# Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

## Spirits Capital Corporation

100 Bayview Circle, Suite 4100, Newport Beach, CA 92660

(949) 674-0355
www.spiritscap.com
investors@spiritscap.com
7389

# Annual Report

**For the period ending** December 31, 2022
**(the "Reporting Period")**

**Outstanding Shares**
The number of shares outstanding of our Common Stock was:

94,717,470 as of March 25, 2023

94,717,470 as of December 31, 2022

**Shell Status**
Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

**Change in Control**
Indicate by check mark whether a Change in Control[1] of the company has occurred over this reporting period:

Yes: ☐ No: ☒

### 1) Name and address(es) of the issuer and its predecessors (if any)

[1] "Change in Control" shall mean any events resulting in:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
(iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the dates of the name changes.

Spirits Capital Corporation - Effective April 29, 2021

Capital Beverage Corporation

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

December 5, 1995 – Delaware (active)

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

The address(es) of the issuer's principal executive office:

100 Bayview Circle, Suite 4100, Newport Beach, CA 92660

The address(es) of the issuer's principal place of business:
☒ *Check if principal executive office and principal place of business are the same address:*

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: ☒ Yes: ☐ If Yes, provide additional details below:

N/A

## 2) Security Information

***<u>Transfer Agent</u>***

Name: Continental Stock Transfer & Trust Company
Phone: 212-509-4000
Email: cstmail@continentalstock.com
Address: 1 State Street Plaza, 30th Floor, New York, NY 10004

***Publicly Quoted or Traded Securities:***

*The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.*

| | | |
|---|---|---|
| Trading symbol: | SSCC | |
| Exact title and class of securities outstanding: | Common Stock | |
| CUSIP: | 84861E101 | |
| Par or stated value: | $0.0001 | |
| Total shares authorized: | 500,000,000 | as of date: December 31, 2022 |
| Total shares outstanding: | 94,717,470 | as of date: December 31, 2022 |
| Number of shares in the Public Float[2]: | 1,644 | as of date: December 31, 2022 |
| Total number of shareholders of record: | 154 | as of date: December 31, 2022 |

*All additional class(es) of publicly quoted or traded securities (if any):*

***Other classes of authorized or outstanding equity securities:***

*The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g. preferred shares). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.*

| | | |
|---|---|---|
| Exact title and class of the security: | Preferred Stock | |
| CUSIP (if applicable): | N/A | |
| Par or stated value: | $0.01 | |
| Total shares authorized: | 1,000,000 | as of date: December 31, 2022 |
| Total shares outstanding (if applicable): | 0 | as of date: December 31, 2022 |
| Total number of shareholders of record (if applicable): | 0 | as of date: December 31, 2022 |

***Security Description:***

*The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:*

1. **For common equity, describe any dividend, voting and preemption rights.**

None

2. **For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.**

None

[2] "Public Float" shall mean the total number of unrestricted shares not held directly or indirectly by an officer, director, any person who is the beneficial owner of more than 10 percent of the total shares outstanding (a "control person"), or any affiliates thereof, or any immediate family members of officers, directors and control persons.

3. **Describe any other material rights of common or preferred stockholders.**

<u>None</u>

4. **Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.**

<u>None</u>

## 3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period**.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

### A. Changes to the Number of Outstanding Shares

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:
No: ☐ Yes: ☒ (If yes, you must complete the table below)

