DAVIDsTEA INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 28, 2023 and January 29, 2022

April 28, 2023

Independent auditor's report

To the Shareholders and the Board of Directors of
DAVIDsTEA Inc.

Opinion

We have audited the consolidated financial statements of **DAVIDsTEA Inc.** [the "Company"], which comprise the consolidated balance sheets as at January 28, 2023 and January 29, 2022 and the consolidated statements of income (loss) and comprehensive income (loss), consolidated statements of cash flows and consolidated statements of changes in equity (deficiency) for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at January 28, 2023 and January 29, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRS"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addresses the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of intangible assets and right of use assets	
As at January 28, 2023, the Company had intangible software asset and right-of-use assets amounting to $1.6 million and $9.3 million, respectively. As disclosed in note 3, Significant Accounting Policies, management assesses at each reporting period whether there are indications that the carrying amount of non-financial assets may not be recoverable. As at October 29, 2022, the Company determined that impairment indicators existed and determined the recoverable amount ["RA"] for each cash generating unit ["CGU"] to which these assets belong. When the RA derived a lower result than the carrying amount for a specific CGU, the impairment loss was allocated to the assets in the CGU proportionally on the basis of the carrying amount of each asset in the CGU, without reducing the carrying amount of an asset below the higher of its recoverable amount and zero. The calculation to estimate the recoverable amount of the intangible software asset and right-of-use assets was based on the estimated replacement cost and market data of similar leases, respectively. Auditing the Company's impairment assessment for intangible assets and right-of-use assets is challenging because of the subjective auditor judgment necessary in evaluating the assumptions used in developing the estimated recoverable amount of each asset, such as the comparable rent fair value, lease discount rates and replacement cost for the intangible software asset.	To evaluate the estimated recoverable amount for the intangible software asset and right-of-use-assets, our audit procedures included, amongst others; obtaining the impairment analysis and, with the assistance of our internal valuation specialists, assessing the methodology used by the Company for developing the RA estimates. We also assessed the intangible software asset's estimated recoverable amount by comparing to similarly incurred costs for developing certain other IT applications and software development costs. With the assistance of our internal valuation specialists, evaluated the Company's key assumptions used in determining the fair value less cost of disposal of the right-of-use assets, including the comparable rent fair value and lease discount rates, by comparing the inputs to available market data and assessing the mathematical accuracy of the calculation. Finally, we assessed the accuracy and adequacy of the Company's disclosures included in notes 7 and 9 of the notes to the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis of Financial Condition and Results of Operations.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wajih Chemali.

Ernst & Young LLP [1]

Montréal, Canada
April 28, 2023

[1] CPA auditor, public accountancy permit no. A121006

DAVIDsTEA Inc.

Consolidated Balance Sheets

Amounts in thousands of Canadian dollars

	Note	As at January 28, 2023 $	As at January 29, 2022 $ (Restated - Note 2)
ASSETS			
Current			
Cash		**22,440**	25,107
Accounts and other receivables	5	**3,258**	3,209
Inventories	6	**19,522**	31,048
Prepaid expenses and deposits		**5,839**	4,142
Total current assets		**51,059**	63,506
Property and equipment	7	**510**	775
Intangible assets	8	**1,679**	2,234
Right-of-use assets	9	**9,345**	12,087
Total assets		**62,593**	78,602
LIABILITIES AND EQUITY			
Current			
Trade and other payables	10	**12,310**	12,300
Deferred revenue	11	**5,363**	5,434
Current portion of lease liabilities	9	**2,543**	2,364
Total current liabilities		**20,216**	20,098
Non-current portion of lease liabilities	9	**7,682**	10,189
Total liabilities		**27,898**	30,287
Commitments and contingencies	12		
Equity			
Share capital	13	**114,163**	113,605
Contributed surplus		**2,530**	2,256
Deficit		**(85,175)**	(70,491)
Accumulated other comprehensive income		**3,177**	2,945
Total equity		**34,695**	48,315
Total liabilities and equity		**62,593**	78,602

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

On behalf of the Directors:

By: *(signed)* Jane Silverstone Segal
Chair of the Board and Director

By: *(signed)* Pat De Marco
Lead Director

DAVIDsTEA Inc.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

Amounts in thousands of Canadian dollars, except share information

	Note	For the year ended January 28, 2023 $	For the year ended January 29, 2022 $ (Restated - Note 2)
Sales	20	**83,026**	104,073
Cost of sales	14	**54,714**	61,740
Gross profit		**28,312**	42,333
Selling, general and administration expenses	14	**42,864**	42,054
Restructuring plan activities, net	15	**—**	(76,857)
Results from operating activities		**(14,552)**	77,136
Finance costs	16	**730**	152
Finance income		**(414)**	(143)
Net (loss) income before income taxes		**(14,868)**	77,127
Recovery of income taxes	15, 17	**—**	(1,000)
Net (loss) income		**(14,868)**	78,127
Other comprehensive income:			
Cumulative translation adjustment		**232**	1,082
Other comprehensive income, net of tax		**232**	1,082
Total comprehensive (loss) income		**(14,636)**	79,209
Net (loss) earnings per share:			
Basic	18	**(0.56)**	2.97
Fully diluted	18	**(0.56)**	2.83
Weighted average number of shares outstanding:			
Basic	18	**26,530,443**	26,323,469
Fully diluted	18	**26,530,443**	27,644,498

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

DAVIDsTEA Inc.

Consolidated Statements of Cash Flows

Amounts in thousands of Canadian dollars

		For the year ended	
		January 28, 2023	January 29, 2022
	Note	$	$
OPERATING ACTIVITIES			
Net (loss) income		**(14,868)**	78,127
Items not affecting cash and other reconciling items:			
Depreciation of property and equipment	7	**320**	1,586
Amortization of intangible assets	8	**555**	1,695
Amortization of right-of-use assets	9	**2,620**	1,037
Gain on liabilities subject to compromise	15	**—**	(79,861)
Interest on lease liabilities	9	**637**	131
Impairment of property and equipment and right-of-use assets	7, 9	**257**	—
Amortization of Financing Fees		**79**	—
Stock-based compensation expense	13	**1,413**	1,405
Sub-total		**(8,987)**	4,120
Net change in non-cash working capital balances related to operations		**9,475**	(8,361)
Cash flows provided by (used in) operating activities		**488**	(4,241)
FINANCING ACTIVITIES			
Payment of lease liabilities	9	**(3,026)**	(797)
Cash flows used in financing activities		**(3,026)**	(797)
INVESTING ACTIVITIES			
Additions to property and equipment	7	**(129)**	(52)
Cash flows used in investing activities		**(129)**	(52)
Decrease in cash during the year		**(2,667)**	(5,090)
Cash, beginning of the year		**25,107**	30,197
Cash, end of the year		**22,440**	25,107
Supplemental Information			
Cash paid for:			
Interest (classified as financing activities)		**637**	131
Cash received for:			
Interest		**375**	122

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

DAVIDsTEA Inc.

