Liquorem Holdings Corporation

Consolidated Financial Statements

December 31, 2025 and 2024

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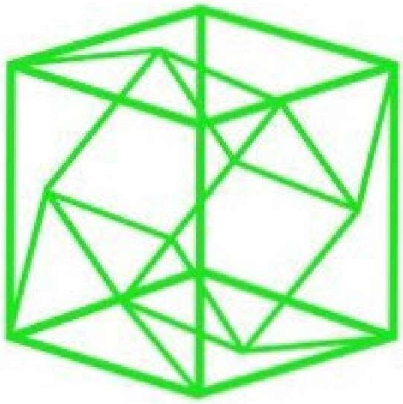

TESSERACT ADVISORY GROUP

Independent Accountant's Review Report

To Management of:
Liquorem Holdings Corporation

We have reviewed the accompanying consolidated financial statements of Liquorem Holdings Corporation (the Company), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations, consolidated statements of changes in stockholders' equity, and consolidated statements of cash flows for the years then ended, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Company's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

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

We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance 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 14 to the consolidated financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 14. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our conclusion is not modified with respect to this matter.

Tesseract Advisory Group LLC

Tesseract Advisory Group, LLC
OWINGS MILLS, MD
November 19, 2026

Liquorem Holdings Corporation
Consolidated Balance Sheets
As of December 31, 2025 and 2024

	2025	2024
Assets		
Current assets		
Cash and cash equivalents	$ 331,829	$ 35,897
Receivables	331,393	222,594
Inventories	532,904	772,745
Prepaid expenses	8,520	10,320
Reserves	22,565	69,889
Total current assets	1,227,211	1,111,445
Noncurrent assets		
Property, plant, and equipment, net	519,664	625,035
Goodwill, net	32,513	45,967
Right-of-use assets, net	234,783	364,548
Total noncurrent assets	786,960	1,035,550
Total assets	$ 2,014,171	$ 2,146,995
Liabilities and stockholders' equity		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	1,074,354	1,111,381
Finance lease liabilities, current	101,526	88,431
Debt, current	379,882	290,762
Total current liabilities	1,555,762	1,490,574
Noncurrent liabilities		
Debt, noncurrent	4,155,853	4,554,166
Finance lease liabilities, noncurrent	316,825	418,352
Accrued interest	624,129	292,212
Total noncurrent liabilities	5,096,807	5,264,730
Total liabilities	6,652,569	6,755,304
Stockholders' equity		
Common stock, authorized 18,000,000 shares; 10,187,550 and 7,479,006 shares issued and outstanding, respectively; $0.00001 par value per share	102	75
Additional paid-in capital - Stock Options	1,495,706	1,175,223
Additional paid-in capital	8,912,767	6,506,439

See independent accountant's review report
The accompanying notes are an integral part of these financial statements.

Liquorem Holdings Corporation
Consolidated Balance Sheets
As of December 31, 2025 and 2024

Accumulated Deficit	(15,046,973)	(12,290,046)
Total stockholders' equity	(4,638,398)	(4,608,309)
Total liabilities and stockholders' equity	$ 2,014,171	$ 2,146,995

See independent accountant's review report
The accompanying notes are an integral part of these financial statements.

Liquorem Holdings Corporation

Consolidated Statements of Operations

For the years ended December 31, 2025 and 2024

	2025	2024
Revenues	$ 1,064,749	$ 959,961
Cost of revenues	603,460	564,478
Gross profit	461,289	395,483
Operating expenses		
Payroll wages, taxes and benefits	1,054,050	1,449,137
Sales commissions and fees	27,032	34,513
Share based compensation	320,732	634,875
Advertising and promotion	26,121	339,057
Automobile	45,015	25,814
Communications and information technology	47,520	68,714
Insurance	67,185	70,237
Legal and other professional fees and services	172,021	145,061
Lease expense	188,716	175,643
Repairs and maintenance	10,741	19,433
Supplies	68,168	180,442
Travel, meals and entertainment	109,171	188,797
Utilities	37,732	27,939
Outside storage	33,214	38,732
Freight and shipping	85,933	172,547
Other operating expense	13,109	32,618
Depreciation	122,627	121,291
Amortization	143,218	77,335
Bad debt expense	8,561	92,412
Taxes other than income taxes	3,503	8,337
Total operating expenses	2,584,369	3,902,934
Operating income (loss)	(2,123,080)	(3,507,451)
Other income (expense)		
Interest income	1,225	18,882
Interest expense	(598,959)	(542,580)
Gain on sale of assets	504	289,959
Miscellaneous other income (expense)	63,052	(2,918)
Loss on extinguishment of debt	(99,669)	-
Total Other income (expense)	(633,847)	(236,657)
Net income (loss)	$ (2,756,927)	$ (3,744,108)