| Shares Outstanding as of Second Most Recent Fiscal Year End:<br><br>Opening Balance<br><br>Date 12/31/2020 Common: 91,320<br><br>Preferred: 0 | | *Right-click the rows below and select "Insert" to add rows as needed. | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Date of Transaction** | **Transaction type (e.g. new issuance, cancellation, shares returned to treasury)** | **Number of Shares Issued (or cancelled)** | **Class of Securities** | **Value of shares issued ($/per share) at Issuance** | **Were the shares issued at a discount to market price at the time of issuance? (Yes/No)** | **Individual/ Entity Shares were issued to.<br><br>*You must disclose the control person(s) for any entities listed.** | **Reason for share issuance (e.g. for cash or debt conversion) -OR- Nature of Services Provided** | **Restricted or Unrestricted as of this filing.** | **Exemption or Registration Type.** |
| 07/15/2021 | New Issuance | 250,000 | Common | $0.0001 | Yes | Nancy Lopez | Share Subscription | Restricted | |
| 07/16/2021 | New Issuance | 41,250,000 | Common | $0.0001 | Yes | New American Oak Trust (Todd Sanders) | Share Subscription | Restricted | |
| 07/21/2021 | New Issuance | 6,500,000 | Common | $0.0001 | Yes | Tellson Ventures, LLC (Andrew Boyd-Jones) | Share Subscription | Restricted | |
| 07/30/2021 | New Issuance | 500,000 | Common | $0.0001 | Yes | Frank J. Longo | Share Subscription | Restricted | |
| 11/17/2021 | New Issuance | 5,000 | Common | $1.00 | Yes | Amy Saylor | Share Subscription | Restricted | |
| 11/23/2021 | New Issuance | 5,000 | Common | $1.00 | Yes | Nadia Milner | Share Subscription | Restricted | |
| 11/30/2021 | New Issuance | 50,000 | Common | $1.00 | Yes | Patrick Flynn | Consulting Services | Restricted | |
| 12/14/2021 | New Issuance | 2,000,000 | Common | $0.0001 | Yes | Grandview Capital Partners LLC (Peter Goldstein) | Share Subscription | Restricted | |
| 12/14/2021 | New Issuance | 2,000,000 | Common | $0.0001 | Yes | Exchange Listing LLC (Peter Goldstein) | Share Subscription | Restricted | |
| 12/28/2021 | New Issuance | 1,500,000 | Common | $0.0001 | Yes | PGS Ventures B.V.(Peter Goldstein) | Share Subscription | Restricted | |
| 12/28/2021 | New Issuance | 3,000,000 | Common | $0.0001 | Yes | Two Eighty Seven, LLC (Todd Sanders) | Share Subscription | Restricted | |
| 12/28/2021 | New Issuance | 4,500,000 | Common | $0.0001 | Yes | Rocky Mtn Advisors Corp (Thomas Seifert) | Share Subscription | Restricted | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 12/30/2021 | New Issuance | 25,000 | Common | $1.00 | Yes | Michael & Jacqueline Emmers | Share Subscription | Restricted | |
| 1/14/2022 | New Issuance | 50,000 | Common | $1.00 | Yes | Patrick Flynn | Share Subscription | Restricted | |
| 1/31/2022 | New Issuance | 275,000 | Common | $1.00 | Yes | Michael & Jacqueline Emmers | Share Subscription | Restricted | |
| 2/16/2022 | New Issuance | 1,500,000 | Common | $1.00 | Yes | Mike Weydemuller | Share Subscription | Restricted | |
| 2/17/2022 | New Issuance | 250,000 | Common | $1.00 | Yes | Vista Azul Asset Mgmt (Wayne Ake) | Share Subscription | Restricted | |
| 2/28/2022 | New Issuance | 3,000 | Common | $1.00 | Yes | Linda Boyd Jones | Consulting Services | Restricted | |
| 3/7/2022 | New Issuance | 1,000,000 | Common | $1.00 | Yes | Cort St. George | Share Subscription | Restricted | |
| 3/22/2022 | New Issuance | 22,500,000 | Common | $0.0001 | Yes | Green Capital Management Limited (Frank Dominick) | Share Subscription | Restricted | |
| 3/22/2022 | New Issuance | 10,000 | Common | $1.00 | Yes | Green Capital Management Limited (Frank Dominick) | Share Subscription | Restricted | |
| 3/28/2022 | New Issuance | 4,500,000 | Common | $0.0001 | Yes | Seyemohammadreza Hashemifesharaki | Share Subscription | Restricted | |
| 3/28/2022 | New Issuance | 1,000,000 | Common | $1.00 | Yes | Frank J. Longo | Share Subscription | Restricted | |
| 3/28/2022 | New Issuance | 2,500 | Common | $1.00 | Yes | Linda Boyd Jones | Consulting Services | Restricted | |
| 3/31/2022 | New Issuance | 100,000 | Common | $1.00 | Yes | Carmel, Milazzo & Feil LLP (Timothy Feil) | Consulting Services | Restricted | |
| 4/4/2022 | New Issuance | 50,000 | Common | $1.00 | Yes | James Amoroso | Share Subscription | Restricted | |
| 4/18/2022 | New Issuance | 50,000 | Common | $1.00 | Yes | David Zweig | Share Subscription | Restricted | |
| 4/21/2022 | New Issuance | 25,000 | Common | $1.00 | Yes | Jeh 485 Trust (Eli Haft) | Share Subscription | Restricted | |
| 5/17/2022 | New Issuance | 100,000 | Common | $1.00 | Yes | Patrick Flynn | Consulting Services | Restricted | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 5/31/2022 | New Issuance | 1,800 | Common | $1.00 | Yes | Linda Boyd Jones | Consulting Services | Restricted | |
| 6/1/2022 | New Issuance | 154,500 | Common | $1.00 | Yes | Mike Weydemuller | Consulting Services | Restricted | |
| 6/1/2022 | New Issuance | 10,600 | Common | $0.0001 | Yes | Mike Weydemuller | Consulting Services | Restricted | |
| 6/13/2022 | New Issuance | 25,000 | Common | $1.00 | Yes | Crown Dragon Asset Mgmt Trust (Richard Howard) | Consulting Services | Restricted | |
| 6/29/2022 | New Issuance | 100,000 | Common | $0.0001 | Yes | Dzung Chantepie | Share Subscription | Restricted | |
| 6/29/2022 | New Issuance | 5,000 | Common | $1.00 | Yes | Mary Tanguma | Share Subscription | Restricted | |
| 6/29/2022 | New Issuance | 5,000 | Common | $1.00 | Yes | Diana and David Selecky | Share Subscription | Restricted | |
| 6/29/2022 | New Issuance | 17,500 | Common | $1.00 | Yes | Deborah and Rodolfo Campos | Share Subscription | Restricted | |
| 9/14/2022 | New Issuance | 100,000 | Common | $1.00 | Yes | David Zweig | Share Subscription | Restricted | |
| 9/16/2022 | New Issuance | 150,000 | Common | $0.0001 | Yes | Exchange Listing LLC (Peter Goldstein) | Consulting Services | Restricted | |
| 9/22/2022 | New Issuance | 25,000 | Common | $1.00 | Yes | Jeh 485 Trust (Eli Haft) | Share Subscription | Restricted | |
| 9/30/2022 | New Issuance | 12,500 | Common | $1.00 | Yes | Deborah and Rodolfo Campos | Share Subscription | Restricted | |
| 9/30/2022 | New Issuance | 13,750 | Common | $0.0001 | Yes | Mike Weydemuller | Consulting Services | Restricted | |
| 11/7/2022 | New Issuance | 200,000 | Common | $1.00 | Yes | David Zweig | Share Subscription | Restricted | |
| 12/5/2022 | New Issuance | 5,000 | Common | $1.00 | Yes | Glenda and Joseph Furlong | Share Subscription | Restricted | |
| 12/17/2022 | New Issuance | 750,000 | Common | $0.0001 | Yes | Jonathan Wolf | Share Subscription | Restricted | |
| 12/31/2022 | New Issuance | 50,000 | Common | $1.00 | Yes | Mike Weydemuller | Consulting Services | Restricted | |
| | | | | | | | | | |

| | |
|---|---|
| | |
| Shares Outstanding on Date of This Report:<br>Ending Balance<br>Ending Balance:<br>Date 12/31/2022 Common: 94,717,470<br>Preferred: 0 | |

### B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities:

No: ☐ Yes: ☒ (If yes, you must complete the table below)

| Date of Note Issuance | Outstanding Balance ($) | Principal Amount at Issuance ($) | Interest Accrued ($) | Maturity Date | Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares) | Name of Noteholder. *You must disclose the control person(s) for any entities listed. | Reason for Issuance (e.g. Loan, Services, etc.) |
|---|---|---|---|---|---|---|---|
| 12/16/20 | 110,000 | 110,000 | 25,496 | 12/16/2021 | | Tellson Equities,LLC (Andrew Boyd-Jones) | Loan |
| 9/1/22 | 315,000 | 315,000 | 0 | 9/2/2022 | | Vista Azul Asset Mgmt (Wayne Ake) | Loan |

## 4) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. (Please ensure that these descriptions are updated on the Company's Profile on www.otcmarkets.com).

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

Spirits Capital Corporation is a platform providing secured purchase of premium American Whiskey while maturing. The objectives of the company development was a vision to create an open, safe and secure marketplace for value hunters who want to capitalize on the strong and promising future of this spirit.

B. List any subsidiaries, parent company, or affiliated companies.

Spirits Global, Inc.

C. Describe the issuers' principal products or services.

Spirits Capital Corporation is a platform providing secured purchase of premium American Whiskey while maturing. The objectives of the company development was a vision to create an open, safe and secure marketplace for value hunters who want to capitalize on the strong and promising future of this spirit.

## 5) Issuer's Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

The Company currently leases 3,000 square feet of office space at 100 Bayview Circle, Suite 4100, Newport Beach, CA 92660. The lease expires on February 28, 2027.