Consolidated Statements of Equity (deficiency)

Amounts in thousands of Canadian dollars

	Share capital $	Contributed surplus $	Deficit $	Accumulated other comprehensive income $	Total equity $
Balance, January 29, 2022	**113,605**	**2,256**	**(70,491)**	**2,945**	**48,315**
Net loss for the twelve months ended January 28, 2023	**—**	**—**	**(14,868)**	**—**	**(14,868)**
Other comprehensive income	**—**	**—**	**—**	**232**	**232**
Total comprehensive (loss) income	**—**	**—**	**(14,868)**	**232**	**(14,636)**
Common shares issued on vesting of restricted stock units	**558**	**(1,139)**	**184**	**—**	**(397)**
Stock-based compensation expense	**—**	**1,413**	**—**	**—**	**1,413**
Balance, January 28, 2023	**114,163**	**2,530**	**(85,175)**	**3,177**	**34,695**
Balance, January 30, 2021	113,167	1,747	(148,068)	1,863	(31,291)
Net income for the twelve months ended January 29, 2022	—	—	78,127	—	78,127
Other comprehensive income	—	—	—	1,082	1,082
Total comprehensive income	—	—	78,127	1,082	79,209
Common shares issued on vesting of restricted stock units	438	(896)	(550)	—	(1,008)
Stock-based compensation expense	—	1,405	—	—	1,405
Balance, January 29, 2022 (Restated - Note 2)	113,605	2,256	(70,491)	2,945	48,315

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

1. CORPORATE INFORMATION

The consolidated financial statements of DAVIDsTEA Inc. and its wholly-owned subsidiary, DAVIDsTEA (USA) Inc., (collectively, the "Company") for the year ended January 28, 2023 were approved and authorized for issue in accordance with a resolution of the Board of Directors on April 28, 2023. The Company is incorporated and domiciled in Canada and its shares are publicly traded on the TSX Venture Exchange under the symbol "DTEA". The registered office is located at 5430, Ferrier Street, Town of Mount-Royal, Quebec, Canada, H4P 1M2.

The Company offers a specialty branded selection of high-quality proprietary loose-leaf teas, pre-packaged teas, tea sachets, tea-related accessories, and gifts through its e-commerce platform at www.davidstea.com and the Amazon Marketplace, its wholesale customers which include over 3,800 grocery stores and pharmacies, and 19 company-owned storefronts across Canada. The Company offers primarily proprietary tea blends that are exclusive to the Company, as well as traditional single-origin teas and herbs. Our passion for and knowledge of tea permeates our culture and is rooted in an excitement to explore the taste, health, and lifestyle elements of tea. With a focus on innovative flavours, wellness-driven ingredients and organic tea, the Company launches seasonally driven "collections" with a mission of making tea fun and accessible to all. Sales fluctuate from quarter to quarter. Sales are traditionally highest in the fourth fiscal quarter due to the year-end holiday season and tend to be lowest in the second and third fiscal quarters because of lower customer engagement during the summer months.

CCAA Proceedings

In March 2020, the outbreak of a novel strain of coronavirus ("COVID-19") was declared a global pandemic by the World Health Organization and on March 17, 2020, in response to the COVID-19 pandemic, the Company announced the temporary closure of all its retail stores in Canada and the United States.

Following a careful review of available options to stem the losses generated primarily from its brick-and-mortar footprint, management and Board of Directors determined that a formal restructuring process was the best option in the context of an increasingly challenging retail environment, further exacerbated by the COVID-19 pandemic.

On July 8, 2020, the Company announced that it was implementing a restructuring plan (the "Restructuring Plan") under the Companies' Creditors Arrangement Act (Canada) (the "CCAA") in order to accelerate its transition to predominantly an online retailer and wholesaler of high-quality tea and accessories and that during the restructuring process, the Company would continue to operate its online business through its e-commerce platform and the Amazon Marketplace as well as its wholesale distribution channel. On August 21, 2020, the Company re-opened 18 stores across Canada and permanently shuttered 164 stores in Canada and 42 stores in the United States.

On June 11, 2021, the Plan of Arrangement under the CCAA was approved by the requisite majorities of creditors of the Company and of DAVIDsTEA (USA) Inc., its wholly-owned U.S. subsidiary, respectively, following which the Company obtained a sanction order on June 16, 2021 from the Québec Superior Court for the Plan of Arrangement. On June 17, 2021, the Company obtained a recognition order from the United States Bankruptcy Court for the District of Delaware recognizing the sanction order issued by the Québec Superior Court, all in connection with the Plan of Arrangement under the CCAA. The recognition order was issued under Chapter 15 of the United States Bankruptcy Code. Following the issuance of the foregoing sanction order and recognition order, the Company funded PwC, the Court-appointed Monitor in the CCAA proceedings, with approximately $18 million for distribution to the creditors of DAVIDsTEA and of DAVIDsTEA (USA) Inc., in full and final settlement of all claims affected by the Plan of Arrangement. The funding of PwC completed DAVIDsTEA's legal obligations under the Plan of Arrangement. On September 9, 2021, PwC as Monitor filed a Certificate of Termination with the Québec Superior Court and declared the CCAA proceedings were terminated without further act or formality.

Move to the TSX Venture Exchange and voluntary delisting from Nasdaq

On October 28, 2022, the Company received a letter (the "Letter") from The Nasdaq Stock Market LLC ("Nasdaq") notifying the Company that, for the previous 30 consecutive business days, the closing bid price per share of the Company's common shares was below the US $1.00 minimum bid price requirement for continued listing on The Nasdaq Global Market, as required by Nasdaq Listing Rule 5550(a)(2) (the "Bid Price Rule"). As a result, the Company was notified by Nasdaq that it was not in compliance with the Bid Price Rule. Nasdaq provided the Company with 180 calendar days, or until April 26, 2023, to regain compliance with the Bid Price Rule.

Following receipt of the Letter, the Company's management reviewed the Company's options in order to regain compliance with the Bid Price Rule and concluded that the Company would not be able to regain compliance by the required deadline set forth in the Letter. As a result, after careful consideration, the Board of Directors determined it was in the overall best interests of the Company to delist its common shares from Nasdaq and to list the common shares on a stock exchange in Canada. The decision was made based on several factors, including the Board of Directors' assessment of the probability of the Company regaining compliance with the Bid Price Rule and an analysis of the benefits of continued Nasdaq listing weighed against the regulatory burden, management time commitment for compliance and reporting activities and significant costs associated with maintaining continued Nasdaq listing.

Following fiscal year end, on March 27, 2023 the Company announced that it had been accepted for listing on the TSX Venture Exchange ("TSXV") and that the Company's common shares would commence trading in Canadian dollars on the TSXV on April 3, 2023 under the ticker symbol "DTEA". On the same day, the Company notified Nasdaq of its intention to voluntarily delist its common shares from The Nasdaq Global Market.

The Company's common shares commenced trading on the TSXV on April 3, 2023. During a two-week interim period from April 3 to April 14, 2023, the Company's common shares traded on both the TSXV and The Nasdaq Global Market.

