maturity date set on December 31, 2023.

On October 1, 2022, The Company entered into a Cost Service Agreement with one of the shareholders, Fly Brands. Fly Brands shall provide CRE with administrative and HR services for a period of twelve months and it shall automatically and repeatedly extend to further twelve month periods, unless this Agreement is terminated by either party by giving sixty (60) days prior written notice.

9. COMMITMENTS AND CONTINGENCIES

Contingencies

CANARUSH EXTRACTIONS INC.
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED TO DECEMBER 31, 2022 AND DECEMBER 31, 2021

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations.

Litigation and Claims

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of December 31, 2022, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations.

10. SUBSEQUENT EVENTS

The Company has evaluated subsequent events for the period from December 31, 2021, through November 9, 2022, which is the date the financial statements were available to be issued.

On September 8, 2022, the Company entered into a Convertible Promissory Note with one of the shareholders, Simon Ines, in the amount of \$150,000. The note bears an interest rate of 1% per annum and has a maturity date set on December 31, 2023.

On September 8, 2022, the Company entered into a Convertible Promissory Note with one of the shareholders and the COO, Ray Momar, in the amount of \$150,000. The note bears an interest rate of 1% per annum and has a maturity date set on December 31, 2023.

On October 1, 2022, The Company entered into a Cost Service Agreement with one of the shareholders, Fly Brands. Fly Brands shall provide with administrative and HR services for a period of twelve months and it shall automatically and repeatedly extend to further twelve months periods, unless this Agreement is terminated by either party by giving sixty (60) days prior written notice.

There have been no other events or transactions during this time which would have a material effect on these financial statements.