## 6) Officers, Directors, and Control Persons

Using the table below, please provide information, as of the period end date of this report, regarding any officers, or directors of the company, individuals or entities controlling more that 5% of any class of the issuers securities, or any person that performs a similar function, regardless of the number of shares they own. **If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity in the note section.**

Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.

| **Names of All Officers, Directors and Control Persons** | **Affiliation with Company (e.g. Officer Title /Director/Owner of more than 5%)** | **Residential Address (City / State Only)** | **Number of shares owned** | **Share type/class** | **Ownership Percentage of Class Outstanding** | **Names of control person(s) if a corporate entity** |
|---|---|---|---|---|---|---|
| Todd Sanders | Officer, Director, 5% Owner | Newport Beach, CA | 43,281,000 | Common | 45.7% | |
| Thomas Seifert | Officer | Parker, CO | 4,502,500 | Common | 4.8% | |
| Seyemohammadreza Hashemifesharaki | Officer | Playa del Rey, CA | 4,500,000 | Common | 4.8% | |
| Green Capital Management Limited | 5% Owner | Hong Kong | 22,522,000 | Common | 23.8% | Frank Dominick |
| Peter Goldstein | 5% Owner | Plantation, FL | 5,504,000 | Common | 5.8% | |
| Tellson Ventures, LLC | 5% Owner | Newport Beach, CA | 6,503,900 | Common | 6.9% | Andrew Boyd-Jones |

## 7) Legal/Disciplinary History

A. Identify whether any of the persons or entities listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

None

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

None

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

None

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

None

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

## 8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Accountant or Auditor

| | |
|---|---|
| Name: | David Ritzert |
| Firm: | Urish Popeck & Co. LLC |
| Address 1: | Three Gateway Center, Suite 2400 |
| Address 2: | Pittsburgh, PA 15222 |
| Phone: | 412-391-1994 |
| Email: | DRitzert@urishpopeck.com |

## 9) Financial Statements

A. The following financial statements were prepared in accordance with:

☐ IFRS
☒ U.S. GAAP

B. The following financial statements were prepared by (name of individual)[3]:

| | |
|---|---|
| Name: | **Thomas Seifert** |
| Title: | **CFO** |
| Relationship to Issuer: | **CFO** |

Describe the qualifications of the person or persons who prepared the financial statements:

Mr. Seifert has more than 20 years of public company reporting expertise. He has served as Chief Financial Officer of numerous public companies including companies listed on Nasdaq and OTC Markets.

[3] The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

**10) Issuer Certification**

*Principal Executive Officer:*

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Todd Sanders certify that:

1. I have reviewed this Disclosure Statement for Spirits Capital Corporation;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

3/25/2023

/s/ Todd Sanders

Chief Executive Officer

*Principal Financial Officer:*

I, Thomas Seifert certify that:

1. I have reviewed this Disclosure Statement for Spirits Capital Corporation;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

3/25/2023

/s/ Thomas Seifert

Chief Financial Officer

**SPIRITS CAPITAL CORPORATION**

**Index to the Consolidated Financial Statements**

**As of December 31, 2022 and 2021**
**and for the Years Ended December 31, 2022 and 2021**

**Report of Independent Registered Public Accounting Firm**

Shareholders and Board of Directors
Spirits Capital Corporation
Newport Beach, California

**Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheet of Spirits Capital Corporation (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of operations, changes in stockholders' equity(deficit), and cash flows for the years December 31, 2022 and 2021, and the related notes (collectively referred to as the consolidated financial statements).

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

**Substantial Doubt About the Company's Ability to Continue as a Going Concern**

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency at December 31, 2022 and 2021. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Basis for Opinion**

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provide a reasonable basis for our opinion.

*/s/ Urish Popeck & Co., LLC*

We have served as the Company's auditor since 2021.

Pittsburgh, PA

March 25, 2023

**SPIRITS CAPITAL CORPORATION**
**Consolidated Balance Sheets**

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash | $ 397,440 | $ 22,279 |
| Deposits | 23,997 | 23,997 |
| Inventory | 454,900 | – |
| Prepaid expense | 270,250 | 50,000 |
| TOTAL CURRENT ASSETS | 1,146,587 | 96,276 |
| Operating lease right-of-use | 449,062 | 599,820 |
| Furniture and Equipment, net | 47,077 | 42,223 |
| TOTAL ASSETS | $ 1,642,726 | $ 738,319 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 398,932 | $ 478,537 |
| Accrued salaries | 573,074 | 412,917 |
| Accrued interest | 126,897 | 20,772 |
| Accrued liabilities, other | 5,708 | – |
| Note payable, net of discount of $217,866 and $0 | 317,134 | 230,000 |
| Derivative liability | 182,210 | – |
| Operating lease liability, current portion | 81,187 | 70,228 |
| TOTAL CURRENT LIABILITIES | 1,685,142 | 1,212,454 |
| Operating lease liability, long term portion | 394,976 | 529,587 |
| Other long-term liabilities, deeds | 675,000 | – |
| TOTAL LIABILITIES | 2,755,118 | 1,742,041 |
| STOCKHOLDERS' DEFICIT: | | |
| Preferred stock (par value $0.01; 1,000,000 shares authorized; 0 issued and outstanding at December 31, 2022 and 2021, respectively) | – | – |
| Common stock (par value $0.0001), 500,000,000 shares authorized, 94,717,470 and 61,676,320 shares issued and outstanding at December 31, 2022 and 2021, respectively | 10,453 | 6,249 |
| Paid-in capital in excess of par value | 86,270,357 | 53,905,612 |
| Accumulated deficit | (87,393,202) | (54,915,583) |
| TOTAL STOCKHOLDERS' DEFICIT | (1,112,392) | (1,003,722) |
| TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT | $ 1,642,726 | $ 738,319 |

See accompanying notes to consolidated financial statements.

**SPIRITS CAPITAL CORPORATION**
**Consolidated Statements of Operations**

| | For the Years Ended December 31, 2022 | 2021 |
|---|---|---|
| REVENUES | $ – | $ – |
| | | |
| OPERATING EXPENSES: | | |
| General and administrative | 493,515 | 99,631 |
| Salaries | 361,061 | 356,416 |
| Stock based compensation | 31,082,649 | 48,795,125 |
| Professional fees | 217,169 | 55,333 |
| TOTAL OPERATING EXPENSES | 32,154,394 | 49,306,505 |
| | | |
| OPERATING LOSS | (32,154,394) | (49,306,505) |
| | | |
| OTHER INCOME (EXPENSE) | | |
| Interest expense | (121,125) | (31,172) |
| Loss on the impairment of assets | (202,100) | – |
| Gain on the extinguishment of debt | – | 642,569 |
| TOTAL OTHER INCOME (EXPENSE) | (323,225) | 611,397 |
| | | |
| LOSS BEFORE PROVISION FOR INCOME TAXES | (32,477,619) | (48,695,108) |
| | | |
| PROVISION FOR INCOME TAXES | – | – |
| | | |
| NET LOSS | $ (32,477,619) | $ (48,695,108) |
| | | |
| LOSS PER SHARE: | | |
| Basic and Diluted | $ (0.38) | $ (2.17) |
| | | |
| WEIGHTED AVERAGE SHARES OUTSTANDING: | | |
| Basic and Diluted | 86,571,147 | 22,487,854 |

See accompanying notes to consolidated financial statements.