On April 7, 2023, the Company filed Form 25 with the United States Securities and Exchange Commission (the "SEC") giving effect to the delisting from Nasdaq of its common shares and the deregistration of the common shares under Section 12(b) of the *Securities Exchange Act of 1934*, as amended (the "Exchange Act"). The Company's common shares ceased trading on Nasdaq at the close of trading on Friday, April 14, 2023.

On April 17, 2023, the Company filed Form 15 with the SEC to suspend the Company's duty to file reports under Sections 13(a) and 15(d) of the Exchange Act and to deregister its common shares under Section 12(b) of the Exchange Act.

2. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The accounting policies were consistently applied to all periods presented.

The Company's fiscal year ends on the Saturday closest to the end of January, typically resulting in a 52-week year, but occasionally giving rise to an additional week, resulting in a 53-week year. The years ended January 28, 2023, and January 29, 2022 cover a 52-week period.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned U.S. subsidiary, DAVIDsTEA (USA) Inc. The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany transactions, balances and unrealized gains or losses have been eliminated.

Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the parent Company's functional currency.

Comparative figures

Certain comparative figures for the year ended January 29, 2022 have been reclassified to conform with the current year's presentation. These adjustments include mainly: reclassifying amortization expenses amounting to $869 by decreasing selling, general and administrative expenses and increasing cost of sales by the same amount as well as certain reclassification within equity accounts which increased share capital by $71, decreased contributed surplus by $251 and decreased the deficit by $180. These adjustments had no effect on total equity (deficiency) or net income (loss) for the year ended January 29, 2022.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash on the consolidated balance sheet comprises cash at banks and on hand.

Trade receivables

Trade receivables primarily represent amounts due from credit / debit card processors and wholesale customers and are accounted for at amortized cost, less any provision for doubtful accounts which is based on management's best estimate of expected credit losses.

Government assistance

Government assistance, including wage and rent subsidies, is recognized when there is a reasonable assurance that the assistance will be received and that the Company will comply with all relevant conditions. Government assistance related to incurred expenses is recorded as a reduction of the related expenses.

Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Costs include the cost of purchase and transportation costs that are directly incurred to bring the inventories to their present location, and duty. Net realizable value is the estimated selling price of inventory in the ordinary course of business, less any incremental costs necessary to make the sale.

For inventories manufactured by the Company, cost includes direct labour, raw materials, manufacturing, and overhead costs. Raw materials inventories are recorded at the lower of cost and net realizable value.

Work in progress is recorded at the lower of costs incurred in the manufacturing process and net realizable value.

Property and equipment

Property and equipment are initially recorded at cost and are depreciated over their useful economic life. Cost includes expenditures that are directly attributable to the acquisition of the asset, including any costs directly related to bringing the asset to a working condition for its intended use. The residual values, useful lives, and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.
All repair and maintenance costs are recognized in net income (loss) as incurred.

Depreciation of an asset begins once it becomes available for use. Depreciation is charged to income for both furniture and equipment as well as computer hardware on a straight-line basis over the assets' useful life, which is five and three years, respectively.

Leasehold improvements are depreciated on a straight-line basis over the lesser of the useful economic life and the lease term.

Any gain or loss arising on the disposal or derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income (loss) when the asset is derecognized.

Intangible assets

Intangible assets consist of computer software, trademarks, and patents.

Intangible assets are initially recorded at cost. Intangible assets with finite lives, consisting of computer software are amortized over their useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income (loss) in Selling, general and administrative expenses.

Any gain or loss arising on the disposal or derecognition of the intangible asset (calculated as the difference between the net disposal proceeds and the carrying amount of the intangible asset) is included in our consolidated statement of income (loss) when the intangible asset is derecognized.

Leased assets

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, which includes the initial amount of lease liabilities adjusted for any initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term. In addition, the right-of-use assets are subject to impairment and adjusted for any remeasurement of lease liabilities, to the extent that there is a balance of right-of-use asset at the time the change in lease liability occurs. Amortization expense is recorded in selling, general and administrative expense.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, and variable lease payments that depend on an index or a rate. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. Interest accretion is recorded as interest expense in finance costs. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The Company has elected to apply the practical expedient to not separate the lease component and its associated non-lease component.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below US $5,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Impairment

i. Impairment of financial assets

The Company applies the expected credit loss model to its trade receivables. It requires a credit loss to be reflected in profit and loss immediately after an asset or receivable is acquired and subsequent changes in expected credit losses at each reporting date reflecting the change in credit risk. The Company applies the simplified approach for trade receivables and calculates expected credit losses based on lifetime expected credit losses. Generally, expected credit losses have been immaterial given the Company transacts with large wholesalers with a reasonable credit rating.

ii. Impairment of non-financial assets

The Company assesses all non-financial assets, at each reporting date, for indications that the carrying amount may not be recoverable. If any indication exists, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. The impairment loss shall be allocated to reduce the carrying amount of the assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU. However, the Company shall not reduce the carrying amount of an asset below the highest of its fair value less cost of disposal, its value in use, and zero.

In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or corporate assets. The discount rate applied to an asset or CGU is the weighted average cost of capital ("WACC"). Management considers factors such as risk-free rate, equity risk premium, size premium, specific business risk premium and cost of debt to derive the WACC.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover the lease term.

Based on the management of operations, the Company has defined each of the commercial retail stores in which it carries out its activities as a CGU, in addition wholesale and e-commerce were designated as separates CGUs. The Company's non-financial assets are allocated to each CGU on a reasonable and consistent manner.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment may no longer exist or may have decreased and if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited to the extent that an asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized. Such reversal is recognized in the consolidated statement of income (loss).

Provisions

Provisions are recognized when the Company has a present obligation because of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in our consolidated statement of income (loss), net of any reimbursement. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Liabilities subject to compromise

As a result of the CCAA process, the payment of liabilities owing as of July 8, 2020 was stayed, and the outstanding liabilities, as well as any additional outstanding claims by creditors were subject to compromise pursuant to the Company's Plan of Arrangement.

Liabilities subject to compromise represent the liabilities that will ultimately be subject to the plan of arrangement ("allowed claims") and compromise to the Company's creditors, and include disclaimed leases, trade and other payables, and severance costs, as further described in Note 15 - Trade and other payables, and severance costs represent the Company's legal obligation. Disclaimed leases were measured at the Company's best estimate of liabilities that will ultimately be subject to the plan of arrangement ("allowed claims"). The measurement of liabilities subject to compromise were measured at the reporting date based on an analysis of the nature and carrying value of the underlying liabilities, proof of claim, as well as the stage of advancement of the claims identification, resolution and barring process.

Obligations for goods and services provided to the Company after the filing date of July 8, 2020 were discharged based on negotiated terms and are excluded from liabilities subject to compromise.

On September 9, 2021, the Monitor filed a Certificate of Termination with the Québec Superior Court in accordance with paragraph 24 of the Sanction Order and declared the CCAA proceedings were terminated without further act or formality.

As a result of the final settlement, the Company recorded a gain on the settlement of liabilities subject to compromise of $79.9 million (Note 15).

Share capital

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Common shares are classified as equity if they are non-redeemable or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity on approval by the Company's Board of Directors.

Stock-based compensation

The Company has a stock option plan for employees and directors from which options to purchase common shares are issued (the "Plan"). Options may not be granted with an exercise price of less than the fair value of the underlying shares at the grant date. The awards have no cash settlement alternatives. The vesting requirements are typically service-based and the options normally have a contractual life of seven years.

The fair value of stock-based compensation awards granted to employees is measured at the grant date using the Black Scholes option pricing model. Measurement inputs include the share price of the underlying shares on the measurement date, the exercise price of the option, the expected volatility (based on historical volatility of the Company), the weighted average expected life of the option (based on historical experience), expected dividends, and the risk-free interest rate (based on government bonds).

The value of the compensation expense is recognized over the vesting period of the stock options as an expense included in selling and general administration expenses, with a corresponding increase to contributed surplus in equity. The amount recognized as an expense is adjusted to reflect the Company's best estimate of the number of awards that will ultimately vest. No expense is recognized for awards that do not ultimately vest.

Any consideration paid by plan participants on the exercise of stock options and the previously recognized compensation cost of the options exercised included in contributed surplus are credited to share capital.
Under the Company's 2015 Omnibus Equity Incentive Plan (the "2015 Omnibus Plan"), selected employees and directors are granted RSUs where each RSU has a value equal to one common share. The compensation expense is recorded at the fair value of the Company's common shares at the grant date over the vesting period (generally one to three years) with a corresponding credit to contributed surplus since the 2015 Omnibus Plan is considered an equity-settled RSU plan.

Revenue recognition

Revenue is recognized when control of goods has been transferred at the amount of consideration to which the Company expects to be entitled. Revenue is recognized on e-commerce sales when merchandise is delivered to the consumer. Revenue from retail sales is recorded upon delivery to the customer. Revenues are recorded net of discounts, rebates, estimated returns, sales taxes and amounts deferred related to the issuance of Frequent Steeper loyalty and rewards program.

Revenue from the Company's wholesale business is recognized upon receipt of products by the customer. Wholesale revenue is recorded net of discounts, returns and certain advertising allowances.

i. Gift card breakage

Gift cards sold are recorded as deferred revenue and revenue is recognized at the time of redemption or in accordance with the Company's accounting policy for breakage. Breakage income represents the estimated value of gift cards that is not expected to be redeemed by customers and is determined in proportion to the pattern of rights exercised by the customer. Gift card breakage is included in sales in the consolidated statement of income (loss).

ii. Loyalty program

The Frequent Steeper loyalty and rewards program allows customers to redeem points earned in return for loose-leaf tea. Points expire after 365 days of no activity.

Consideration is allocated between the loyalty program awards and the goods on which the awards were earned, based on their relative stand-alone selling prices. The fair value of Frequent Steeper points and offers are determined based on the estimated selling price of the loose-leaf tea, net of points and offers we expect will not be redeemed. The relative selling price of points and offers issued are recorded as deferred revenue. Offers for loose-leaf tea are recognized as revenue on the earlier of redemption and expiry. On an ongoing basis, the Company monitors historical redemption rates. Frequent Steeper redemptions are included with total sales in our consolidated statement of net income (loss).

Finance income

Interest income is recognized as interest accrues using the effective interest method.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in our consolidated statement of income (loss) except to the extent that they relate to items recognized directly in equity or in other comprehensive income (loss).

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

The Company uses the liability method of accounting for deferred income taxes, which requires the establishment of deferred tax assets and liabilities for all temporary differences caused when the tax bases of assets and liabilities differ from their carrying amounts reported in the consolidated financial statements. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on tax rates that have been enacted or substantively enacted at the end of the reporting period. The Company recognizes deferred income tax assets for unused tax losses and deductible temporary differences only to the extent that, in management's opinion, it is probable that future taxable income will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority and the Company intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Earnings (loss) per share

Basic earnings (loss) per share is calculated using the weighted average number of shares outstanding during the year.

The diluted earnings (loss) per share is calculated by adjusting the weighted average number of shares outstanding to include additional shares issued from the exercise of stock options and RSUs, if dilutive. For stock options, the number of additional shares is calculated by assuming that the proceeds from such exercises, as well as the amount of unrecognized stock-based compensation, which is considered to be assumed proceeds, are used to purchase common shares at the average market price during the reporting period.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or liability is recognized initially (at settlement date) at its fair value and, in the case of a financial asset or liability not at fair value through profit or loss, plus or minus transaction costs that are directly attributable to the acquisition or issue of the instrument. Financial assets and liabilities carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the consolidated statements of income (loss).

After initial recognition, financial assets are measured at amortized cost or fair value. Where assets are measured at fair value, gains and losses are either recognized entirely in profit or loss ("FVTPL") or recognized in other comprehensive income ("FVOCI").

The Company classifies its financial assets and liabilities according to their characteristics and management's choices and intentions related thereto for the purposes of ongoing measurement.

Classifications that the Company has used for financial assets include:

(a) Amortized Cost - non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This includes trade, credit card and cash clearing receivables and other receivables (excluding sales tax receivable). Gains and losses are recognized in net income (loss) in the period that the asset becomes impaired; and

(b) FVTPL - financial assets which are classified as fair value through profit and loss. This includes cash.

Classifications that the Company has used for financial liabilities include:

(a) Amortized cost - non-derivative financial liabilities measured at amortized cost with gains and losses recognized in net loss in the period that the liability is no longer recognized. This includes Trade and payables and accrued liabilities as well as wages, salaries and employee benefits payable.

Foreign currency translation

Revenues, expenses and non-monetary assets and liabilities denominated in foreign currencies are recorded at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates prevailing at the balance sheet date. Unrealized and realized translation gains and losses are reflected in the consolidated statement of income (loss).

The assets and liabilities of the Company's U.S. wholly owned subsidiary, whose functional currency is the U.S. dollar, are translated into Canadian dollars at the exchange rates in effect at the balance sheet date. Revenues and expenses are translated at average exchange rates for the year. Differences arising from the exchange rate changes are included in OCI in the cumulative translation account.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other OCI in the cumulative translation account and reclassified from equity to our consolidated statement of income (loss) on disposal of the net investment.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in conformity with IFRS requires the Company to make judgments, apart from those involving estimation, in applying accounting policies that affect the recognition and measurement of assets, liabilities, revenues, and expenses. Actual results may differ from the judgments made by the Company. Information about judgments that have the most significant effect on recognition and measurement of assets, liabilities, revenues, and expenses as well as information about significant estimates are discussed in the following section.