**SPIRITS CAPITAL CORPORATION**
**Consolidated Statement of Changes in Stockholders' Deficit**
**For the Years Ended December 31, 2022 and 2021**

| | Preferred Stock | | Common Stock | | Paid in Capital in Excess of Par | Accumulated | Total Stockholders' |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Value | Deficit | Deficit |
| Balance, December 31, 2020 | – | $ – | 91,320 | $ 91 | $ 5,064,020 | $ (6,220,475) | $ (1,156,364) |
| Issuance of common stock for cash | – | – | 52,625 | 52 | 52,573 | – | 52,625 |
| Issuance of common stock for stock based compensation | – | – | 61,532,375 | 6,106 | 48,789,019 | – | 48,795,125 |
| Net loss | – | – | – | – | – | (48,695,108) | (48,695,108) |
| Balance, December 31, 2021 | – | $ – | 61,676,320 | $ 6,249 | $ 53,905,612 | $ (54,915,583) | $ (1,003,722) |
| Issuance of common stock for cash | – | – | 2,170,000 | 217 | 1,170,783 | – | 1,171,000 |
| Issuance of common stock for prepaid expense | – | – | 100,000 | 10 | 99,990 | – | 100,000 |
| Issuance of common stock for notes payable | – | – | 10,000 | 1 | 15,299 | – | 15,300 |
| Issuance of warrants for stock based compensation | – | – | – | – | 326,799 | – | 326,799 |
| Issuance of common stock for stock based compensation | – | – | 30,761,150 | 3,976 | 30,751,874 | – | 30,755,850 |
| Net loss | – | – | – | – | – | (32,477,619) | (32,477,619) |
| Balance, December 31, 2022 | – | $ – | 94,717,470 | $ 10,453 | $ 86,270,357 | $ (87,393,202) | $ (1,112,392) |

See accompanying notes to consolidated financial statements.

**SPIRITS CAPITAL CORPORATION**
**Consolidated Statements of Cash Flows**

| | For the Years Ended December 31, 2022 | 2021 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | $ (32,477,619) | $ (48,695,108) |
| Adjustments to reconcile net loss to net cash used by operating activities: | | |
| Depreciation | 7,971 | 501 |
| Stock based compensation | 31,082,649 | 48,795,125 |
| Loan acquisition costs | 15,000 | – |
| Impairment of assets | 202,100 | – |
| Extinguishment of debt | – | (642,569) |
| Amortization of right of use assets | 150,758 | (599,820) |
| Changes in operating assets and liabilities: | | |
| Deposits | – | (23,997) |
| Accounts payable | (115,261) | 110,442 |
| Accounts receivable | – | 1,000 |
| Prepaid expenses | (120,250) | – |
| Accrued salaries | 160,157 | 272,417 |
| Accrued interest | 106,125 | 20,772 |
| Accrued liabilities, other | 5,708 | – |
| Inventory | (454,900) | – |
| Other long-term liabilities, deeds | 675,000 | – |
| Operating lease liability | (123,652) | 599,815 |
| Net cash used by operating activities | (886,214) | (161,422) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of furniture and equipment | (214,925) | (42,724) |
| Net cash used by investing activities | (214,925) | (42,724) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from related party notes payable | – | – |
| Proceeds from sale of common stock | 1,171,000 | 52,625 |
| Proceeds from notes payable | 305,300 | 110,000 |
| Net cash provided by financing activities | 1,476,300 | 162,625 |
| NET (DECREASE) INCREASE IN CASH | 375,161 | (41,521) |
| CASH, beginning of period | 22,279 | 63,800 |
| CASH, end of period | $ 397,440 | $ 22,279 |
| Non-cash finance and investing activities for the years ended December 31: | | |
| Stock issued for prepaid expense | $ 100,000 | $ – |
| Stock issued for settlement of notes payable | 15,300 | – |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid during the year ended December 31: | | |
| Interest | $ – | $ – |
| Income taxes | $ – | $ – |

See accompanying notes to consolidated financial statements.

**SPIRITS CAPITAL CORPORATION**
**Notes to the Consolidated Financial Statements**
**For the Years ended December 31, 2022 and 2021**

## NOTE 1 – BASIS OF FINANCIAL STATEMENT PRESENTATION

***Organization and Description of Business***

Capital Beverage Corporation ("Capital Beverage") was incorporated under the laws of the State of Delaware on December 5, 1995. On December 30, 2019, Monogram Global Inc. a Delaware corporation ("Monogram") and (the "Company") merged with and into Capital Beverage Corporation. On April 29, 2021, the Company approved an amendment to change the name of the corporation to Spirits Capital Corporation.

Spirits Capital Corporation is a platform providing secured purchase of premium American Whiskey while maturing. The objectives of the company development was a vision to create an open, safe and secure marketplace for value hunters who want to capitalize on the strong and promising future of this spirit.

On December 30, 2019, Capital Beverage entered into a Share Exchange Agreement (the "Agreement" or the ("Merger") involving Capital Beverage as the surviving parent corporation and acquiring a privately held Delaware corporation known as Monogram Global Inc. With the change of control of the Company, the Merger was accounted for as a recapitalization in a manner similar to a reverse acquisition.

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements are as follows:

***Basis of Presentation and Principles of Consolidation***

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The consolidated financial statements of the Company include the Company and its wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation. Our financial statements as of December 31, 2022 and 2021 include the accounts of Spirits Global, Inc.

***Reclassifications***

Certain amounts in the December 31, 2022 financial statements have been reclassified to conform to the current year presentation.

***Use of Estimates***

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statements of financial condition, and revenues and expenses for the years then ended. Actual results may differ significantly from those estimates. Significant estimates made by management include, but are not limited to, the assumptions used to calculate stock-based compensation, derivative liabilities, preferred deemed dividend and common stock issued for services.

***Cash and Cash Equivalents***

The Company considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents. The Company places its cash with high credit quality financial institutions. The Company's account at this institution is insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. To reduce its risk associated with the failure of such financial institution, the Company evaluates at least annually the rating of the financial institution in which it holds deposits.

***Accounts receivable and allowance for doubtful accounts***

The Company has a policy of reserving for questionable accounts based on its best estimate of the amount of probable credit losses in its existing accounts receivable. The Company periodically reviews its accounts receivable to determine whether an allowance is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are offset against sales and relieved from accounts receivable, after all means of collection have been exhausted and the potential for recovery is considered remote. As of December 31, 2022 and 2021, there were no allowance for doubtful accounts.

***Property and Equipment***

Property and equipment are capitalized and depreciated over their estimated economic useful lives. Upon sale or other disposition of property and equipment, the cost and related accumulated depreciation or amortization are removed from the accounts and any gain or loss is included in the determination of income or loss.

On December 31, 2022, the Company determined that previously purchased assets related to the Token Platform, valued at $202,100, were no longer going to be used in the Company's operations and thus impaired the assets as of December 31, 2022.

The Company had $47,077 and $42,223 net of property and equipment as of December 31, 2022 and 2021, respectively. The Company had $11,086 and $501 of accumulated depreciation as of December 31, 2022 and 2021, respectively.

***Revenue Recognition***

The Company currently has no revenues from its operations. We anticipate that revenues from product sales, net of estimated returns and allowances, will be recognized when evidence of an arrangement is in place, related prices are fixed and determinable, contractual obligations have been satisfied, title and risk of loss have been transferred to the customer and collection of the resulting receivable is reasonably assured.

***Concentration of Credit Risk***

The Company has no significant concentrations of credit risk.