Key sources of estimation uncertainty

Key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year are as follows:

i. Recoverability and impairment of non-financial assets

In Fiscal 2022, the continued decrease in sales of the Company as well as the decline in its stock market capitalization are considered indicators of impairment. In previous years, the temporary store closures because of COVID-19, as well as the permanent closure of most of our retail stores resulting from the Restructuring Plan, and the related reduction in sales and operating income during Fiscal 2021 were also considered to be indicators of impairment. The Company performed an assessment of recoverability for the non-financial assets related to each CGU. Significant assumptions affecting the recoverable amount calculated for each asset or group of assets within a CGU include the lease discount rate and $/sqft for right-of-use assets and cost of replacement for the software intangible asset. As for property and equipment, given their short useful lives, their carrying amount approximates their recoverable amount. These assumptions used by the Company require estimation and contain a source of uncertainty.

ii. Estimating the incremental borrowing rate of leases

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity and asset-specific estimates (such as the subsidiary's stand-alone credit rating).

5. ACCOUNTS AND OTHER RECEIVABLES

	January 28, 2023 $	January 29, 2022 $
Trade receivables	**1,743**	**2,391**
Credit card and cash clearing receivables	**790**	**434**
Other receivables	**725**	**384**
	3,258	**3,209**

6. INVENTORIES

	January 28, 2023 $	January 29, 2022 $
Finished goods	**15,000**	**24,639**
Goods in transit	**1,208**	**1,316**
Packaging	**3,314**	**5,093**
	19,522	**31,048**

During the year ended January 28, 2023, inventories expensed within cost of sales amounted to $31,536 (January 29, 2022 -$34,407). The cost of sales also includes a provision for obsolescence of $538 (January 29, 2022 - $nil). The provision for obsolescence of $nil (January 29, 2022 - $131) recognized in the previous years was reversed**.**

7. PROPERTY AND EQUIPMENT

	Leasehold improvements $	Furniture and equipment $	Computer hardware $	Total $
Cost				
Balance, January 30, 2021	8,121	2,234	1,772	12,127
Acquisitions	—	52	—	52
Balance, January 29, 2022	8,121	2,286	1,772	12,179
Acquisitions	—	129	—	129
Balance, January 28, 2023	**8,121**	**2,415**	**1,772**	**12,308**

	Leasehold improvements $	Furniture and equipment $	Computer hardware $	Total $
Accumulated depreciation and impairment				
Balance, January 30, 2021	6,590	1,671	1,557	9,818
Depreciation	1,260	232	94	1,586
Balance, January 29, 2022	7,850	1,903	1,651	11,404
Depreciation	138	125	57	320
Impairment	74	—	—	74
Balance, January 28, 2023	**8,062**	**2,028**	**1,708**	**11,798**

	Leasehold improvements $	Furniture and equipment $	Computer hardware $	Total $
Net Carrying Value				
Balance, January 29, 2022	271	383	121	775
Balance, January 28, 2023	**59**	**387**	**64**	**510**

In third quarter of its Fiscal 2022, the Company performed an impairment test of its non-financial assets within its CGUs. Where the recoverable amount of a CGU was lower than its carrying amount, the Company assessed the recoverable amount of the individual assets within the CGUs to determine the impairment to be recorded. As a result, an impairment of $74 was recorded over certain leasehold improvement at some of the retail stores CGUs.

Depreciation expense is reported in the consolidated statement of income (loss) and comprehensive income (loss) under Selling, general and administration expenses (Note 14).

8. INTANGIBLE ASSETS

	Computer software $	Other $	Total $
Cost			
Balance, January 30, 2021	12,518	101	12,619
Acquisitions	—	—	—
Disposals	—	—	—
Balance, January 29, 2022	12,518	101	12,619
Acquisitions	—	—	—
Disposals	—	—	—
Balance, January 28, 2023	**12,518**	**101**	**12,619**

	Computer software $	Other $	Total $
Accumulated Amortization			
Balance, January 30, 2021	8,690	—	8,690
Amortization	1,695	—	1,695
Balance, January 29, 2022	10,385	—	10,385
Amortization	555	—	555
Balance, January 28, 2023	**10,940**	**—**	**10,940**

	Computer software $	Other $	Total $
Net Carrying Value			
Balance, January 29, 2022	2,133	101	2,234
Balance, January 28, 2023	**1,578**	**101**	**1,679**

Amortization expense is reported in the consolidated statement of income (loss) and comprehensive income (loss) under selling, general and administration expenses (Note 14).

9. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Set out below are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movements:

	Right-of-Use Assets $	Lease Liability $
Balance, January 29, 2022	12,087	12,553
Additions	61	61
Amortization expense	(2,620)	—
Impairment of right-of-use assets	(183)	—
Interest expense	—	637
Payments	—	(3,026)
Balance, January 28, 2023	**9,345**	**10,225**
Presented as:		
Current		2,543
Non-Current		7,682

	Right-of-Use Assets $	Lease Liability $
Balance, January 30, 2021	657	751
Additions	12,467	12,468
Amortization expense	(1,037)	—
Interest expense	—	131
Payments	—	(797)
Balance, January 29, 2022	**12,087**	**12,553**
Presented as:		
Current		2,364
Non-Current		10,189

In connection with its impairment test over non-financial assets conducted in the third quarter of Fiscal 2022 (see note 7), the Company recorded an impairment loss of $183 related to the Company's right-of-use assets (January 29, 2022 - $nil) on certain of its retail stores CGUs. At year end, no further asset impairment was required.

Amortization expense is reported in the consolidated statement of income (loss) and comprehensive income (loss) under Selling, general and administration expenses (Note 14).

The following table presents a maturity analysis of future contractual undiscounted cash flows from lease liabilities:

	January 28, 2023 $
Within one year	3,036
After one year but no more than five years	8,295
More than five years	—

The Company has lease contracts that contain variable lease payments primarily based on a percentage of retail sales. The Company recognized variable lease payments of $1,578 for the year ended January 28, 2023 (January 29, 2022 - $3,301). In addition, expenses related to leases of low-value assets were $21 (January 29, 2022 - $13). These expenses are recorded in Selling, general and administrative expenses (Note 15).

10. TRADE AND OTHER PAYABLES

	January 28, 2023 $	January 29, 2022 $
Trade payable and accrued liabilities	**11,239**	**11,088**
Income taxes payable	**44**	**44**
Wages, salaries and employee benefits payable	**1,027**	**1,168**
	12,310	**12,300**

Included in prepaid expenses and deposits are advances to suppliers of $815 (January 29, 2022 - $542).

11. DEFERRED REVENUE

	January 28, 2023 $	January 29, 2022 $
Gift cards liability, net of breakage	**4,387**	**4,457**
Loyalty program	**976**	**890**
Subscription box liability	**—**	**87**
	5,363	**5,434**

During the year, the Company recorded gift card breakage income of $340 (January 29, 2022 - $294). Gift card breakage is included in sales in the consolidated statement of income (loss) and comprehensive income (loss).

12. COMMITMENTS AND CONTINGENCIES

As at January 28, 2023, the Company has financial commitments in connection with the purchase of goods and services that are enforceable and legally binding on the Company. Purchase obligations amounting to $6.7 million, net of advances amounting to $815, which are included in Prepaid expenses and deposits, (Fiscal 2021 - $11.3 million, net of $542 of advances) are expected to be discharged within 12 months or fiscal year 2023. Commitments beyond the next year amounted to $2.6 million and $2.4 million for fiscal years 2024 and 2025 respectively.

13. SHARE CAPITAL

Authorized

An unlimited number of common shares.

Issued and Outstanding

	January 28, 2023 $	January 29, 2022 $
Share Capital - 26,623,068 Common shares (January 29, 2022 - 26,423,717)	**114,163**	113,605

	Common shares #
Number of shares in issuance	
Balance, January 30, 2021	26,234,582
Issuance of common shares upon vesting of restricted stock units	189,135
Balance, January 29, 2022	26,423,717
Issuance of common shares upon vesting of restricted stock units	**199,351**
Balance, January 28, 2023	**26,623,068**

During the years ended January 28, 2023 and January 29, 2022, no stock options were granted or exercised for common shares.

In addition, during the year ended January 28, 2023, 199,351 common shares (January 29, 2022 – 189,135) were issued in relation to the vesting of restricted stock units ("RSU"), resulting in an increase in share capital of $558, net of tax (January 29, 2022 - $438).

Stock-Based Compensation

The 2015 Omnibus Plan provides for awards of stock options, stock appreciation rights ("SARs"), restricted stock, unrestricted stock, stock units (including restricted stock units, "RSUs"), performance awards, deferred share units, elective deferred share units and other awards convertible into or otherwise based on the Company's common shares. Eligibility for stock options intended to be incentive stock options ("ISOs") is limited to the Company's employees. Dividend equivalents may also be provided in connection with an award under the 2015 Omnibus Plan. The maximum term of stock options and SARs is seven years. The options vest evenly over a period of 36 or 48 months, with some options vesting monthly and some options vesting annually. There are no cash settlement alternatives.

The maximum number of the Company's common shares that are available for issuance under the 2015 Omnibus Plan is 2,940,000 shares. Common shares issued under the 2015 Omnibus Plan may be shares held in treasury or authorized but unissued shares of the Company not reserved for any other purpose. As at January 28, 2023, 679,103 common shares remain available for issuance under the 2015 Omnibus Plan.

A summary of the status of the Company's stock option plan and changes during the year is presented below.

	For the year ended			
	January 28, 2023		January 29, 2022	
	Options outstanding #	Weighted average exercise price $	Options outstanding #	Weighted average exercise price $
Outstanding, beginning of year	**3,490**	**14.39**	17,490	6.32
Forfeitures	—	—	(14,000)	4.31
Outstanding, end of period	**3,490**	**14.39**	3,490	14.39
Exercisable, end of period	**3,490**	**14.39**	3,490	14.39

The weighted average share price at the date of exercise for options exercised during the year January 30, 2021 was $0.87.

The following tables summarize information about the stock options outstanding at January 28, 2023 and January 29, 2022:

Range of exercise prices	Number outstanding at January 28, 2023 #	Weighted average contractual remaining life (years)	Weighted average exercise price $	Number of options exercisable at January 28, 2023 #	Weighted average exercise price $
$14.39 - $17.99	3,490	0.2	14.39	3,490	14.39
Balance, January 28, 2023	**3,490**	**0.2**	**14.39**	**3,490**	**14.39**

Range of exercise prices	Number outstanding at January 29, 2022 #	Weighted average contractual remaining life (years)	Weighted average exercise price $	Number of options exercisable at January 29, 2022 #	Weighted average exercise price $
$14.39 - $17.99	3,490	1.2	14.39	3,490	14.39
Balance, January 29, 2022	**3,490**	**1.2**	**14.39**	**3,490**	**14.39**

A summary of the status of the Company's RSU plan and changes during the years ended January 28, 2023 and January 29, 2022 is presented below.

	For the year ended			
	January 28, 2023		January 29, 2022	
	RSUs outstanding	Weighted average fair value per unit (1)	RSUs outstanding	Weighted average fair value per unit (1)
	#	$	#	$
Outstanding, beginning of period	**1,282,790**	**2.60**	1,306,101	1.70
Granted	**833,764**	**1.99**	727,217	4.55
Forfeitures	**(270,818)**	**2.28**	(364,478)	(3.54)
Vested	**(199,351)**	**2.80**	(189,135)	(2.32)
Vested, withheld for tax	**(207,546)**	**2.80**	(196,915)	(2.32)
Outstanding, end of period	**1,438,839**	**2.25**	1,282,790	2.60

(1) Weighted average fair value per unit as at date of grant.

During the year ended January 28, 2023, the Company recognized a stock-based compensation expense of $1,413 (January 29, 2022 - $1,405).

14. COST OF SALES AND SELLING, GENERAL AND ADMINISTRATION EXPENSES

Included in cost of sales are the following expenses:

	For the year ended	
	January 28, 2023	January 29, 2022
	$	$
Cost of goods sold	**31,536**	34,406
Retail occupancy costs (1)	**3,264**	3,600
Distribution and handling costs	**8,382**	10,469
Delivery costs	**9,588**	11,816
Warehouse salaries, amortization of right-of-use-assets and other	**1,944**	1,449
	54,714	61,740

(1) Includes variable rent of $1.4 million and amortization of right-of-use assets of $1.8 million (2021 – $3.3 million and $0.3 million respectively).

Included in selling, general and administration expenses are the following expenses:

	For the year ended	
	January 28, 2023	January 29, 2022
	$	$
Wages, salaries and employee benefits	**14,117**	14,572
Marketing expenses	**6,535**	7,328
IT ongoing expenses	**6,431**	6,104
Software implementation and configuration	**3,611**	3,599
Selling Supplies	**1,720**	1,413
Credit card fees	**1,688**	2,255
Professional and consulting fees	**1,651**	2,367
Stock-based compensation	**1,413**	1,405
Director & officer and other insurance	**1,221**	1,375
Impairment of property and equipment and right-of-use assets	**257**	—
Depreciation of property and equipment	**320**	1,586
Amortization of intangible assets	**555**	1,695
Amortization right-of-use asset	**168**	168
Other selling, general and administration	**3,177**	2,537
Sub-total	**42,864**	46,404
Government emergency wage and rent subsidy	**—**	(4,350)
	42,864	42,054

(1) The Company qualifies for the Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy under the COVID-19 Economic Response Plan of the Government of Canada. The Company recognized payroll subsidies for year ended January 28, 2023 of $nil (January 29, 2022 - $3.4 million). The Company recognized rent subsidies for the year ended January 28, 2023 of $nil (January 29, 2022 - $1 million).

15. RESTRUCTURING PLAN ACTIVITIES, NET

As a result of the Initial Order obtained on July 8, 2020 and subsequent amendments (Note 1), the payment of liabilities owing as of July 8, 2020 was stayed, and the outstanding liabilities as of that date, as well as any additional outstanding claims by creditors were subject to compromise pursuant to the Company's Plan of Arrangement.