***Related Parties***

The Company accounts for related party transactions in accordance with ASC 850 ("Related Party Disclosures"). A party is considered to be related to the Company if the party directly or indirectly or through one or more intermediaries, controls, is controlled by, or is under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. A party which can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests is also a related party.

***Derivative Financial Instruments***

For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations. For stock-based derivative financial instruments, the Company uses a lattice model, in accordance with ASC 815-15 "Derivative and Hedging" to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether net-cash settlement of the derivative instrument could be required within 12 months after the balance sheet date.

***Stock Based Compensation***

Stock-based compensation is accounted for based on the requirements of the Share-Based Payment Topic of ASC 718 which requires recognition in the consolidated financial statements of the cost of employee and director services received in exchange for an award of equity instruments over the period the employee or director is required to perform the services in exchange for the award (presumptively, the vesting period). The ASC also requires measurement of the cost of employee and director services received in exchange for an award based on the grant-date fair value of the award.

***Beneficial Conversion Features***

The intrinsic value of a beneficial conversion feature inherent to a convertible note payable, which is not bifurcated and accounted for separately from the convertible note payable and may not be settled in cash upon conversion, is treated as a discount to the convertible note payable. This discount is amortized over the period from the date of issuance to the date the note is due using the effective interest method. If the note payable is retired prior to the end of its contractual term, the unamortized discount is expensed in the period of retirement to interest expense. In general, the beneficial conversion feature is measured by comparing the effective conversion price, after considering the relative fair value of detachable instruments included in the financing transaction, if any, to the fair value of the shares of common stock at the commitment date to be received upon conversion.

***Fair Value of Financial Instruments***

The Company measures its financial assets and liabilities in accordance with the requirements of FASB ASC 820, "Fair Value Measurements and Disclosures". As defined in FASB ASC 820, the fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company utilized the market data of similar entities in its industry or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The Company classifies fair value balances based on the observability of those inputs. FASB ASC 820 established a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement) as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives, marketable securities and listed equities.

Level 2 – Pricing inputs are other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the reported date and includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Instruments in this category generally include non-exchange-traded derivatives such as commodity swaps, interest rate swaps, options and collars.

Level 3 – Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

***Income Taxes***

The Company accounts for income taxes pursuant to the provision of ASC 740-10, "Accounting for Income Taxes" ("ASC 740-10") which requires, among other things, an asset and liability approach to calculating deferred income taxes. The asset and liability approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. A valuation allowance is provided to offset any net deferred tax assets for which management believes it is more likely than not that the net deferred asset will not be realized.

The Company follows the provision of ASC 740-10 related to Accounting for Uncertain Income Tax Positions. When tax returns are filed, there may be uncertainty about the merits of positions taken or the amount of the position that would be ultimately sustained. In accordance with the guidance of ASC 740-10, the benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions.

Tax positions that meet the more likely than not recognition threshold are measured at the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefit associated with tax positions taken that exceed the amount measured as described above should be reflected as a liability for uncertain tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

The Company believes its tax positions are all more likely than not to be upheld upon examination. As such, the Company has not recorded a liability for uncertain tax benefits.

The Company has adopted ASC 740-10-25, "Definition of Settlement", which provides guidance on how an entity should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits and provides that a tax position can be effectively settled upon the completion and examination by a taxing authority without being legally extinguished. For tax positions considered effectively settled, an entity would recognize the full amount of tax benefit, even if the tax position is not considered more likely than not to be sustained based solely on the basis of its technical merits and the statute of limitations remains open. The federal and state income tax returns of the Company are subject to examination by the IRS and state taxing authorities, generally for three years after they are filed.

The Company was incorporated in 2018, and the Company does not anticipate a tax liability for the year ended December 31, 2022. The Company had no tax liability as of December 31, 2021.

***Leases***

Effective January 1, 2019, the Company accounts for its leases under ASC 842, *Leases*. Under this guidance, arrangements meeting the definition of a lease are classified as operating or financing leases, and are recorded on the consolidated balance sheet as both a right of use asset and lease liability, calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease or the Company's incremental borrowing rate. Lease liabilities are increased by interest and reduced by payments each period, and the right of use asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right of use asset result in straight-line rent expense over the lease term. For finance leases, interest on the lease liability and the amortization of the right of use asset results in front-loaded expense over the lease term. Variable lease expenses are recorded when incurred.

In calculating the right of use asset and lease liability, the Company has elected to combine lease and non-lease components. The Company excludes short-term leases having initial terms of 12 months or less from the new guidance as an accounting policy election, and recognizes rent expense on a straight-line basis over the lease term.

***Recently Issued Accounting Pronouncements***

Although there are several other new accounting pronouncements issued or proposed by the FASB, which the Company has adopted or will adopt, as applicable, the Company does not believe any of these accounting pronouncements has had or will have a material impact on its financial position or results of operations.

**NOTE 3 – GOING CONCERN**

As shown in the accompanying financial statements, the Company generated net losses of $32,477,619 and $48,695,108 during the years ended December 31, 2022 and 2021, respectively. The Company did not generate any revenue from product sales during the years ended December 31, 2022 and 2021. As of December 31, 2022, the Company's current liabilities exceeded its current assets by $538,555. As of December 31, 2022, the Company had $397,440 of cash.

The Company will require additional funding during the next twelve months to finance the growth of its current operations and achieve its strategic objectives. These factors, as well as the uncertain conditions that the Company faces relative to capital raising activities, create substantial doubt as to the Company's ability to continue as a going concern. The Company is seeking to raise additional capital principally through private placement offerings and is targeting strategic partners in an effort to finalize the development of its products and begin generating revenues. The ability of the Company to continue as a going concern is dependent upon the success of future capital offerings or alternative financing arrangements and expansion of its operations. The accompanying financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern. Management is actively pursuing additional sources of financing sufficient to generate enough cash flow to fund its operations through calendar year 2023. However, management cannot make any assurances that such financing will be secured.

**NOTE 4 – NOTES PAYABLE**

On December 16, 2020, the Company entered into a promissory note with Tellson Equities, LLC. ("Tellson") issuing to Tellson a promissory note in the aggregate principal amount of $110,000 with a $10,000 original issue discount. The original issue discount of $10,000 was recorded as a charge to interest expense. The Company was unable to repay the loan by its maturity date of March 15, 2021 and thus the Company is currently in default on the loan resulting in interest shall accrue on the unpaid balance at a rate of fifteen percent (15%) per annum.

On April 8, 2021, the Company entered into a promissory note with Tellson Equities, LLC. ("Tellson") issuing to Tellson a promissory note in the aggregate principal amount of $55,000 with a $5,000 original issue discount. The original issue discount of $5,000 was recorded as a charge to interest expense. The Company received $50,000 net cash. The Company was unable to repay the loan by its maturity date of June 15, 2021 and thus the Company is currently in default on the loan resulting in interest shall accrue on the unpaid balance at a rate of fifteen percent (15%) per annum.