Obligations for goods and services provided to the Company after the filing date of July 8, 2020 were discharged based on negotiated terms and are excluded from liabilities subject to compromise.

The Plan of Arrangement was approved by the Company's creditors on June 11, 2021 and required that the Company distribute an aggregate amount of $17.6 million to its creditors in full and final settlement of all claims affected by the Plan of Arrangement. On June 18, 2021, the Monitor issued a Certificate of Implementation in which it certified that all the conditions precedent to the implementation of the Plan, including, among other things, remittance of funds to the Monitor for distribution to creditors, had been fulfilled or waived by the debtors. As a result of the final settlement, the Company recorded a gain on the settlement of liabilities subject to compromise of $79.9 million which was reduced by $2.0 million of professional fees in connection with the CCAA proceedings. This net gain is presented in the consolidated statements of income (loss) and comprehensive income (loss) in Restructuring Plan activities, net and Recovery of income taxes as a net gain of $76.9 million and $1.0 million, respectively.

On September 9, 2021, the Monitor filed a Certificate of Termination with the Québec Superior Court in accordance with paragraph 24 of the Sanction Order and declared the CCAA proceedings were terminated without further act or formality.

As a result, there are no liabilities subject to compromise as of January 29, 2022.

Included in Restructuring Plan activities, net are the following expenses:

	For the year ended	
	January 28, 2023 $	January 29, 2022 $
Liabilities subject to compromise	—	(78,861)
Professional fees	—	2,004
Income tax recovery	—	(1,000)
	—	(77,857)
Presented in:		
Restructuring plan activities, net	—	(76,857)
Recovery of income taxes	—	(1,000)
	—	(77,857)

16. FINANCE COSTS

	For the year ended	
	January 28, 2023 $	January 29, 2022 $
Interest on lease liabilities	**637**	131
Other finance cost	**93**	21
	730	152

17. INCOME TAXES

A reconciliation of the statutory income tax rate to the effective tax rate is as follows:

	For the year ended			
	January 28, 2023		January 29, 2022	
	%	$	%	$
Income tax provision (recovery) — statutory rate	**26.3**	**(3,912)**	26.3	20,288
Increase (decrease) in income tax provision (recovery) resulting from:				
Non-deductible items	**(2.7)**	**398**	0.5	408
Effect of substantively enacted income tax rate changes	—	—	(0.1)	(51)
Unrecognized deferred income tax assets	**(22.1)**	**3,285**	(27.3)	(21,096)
Provision for uncertain tax position	—	—	(0.6)	(454)
Other	**(1.5)**	**229**	(0.1)	(95)
Income tax provision (recovery) — effective tax rate	—	—	(1.3)	(1,000)

A breakdown of the income tax recovery on the consolidated statement of income (loss) is as follows:

	January 28, 2023 $	January 29, 2022 $
Income tax recovery		
Current	—	(1,000)
	—	(1,000)

The tax effects of temporary differences and net operating losses that give rise to deferred income tax assets and lease liabilities are as follows:

	January 28, 2023 $	January 29, 2022 $
Deferred income tax assets		
Operating losses carried forward	**18,387**	14,965
Tax values of property and equipment in excess of carrying value including impairment	**1,684**	2,647
Stock options	**3,495**	3,584
Lease liabilities	**2,690**	3,301
Other	**766**	113
Total deferred income tax assets	**27,022**	24,610
Deferred income tax liabilities		
Right-of-use assets	**(2,459)**	(3,180)
Total deferred income tax liabilities	**(2,459)**	(3,180)
Total deferred income tax assets, net	**24,563**	21,430
Unrecognized deferred income tax asset	**(24,563)**	(21,430)
Net deferred income tax assets	**—**	—

As at January 28, 2023, the Company's Canadian operations have accumulated losses amounting to $50.4 million (January 29, 2022 - $34.3 million), which begin to expire in 2039. As at January 28, 2023, the Company's U.S. subsidiary has accumulated losses amounting to US$26.4 million (January 29, 2022 - US$26.8 million), of which US$13.8 million expire during the years ending in 2033 to 2037. The remaining accumulated losses amounting to US$12.6 million have an indefinite carry forward period.

Based upon the projections for future taxable income management believes it is not probable that the Company will realize the benefits of these operating tax losses carried forward and other deductible temporary differences. Therefore, a full valuation allowance of $24.6 (January 29, 2022 - $21.4 million) million was recorded against the net deferred income tax asset.

The changes in the net deferred income tax asset were as follows for the fiscal year:

	January 28, 2023 $	January 29, 2022 $
Balance net, beginning of year	**—**	—
Canadian and U.S. operating losses carried forward	**3,422**	670
Property and equipment, including store impairment	**(829)**	(452)
Stock options	**(89)**	(3)
Right-of-use asset	**720**	(2,989)
Lease liabilities	**(611)**	3,104
Unrecognized deferred income tax asset	**(3,132)**	21,797
Liabilities subject to compromise	**—**	(21,454)
Other	**519**	(673)
Deferred income tax assets net, end of year	**—**	—

18. EARNINGS (LOSS) PER SHARE

The following reflects the income (loss) and share data used in the basic and diluted EPS computations:

	For the year ended	
	January 28, 2023 $	January 29, 2022 $
Net (loss) income for basic EPS	**(14,868)**	78,127
Weighted average number of shares outstanding:		
Basic	**26,530,443**	26,323,469
Fully diluted	**26,530,443**	27,644,498
Net (loss) earnings per share:		
Basic	**(0.56)**	2.97
Fully diluted	**(0.56)**	2.83

For the year ended January 28, 2023, because of the net loss recorded during the year, the stock options and RSUs disclosed in Note 13 are anti-dilutive.

19. RELATED PARTY TRANSACTIONS

Transactions with related parties are measured at the exchange amount, being the consideration established and agreed to by the related parties.

During the year ended January 28, 2023, the Company purchased merchandise for resale from a company controlled by one of its executive employees amounting to $144 (January 29, 2022 - $305). As of January 28, 2023, an amount of $4 was outstanding and presented in Trade and other payables (January 29, 2022, $nil).

The Company also provided infrastructure and administrative services of $13 (January 29, 2022 - $60) to a company controlled by one of its executive employees. As of January 28, 2023, an amount of $3 was outstanding and presented in Trade and other receivables (January 29, 2022, $nil).

Transactions with key management personnel

Key management of the Company includes members of the Board as well as certain executive officers. The compensation expensed by key management in aggregate was as follows:

	For the year ended	
	January 28, 2023	**January 29, 2022**
	$	**$**
Wages, salaries, bonus and director fees	**2,423**	2,182
Termination benefits	**174**	-
Stock-based compensation	**1,151**	1,258
Total compensation earned by key management personnel	**3,748**	3,440

20. SEGMENT INFORMATION

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Company has two operating segments, Canada, and the U.S., that derive their revenues from various distribution channels including online, retail and wholesale. The Company's Chief Executive and Brand Officer and President, Chief Financial and Operations Officer (the chief operating decision makers or "CODM") make decisions about resources to be allocated to the segments and assesses performance, and for which discrete financial information is available.