On May 13, 2021, the Company entered into a promissory note with Tellson Equities, LLC. ("Tellson") issuing to Tellson a promissory note in the aggregate principal amount of $27,500 with a $2,500 original issue discount. The original issue discount of $2,500 was recorded as a charge to interest expense. The Company received $25,000 net cash. The Company was unable to repay the loan by its maturity date of July 15, 2021 and thus the Company is currently in default on the loan resulting in interest shall accrue on the unpaid balance at a rate of fifteen percent (15%) per annum.

On June 18, 2021, the Company entered into a promissory note with Tellson Equities, LLC. ("Tellson") issuing to Tellson a promissory note in the aggregate principal amount of $27,500 with a $2,500 original issue discount. The original issue discount of $2,500 was recorded as a charge to interest expense. The Company received $25,000 net cash. The Company was unable to repay the loan by its maturity date of September 15, 2021 and thus the Company is currently in default on the loan resulting in interest shall accrue on the unpaid balance at a rate of fifteen percent (15%) per annum.

On March 22, 2022, the Company's Board of Directors approved and the Company entered into a Debt Conversion Agreement where the Company issued 10,000 shares of common stock, valued at $10,000 in settlement of an outstanding note.

On September 1, 2022, the Company entered into a Promissory Note ("Note") with an investor issuing a original issue discount promissory note in the aggregate principal amount of $315,000 with a $15,000 original issue discount. The note bears no interest and the Company will issue 450,000 warrants at an exercise price of $0.50 per share once an agreement for the warrants can be consummated. The Company received $300,000 net cash.

As of December 31, 2022 and 2021, respectively, there were $317,134 and $230,000 of promissory notes outstanding, net of debt discount of $217,866, and $0, and accrued interest of $53,772 and $20,772.

Future minimum required payments over the next 5 years and thereafter are as follows:

| Period ending December 31, | | |
|---|---|---|
| 2023 | $ | 535,000 |
| 2024 | | – |
| 2025 | | – |
| 2026 | | – |
| 2027 and after | | – |
| Total | $ | 535,000 |

**NOTE 5 – OTHER LONG TERM LIABILITIES, DEEDS**

***Deed liabilities***

On February 17, 2022, the Company has entered into an Securities Purchase Agreement where the Company sold one unit representing 300 "Cask Investment Deeds" ("**February 22 Deeds**") for the purchase price of $450,000. Each February 22 Deed represents (i) the February 22 Deed of one (1) numbered newly-filled 200-liter barrel of unaged (i.e. aged for less than one year) premium American whiskey (collectively, the "Barrels of Unaged Premium Whiskey"), (ii) is valued at $1,500), (iii) is secured by a Security Agreement that is secured by the equivalent number of barrels, and (iv) is redeemable by the Purchaser after five (5) years from the date of issuance.

Each Cask Investment Deed shall mature five (5) years from the date of issuance at Closing (the "Maturity Date"). On the Maturity Date, each February 22 Deed shall be redeemable by Purchaser ("Redemption") at a redemption price of $2,625 per February 22 Deed.

On July 5, 2022, the Company entered into an Securities Purchase Agreement where the Company sold one half unit representing 100 "Cask Investment Deeds" ("**July 22 Deeds**") for the purchase price of $225,000. Each July 22 Deed represents (i) the July 22 Deed of one (1) numbered newly-filled 200-liter barrel of unaged (i.e. aged for less than one year) premium American whiskey (collectively, the "Barrels of Unaged Premium Whiskey"), (ii) is valued at $2,250), (iii) is secured by a Security Agreement that is secured by the equivalent number of barrels, and (iv) is redeemable by the Purchaser after five (5) years from the date of issuance.

Each Cask Investment Deed shall mature five (5) years from the date of issuance at Closing (the "Maturity Date"). On the Maturity Date, each July 22 Deed shall be redeemable by Purchaser ("Redemption") at a redemption price of $3,937.50 per July 22 Deed.

In addition, each February 22 and July 22 Deed will accrue a premium redemption price at a rate of 15% per annum (the "Pre-redemption Premium Price"). On any day following the first anniversary of this Agreement (the "Pre-redemption Date"), the Company shall have the right to redeem (the "Pre-redemption") either February 22 and July 22 Deed contained in a Unit for the Per Deed Price plus the Pre-redemption Price. The Pre-redemption Price shall be calculated on the basis of a 365-day year, counting the actual number of days elapsed between the date of sale of the Unit and the Pre-Redemption Date. For example, if one Unit (200 Cask Investment Deeds) is redeemed at the end of year three (3) the net proceeds to the Purchaser would be $450,000 plus three years of the Pre-redemption Price (15% per annum or $202,500) for a total Pre-redemption of $652,500 for the one Unit redeemed.

As of December 31, 2022 and December 31, 2021 respectively, there were $675,000 and $0 of Deeds outstanding. As of December 31, 2022 and December 31, 2021 respectively, there was accrued interest of $73,125 and $0 related to the Deeds.

**NOTE 6 - DERIVATIVE LIABILITIES**

On September 1, 2022, the Company entered into a Promissory Note ("Note") with an investor issuing a original issue discount promissory note in the aggregate principal amount of $315,000 with a $15,000 original issue discount. The note bears no interest and on December 19, 2022 the Company issued 450,000 warrants at an exercise price of $0.50 per share with a life of 5 years.

On December 19, 2022, the Company issued 250,000 warrants at an exercise price of $1.00 per share with a life of 3 years as compensation for a consulting agreement.

On December 19, 2022, the Company issued 4,500 warrants at an exercise price of $1.00 per share with a life of 3 years as compensation for a consulting agreement.

| | | Conversion feature derivative liability |
|---|---|---|
| Balance at January 1, 2022 | $ | - |
| Derivative liability | | 182,210 |
| Change in fair value included in earnings | | - |
| Balance at December 31, 2022 | $ | 182,210 |

The Company used the following assumptions for determining the fair value of the convertible instruments granted under the Black-Scholes option pricing model:

| | December 31, 2022 |
|---|---|
| Expected volatility | 92.8% |
| Expected term - years | 2.97 - 4.97 |
| Risk-free interest rate | 2.63% |
| Expected dividend yield | -% |

## NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED OTHER LIABILITIES

Accounts payable and accrued other liabilities consisted of the following:

| | | December 31, 2022 | | December 31, 2021 |
|---|---|---|---|---|
| Accounts payable | $ | 398,932 | $ | 478,537 |
| Accrued salaries | | 573,074 | | 412,917 |
| Accrued interest | | 126,897 | | 20,772 |
| Accrued liabilities, other | | 5,708 | | – |
| Total | $ | 1,104,611 | $ | 912,226 |

## NOTE 8 – STOCKHOLDERS' EQUITY

***Capital Structure***

On April 27, 2021, the Company filed a Certificate of Amendment (the "Certificate of Amendment") with Delaware Secretary of State. The Certificate of Amendment provides for (i) a 1-for-1,000 reverse split (the "Reverse Split") of the Company's common stock, $0.0001 par value per share, No fractional shares will be issued in connection with the Reverse Split. Stockholders who otherwise would be entitled to receive fractional shares of common stock or preferred stock, as the case may be, will have the number of post-Reverse Split shares to which they are entitled rounded up to the nearest whole number of shares. No stockholders will receive cash in lieu of fractional shares. The Reverse Split was approved by FINRA on June 24, 2021.

On July 8, 2021 the Company amended and restated its Certificate of Incorporation changing the authorized capital of the Corporation such that it is authorized to Issued 500,000,000 shares of common stock, par value $0.0001 and 1,000,000 shares of" Blank check" Preferred Stock, par value $0.01.

The authorized capital of the Company consists of 500,000,000 shares of common stock, par value $0.0001 per share and 1,000,000 shares of preferred stock, par value $0.01 per share. As of December 31, 2022, and 2021, there were 94,717,470 and 61,676,320 shares of common stock and 0 shares of preferred stock issued and outstanding, respectively.

***Preferred Stock***

In accordance with the Company's bylaws, the Company has authorized a total of 1,000,000 shares of preferred stock, par value $0.01 per share, for all classes. As of December 31, 2022 and 2021, there were no preferred shares issued and outstanding for all classes.

***Common Stock***

In accordance with the Company's bylaws, the Company has authorized a total of 500,000,000 shares of common stock, par value $0.0001 per share. As of December 31, 2022 and 2021, there were 94,717,470 and 61,676,320 common shares issued and outstanding.

On April 27, 2021, the Board of Directors of the Company unanimously adopted an amendment to the Company's Articles of Incorporation to effect a reverse stock split at a ratio of 1-for-1,000 shares of Common Stock.

On July 8, 2021 the Company amended and restated its Certificate of Incorporation changing the authorized capital of the Corporation such that it is authorized to Issued 500,000,000 shares of common stock, par value $0.0001.

On July 15, 2021, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreement where the Company issued 250,000 shares of common stock for $250.

On July 16, 2021, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreement where the Company issued 41,250,000 shares of common stock for $4,125, valued at $41,250,000.

On July 21, 2021, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreement where the Company issued 6,500,000 shares of common stock for $6,500.

On September 30, 2021, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreement where the Company issued 500,000 shares of common stock for $500.

On November 17, 2021, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreement where the Company issued 5,000 shares of common stock for $5,000.

On November 23, 2021, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreement where the Company issued 5,000 shares of common stock for $5,000.

On November 30, 2021, the Company's Board of Directors approved and the Company entered into an Advisory Agreement where the Company issued 50,000 shares of common stock, valued at $50,000.

On December 14, 2021, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreements where the Company issued 4,000,000 shares of common stock for $4,000.

On December 28, 2021, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreements where the Company issued 7,500,000 shares of common stock for $750, valued at $7,500,000.

On December 28, 2021, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreement where the Company issued 1,500,000 shares of common stock for $1,500.

On December 30, 2021, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreement where the Company issued 25,000 shares of common stock for $25,000.

On January 10, 2022, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreement where the Company issued 75,000 shares of common stock for $75,000.

On January 13, 2022, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreement where the Company issued 1,500,000 shares of common stock for $1,500, valued at $1,500,000.

On January 14, 2022, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreement where the Company issued 50,000 shares of common stock for $50,000.

On January 31, 2022, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreement where the Company issued 200,000 shares of common stock for $200,000.

On February 17, 2022, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreement where the Company issued 250,000 shares of common stock for $250,000.

On February 28, 2022, the Company's Board of Directors approved and the Company entered into an Advisory Agreement where the Company issued 3,000 shares of common stock, valued at $3,000.

On March 22, 2022, the Company's Board of Directors approved and the Company entered into a Debt Conversion Agreement where the Company issued 10,000 shares of common stock, valued at $10,000 in settlement of an outstanding note.

On March 22, 2022, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreements where the Company issued 22,500,000 shares of common stock for $2,250, valued at $22,500,000.

On March 28, 2022, the Company's Board of Directors approved and the Company entered into an Advisory Agreement where the Company issued 2,500 shares of common stock, valued at $2,500.

On March 28, 2022, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreements where the Company issued 1,000,000 shares of common stock for $1,000, valued at $1,000,000.

On March 31, 2022, the Company's Board of Directors approved and the Company entered into a Legal Retainer where the Company issued 100,000 shares of common stock, valued at $100,000.

On April 4, 2022, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreement where the Company issued 50,000 shares of common stock for $50,000.

On April 18, 2022, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreement where the Company issued 50,000 shares of common stock for $50,000.

On April 21, 2022, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreement where the Company issued 25,000 shares of common stock for $25,000.

On May 17, 2022, the Company's Board of Directors approved and the Company entered into an Advisory Agreement where the Company issued 100,000 shares of common stock, valued at $100,000.

On May 31, 2022, the Company's Board of Directors approved and the Company entered into an Advisory Agreement where the Company issued 1,800 shares of common stock, valued at $1,800.

On June 1, 2022, the Company's Board of Directors approved and the Company entered into an Advisory Agreement where the Company issued 159,800 shares of common stock, valued at $159,800 as well as 5,300 shares of common stock, valued at $5,300 as payment of a note payable.

On June 1, 2022, the Company's Board of Directors approved and the Company entered into an Advisory Agreement where the Company issued 25,000 shares of common stock, valued at $25,000.

On June 29, 2022, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreements where the Company issued 127,500 shares of common stock for $127,500.

On September 14, 2022, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreement where the Company issued 100,000 shares of common stock for $100,000.

On September 16, 2022, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreement where the Company issued 25,000 shares of common stock for $25,000.

On September 22, 2022, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreement where the Company issued 12,500 shares of common stock for $12,500.

On September 30, 2022, the Company's Board of Directors approved and the Company entered into an Advisory Agreement where the Company issued 150,000 shares of common stock, valued at $150,000.

On September 30, 2022, the Company's Board of Directors approved and the Company entered into an Advisory Agreement where the Company issued 13,750 shares of common stock, valued at $13,750.

On November 7, 2022, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreement where the Company issued 200,000 shares of common stock for $200,000.

On November 15, 2022, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreement where the Company issued 5,000 shares of common stock for $5,000.

On December 17, 2022, the Company's Board of Directors approved and the Company entered into an Employment Agreement where the Company issued 750,000 shares of common stock for $75, valued at $750,000.

On December 31, 2022, the Company's Board of Directors approved and the Company entered into an Advisory Agreement where the Company issued 50,000 shares of common stock, valued at $50,000.

***Warrants***

On September 1, 2022, the Company entered into a Promissory Note ("Note") with an investor issuing a original issue discount promissory note in the aggregate principal amount of $315,000 with a $15,000 original issue discount. The note bears no interest and on December 19, 2022 the Company issued 450,000 warrants at an exercise price of $0.50 per share with a life of 5 years.

On December 19, 2022, the Company issued 250,000 warrants at an exercise price of $1.00 per share with a life of 3 years as compensation for a consulting agreement.

On December 19, 2022, the Company issued 4,500 warrants at an exercise price of $1.00 per share with a life of 3 years as compensation for a consulting agreement.