The Company derives revenue from the following products:

	For the year ended	
	January 28, 2023	**January 29, 2022**
	$	**$**
Tea	**72,642**	89,921
Tea accessories	**8,988**	12,700
Food and beverages	**1,396**	1,452
	83,026	104,073

All property and equipment, right-of-use assets and intangible assets are located in Canada.

Results from operating activities before corporate expenses per country are as follows:

	For the year ended January 28, 2023		
	Canada	US	Consolidated
	$	$	$
Sales	67,688	15,338	83,026
Cost of sales	44,725	9,989	54,714
Gross profit	22,963	5,349	28,312
Selling, general and administration expenses (allocated)	11,724	2,277	14,001
Results from operating activities before corporate expenses	11,239	3,072	14,311
Selling, general and administration expenses (non-allocated)			28,863
Results from operating activities			(14,552)
Finance costs			730
Finance income			(414)
Net loss before income taxes			(14,868)
Recovery of income taxes			—
Net loss			(14,868)

	For the year ended January 29, 2022		
	Canada	US	Consolidated
	$	$	$
Sales	82,545	21,528	104,073
Cost of sales	49,384	12,356	61,740
Gross profit	33,161	9,172	42,333
Selling, general and administration expenses (allocated)	13,077	2,785	15,862
Results from operating activities before corporate expenses	20,084	6,387	26,471
Selling, general and administration expenses (non-allocated)			26,192
Restructuring plan activities, net			(76,857)
Results from operating activities			77,136
Finance costs			152
Finance income			(143)
Net income before income taxes			77,127
Recovery of income taxes			(1,000)
Net income			78,127

21. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks, including risks related to foreign exchange, interest rate, credit, and liquidity.

Currency risk - foreign exchange risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Given that a significant amount of its purchases are denominated in U.S. dollars and to some extent its sales, the Company is exposed to foreign exchange risk. The Company's foreign exchange risk is largely limited to currency fluctuations between the Canadian and U.S. dollars. The Company is exposed to currency risk through its cash, accounts receivable and accounts payable denominated in U.S. dollars.

If all other variables remain constant, a revaluation of these monetary assets and liabilities due to a 5% rise or fall in the Canadian dollar against the U.S. dollar would have resulted in an increase or decrease to net loss in the amount of $43.

The Company's foreign exchange exposure is as follows:

	January 28, 2023 US$	January 29, 2022 US$
Cash	**681**	2,151
Accounts and other receivables	**442**	137
Trade and other payables	**1,979**	4,426

Market risk - interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial instruments that potentially subject the Company to cash flow interest rate risk include financial assets and liabilities with variable interest rates and consist of cash.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure, to the extent possible, that it will always have sufficient liquidity to meet liabilities when due. The Company's liquidity follows a seasonal pattern based on the timing of inventory purchases. The Company is exposed to this risk mainly in respect of its trade and other payables, leases, and purchase obligations for goods and services.

As at January 28, 2023, we had $22.4 million of cash held by major Canadian financial institutions.

Working capital was $30.8 million as at January 28, 2023, compared to $43.4 million as at January 29, 2022. The decrease in working capital is substantially explained mainly by a decrease in inventories and cash.

Our primary source of liquidity is cash on hand and cashflow generated from operations as we do not have any committed debt financing. Our working capital requirements are driven by the purchase of inventory, payment of payroll, ongoing technology expenditures and other operating costs.

Our working capital requirements fluctuate during the year, rising in the second and third fiscal quarters as we take title to increasing quantities of inventory in anticipation of our peak selling season in the fourth fiscal quarter. Capital expenditures in our new business model are not significant.

As at January 28, 2023, the Company has financial commitments in connection with the purchase of goods and services that are enforceable and legally binding on the Company, amounting to $6.7 million, net of $815 of advances (January 29, 2022 - $11.3 million, net of $542 of advances) which are expected to be discharged within 12 months or fiscal year 2023. Commitments beyond the next year amounted to $2.6 million and $2.4 million for fiscal years 2024 and 2025 respectively.

Credit risk

The Company is exposed to credit risk resulting from the possibility that counterparties may default on their financial obligations to the Company. The Company's maximum exposure to credit risk at the reporting date is equal to the carrying value of receivables. Accounts receivable primarily consists of receivables from customers who pay by credit card, receivables from our wholesale channel sales, recoveries of credits from suppliers for returned or damaged products, receivables from other companies for sales of products, gift cards and other services. Credit card payments have minimal credit risk, and the limited number of corporate receivables is closely monitored. As a result, expected credit loss on these financial assets is not significant.

As at January 28, 2023, 3 customers represented 63.3% of total trade receivables (January 29, 2022 – 3 customers represented 63.0% of total trade receivables).

Fair values

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the “Financial instruments” section of Note 3 describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

22. MANAGEMENT OF CAPITAL

The Company’s capital is composed of cash and shareholders’equity as follows:

	January 28, 2023	January 29, 2022
	$	**$**
Cash	**22,440**	25,107
Shareholder's equity [Excluding Accumulated other comprehensive income]	**31,518**	45,370
Total capital under management	**53,958**	70,477

The Company’s objectives in managing capital are to ensure sufficient liquidity to pursue its organic growth, to establish a strong capital base to maintain investor, creditor, and market confidence and to provide an adequate return to shareholders.

The Company’s primary uses of capital are to finance non-cash working capital and until Fiscal 2022 transformative investments in infrastructure and information technology.

The Company traditionally funded its requirements from its cash on hand and internally-generated cash flows. The Company does not have any long-term financing debt (other than lease liabilities).

On August 23, 2022, a revolving line of credit on demand with the Bank of Nova Scotia (the “Bank”) was established for up to $15.0 million, less a reserve of $0.5 million for credit cards based on eligible accounts receivable and inventory balances. The credit facility bears interest at the prime rate plus 1%, renewable annually at the lender’s option. In addition, Investissement Québec has provided a loan loss guarantee under its “Loan Loss Program”, securing 50% of any loss incurred by the Bank with respect to the recovery of indebtedness under the line of credit.

This credit facility is subject to financial covenants which were not met at January 28, 2023, thereby rendering the facility unavailable.

23. GUARANTEES

Some agreements to which the Company is party to include indemnification provisions that may require the Company to make payments to a third party for breach of fundamental representation and warranty terms in the agreements, with respect to matters such as corporate status, title of assets, environmental issues, consents to transfer, employment matters, litigation, taxes payable and other potential material obligations. The maximum potential amount of future payments that the Company could be required to make under these indemnification provisions is not reasonably quantifiable as certain indemnifications are not subject to a monetary limitation. As at January 28, 2023, management does not believe that these indemnification provisions would require any material cash payment by the Company, and insurance coverage, estimated by management to be reasonable and sufficient, exists in order to minimize the previously mentioned risks.

The Company indemnifies its directors and officers against claims reasonably incurred and resulting from the performance of their services to the Company and maintains liability insurance for its directors and officers.