A summary of the status of the Company's outstanding stock warrants and changes during the years ended December 31, 2022 and 2021, is as follows:

| | Number of Warrants | | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (Years) |
|---|---|---|---|---|
| Balance at January 1, 2021 | - | $ | - | - |
| Granted | - | | - | - |
| Exercised | - | | - | - |
| Forfeited | | | | |
| Cancelled | - | | - | - |
| Balance at December 31, 2021 | - | $ | - | - |
| | | | | |
| Balance at January 1, 2022 | 704,500 | $ | 0.68 | 3.68 |
| Granted | - | | - | - |
| Exercised | - | | - | - |
| Forfeited | - | | - | - |
| Cancelled | - | | - | - |
| Balance outstanding at December 31, 2022 | 704,500 | $ | 0.68 | 3.68 |

As of December 31, 2022 and 2021, there were 704,500 and 0 stock warrants outstanding.

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

***COVID-19***

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spread globally beyond the point of origin. On March 20, 2020 the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of these condensed consolidated financial statements. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company's combined financial condition, liquidity and future results of operations. Management is actively monitoring the impact of the global situation on its consolidated financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022 beyond the results presented in these condensed consolidated financial statements and this annual report.

Due to the impacts of COVID-19, we have seen an increase in recruiting and labor costs as well as delays in supply chain.

***Lease Agreement***

Effective October 1, 2021, a six-year lease was signed for 3,000 square feet for $124,200 annually, for our facilities in Newport Beach, California for $10,350 per month.

Such leases do not require any contingent rental payments, impose any financial restrictions, or contain any residual value guarantees. Variable expenses generally represent the Company's share of the landlord's operating expenses. The Company does not have any leases classified as financing leases.

The rate implicit in each lease is not readily determinable, and we therefore use our incremental borrowing rate to determine the present value of the lease payments. The weighted average incremental borrowing rate used to determine the initial value of right of use (ROU) assets and lease liabilities during the year ended December 31, 2021 was 6.00%, derived from borrowing rate, as obtained from the Company's current lenders. Right of use assets for operating leases are periodically reduced by impairment losses. We use the long-lived assets impairment guidance in ASC Subtopic 360-10, Property, Plant, and Equipment – Overall, to determine whether an ROU asset is impaired, and if so, the amount of the impairment loss to recognize. As of December 31, 2022, we have not recognized any impairment losses for our ROU assets.

We monitor for events or changes in circumstances that require a reassessment of one of our leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative ROU asset balance is recorded in profit or loss.

On December 31, 2022 and 2021, the Company had current operating lease liabilities of $81,187 and $70,228, respectively, and long-term lease liabilities of $394,976 and $529,587, respectively, and right of use assets of $449,062 and $599,820, respectively.

Future minimum lease payments under these leases are as follows:

| **Years Ending December 31,** | | **Minimum Lease Payment** |
|---|---|---|
| 2023 | $ | 107,245 |
| 2024 | | 133,081 |
| 2025 | | 137,074 |
| 2026 | | 141,186 |
| 2027 and later | | 23,997 |
| Total undiscounted future non-cancelable minimum lease payments | | 542,583 |
| Less: Imputed interest | | (66,420) |
| Present value of lease liabilities | $ | 476,163 |
| Weighted average remaining term | | 4.25 |

Net rent expense for the years ended December 31, 2022 and 2021 were $111,900 and $23,586, respectively.

The Company's rent expense paid for the years ended December 31, 2022 and 2021 was $115,455 and $22,411, respectively.

**NOTE 10 – INCOME TAXES**

The provision (benefit) for income taxes for the years ended December 31, 2022 and 2021 differs from the amount which would be expected as a result of applying the statutory tax rates to the losses before income taxes due primarily to the valuation allowance to fully reserve net deferred tax assets.

The following table summarizes the significant differences between statutory rates for the years ended December 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Statutory tax rate: | | |
| U.S. | 21.00 % | 21.00 % |
| State taxes | 8.70 % | 8.70 % |
| Change in valuation allowance: | (29.70)% | (29.70)% |
| | – % | – % |

The Company's deferred tax assets and liabilities as of December 31, 2022 and 2021 are as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Deferred Tax Assets: | | | | |
| Net operating profits/losses | $ | 276,000 | $ | 50,000 |
| Intangible assets | | – | | – |
| Less: Valuation allowance | | 276,000 | | (50,000) |
| Net deferred asset | **$** | – | **$** | – |

The Company calculates its income tax expense by estimating the annual effective tax rate and applying that rate to the year-to-date ordinary income (loss) at the end of the period. The Company records a tax valuation allowance when it is more likely than not that it will not be able to recover the value of its deferred tax assets. The Company had $0 and $0 income tax expense based on its profits/losses for the years ended December 31, 2022 and 2021, respectively.

**NOTE 11 – RELATED PARTY TRANSACTIONS**

On July 16, 2021, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreement where the Company issued 41,250,000 shares of common stock for $4,125 to related parties, valued at $41,250,000. This transaction resulted in $41,245,875 in stock based compensation which is reflected in the consolidated statement of operations.

On December 28, 2021, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreements where the Company issued 7,500,000 shares of common stock for $750 to related parties, valued at $7,500,000. This transaction resulted in $7,499,250 in stock based compensation which is reflected in the consolidated statement of operations.

As of December 31, 2022, the Company had accounts payable due to a related party of $2,273 and accrued salaries of $527,051. Total related party payments due as of December 31, 2022 and December 31, 2021 are $529,324 and $462,427, respectively. Those related party payable are non-interest bearing and due on demand.

**NOTE 12 – SUBSEQUENT EVENTS**

The Company evaluated events occurring after the date of the accompanying unaudited condensed consolidated balance sheets through the date the financial statements were issued and identified that the following subsequent events that it believes require disclosure:

On January 10, 2023, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreement where the Company issued 25,000 shares of common stock for $25,000.

On January 25, 2023, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreement where the Company issued 65,000 shares of common stock for $65,000.

On February 24, 2023, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreement where the Company issued 25,000 shares of common stock for $25,000.

On February 7, 2023, the Company entered into a convertible promissory note issuing a convertible promissory note in the aggregate principal amount of $25,000 with a $1,250 original issue discount. The original issue discount of $1,250 was recorded as a charge to interest expense. The Company received $25,000 net cash.

On February 10, 2023, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreement where the Company issued 50,000 shares of common stock for $50,000.

On February 13, 2023, the Company entered into a convertible promissory note issuing a convertible promissory note in the aggregate principal amount of $100,000 with a $5,000 original issue discount. The original issue discount of $5,000 was recorded as a charge to interest expense. The Company received $100,000 net cash.

On February 16, 2023, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreement where the Company issued 50,000 shares of common stock for $50,000.

On February 24, 2023, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreement where the Company issued 25,000 shares of common stock for $25,000.

On March 3, 2023, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreement where the Company issued 75,000 shares of common stock for $75,000.

On March 8, 2023, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreement where the Company issued 75,000 shares of common stock for $75,000.

On March 9, 2023, the Company's Board of Directors approved and the Company entered into Securities Purchase Agreements where the Company issued a total of 150,000 shares of common stock for $150,000.