See independent accountant's review report

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

Liquorem Holdings Corporation

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2025 and 2024

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	APIC - Stock Options	Accumulated Deficit	Total Stockholders' Equity
Balance at January 1, 2024	7,096,457	$ 71	$ 5,844,686	$ 781,209	$ (8,545,938)	$ (1,919,972)
Net income (loss)	-	-	-	-	(3,744,108)	(3,744,108)
Stock-based compensation expense	-	-	-	634,875	-	634,875
Issuance of common stock for cash	170,000	2	169,998	-	-	170,000
Issuance of common stock for services	79,649	1	250,895	-	-	250,896
Options conversion	132,900	1	240,860	(240,861)	-	-
Balance at December 31, 2024	7,479,006	75	6,506,439	1,175,223	(12,290,046)	(4,608,309)
Net income (loss)	-	-	-	-	(2,756,927)	(2,756,927)
Stock-based compensation expense	-	-	249	320,483	-	320,732
Issuance of common stock for cash	1,328,043	13	1,328,030	-	-	1,328,043
Conversion of notes and accrued interest	876,866	9	574,419	-	-	574,428
Conversion of bridge loan and future interest	503,635	5	503,630	-	-	503,635
Balance at December 31, 2025	10,187,550	$ 102	$ 8,912,767	$ 1,495,706	$ (15,046,973)	$ (4,638,398)

See independent accountant's review report

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

Liquorem Holdings Corporation

Consolidated Statements of Cash Flows

For the years ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Net income (loss)	$ (2,756,927)	$ (3,744,108)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization	265,845	198,626
(Gain) loss on sale of property, plant, and equipment	(504)	(289,959)
Payment-in-Kind interest	442,226	335,394
Loss on extinguishment of debt	99,669	-
Share based compensation	320,732	634,875
(Increase) decrease in operating assets:		
Accounts receivable	(108,799)	190,042
Inventories	239,841	(535,999)
Prepaid expenses	1,800	(5,852)
Reserves	47,324	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities, net of noncash settlement	(22,075)	435,666
Net cash provided by (used in) operating activities	(1,470,868)	(2,781,315)
Cash flows from investing activities		
Proceeds from sale of property, plant, and equipment	-	333,000
Purchase of property, plant, and equipment	(27,168)	(102,630)
Net cash provided by (used in) investing activities	(27,168)	230,370
Cash flows from financing activities		
Proceeds from issuance of debt	802,500	3,452,708
Repayment of debt	(273,760)	(1,158,128)
Principal payments under finance lease obligations	(62,815)	(2,686)
Proceeds from issuance of stock	1,328,043	170,000
Net cash provided by (used in) financing activities	1,793,968	2,461,894
Net increase (decrease) in cash and cash equivalents	295,932	(89,051)
Cash and cash equivalents at beginning of year	35,897	124,948
Cash and cash equivalents at end of year	$ 331,829	$ 35,897

See independent accountant's review report

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

Liquorem Holdings Corporation

Consolidated Statements of Cash Flows

For the years ended December 31, 2025 and 2024

Reconciliation of cash, cash equivalents, and restricted cash		
Cash and cash equivalents	$ 331,829	$ 35,897
Supplemental cash flow information		
Cash paid during the year for		
Interest	$ 154,995	$ 184,610
Income taxes	-	-
Noncash investing and financing activities		
Conversion of debt and accrued interest to common stock	1,078,063	-
Conversion of payables and loans to other debt	166,056	305,967
ROU assets in exchange for finance lease liability	-	419,460
Stock issued for services or in exchange for stock options	-	491,756
Lessor-held reserve	$ -	$ 90,875

See independent accountant's review report

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

1. Summary of Significant Accounting Policies

a. Nature of Operations

Liquorem Holdings Corporation (the Company) develops, produces, distributes, and markets ice cream containing regulated levels of alcohol under the brand name PROOF Hard Ice Cream. The Company's products are gourmet, cocktail-flavored ice creams with generally 5% alcohol by volume. The Company sells mainly to chain and independent off-premise retailers (grocery, liquor and specialty stores), to on-premise accounts (bars, restaurants and venues), and to third-party distributors. It also sells to consumers online, where state law allows. The main geographic markets are South Carolina, North Carolina, Florida, and California, with additional sales in Wisconsin, Hawaii, and elsewhere.

b. Basis of Accounting

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

c. Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

d. Principles of Consolidation

The consolidated financial statements include the accounts of Liquorem Holdings Corporation and its wholly-owned, controlled subsidiaries, Seginus Operations LLC, Albireo Dairy LLC, Liquorem Holdings II LLC, and Liquorem Distributors LLC. All intercompany accounts and transactions have been eliminated in consolidation.

1. Summary of Significant Accounting Policies (Continued)

e. Fair Value Measurements

Generally accepted accounting principles define fair value as the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price) and such principles also establish a fair value hierarchy that prioritizes the inputs used to measure fair value using the following definitions (from highest to lowest priority):

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

- Level 2 – Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data by correlation or other means.

- Level 3 – Prices or valuation techniques requiring inputs that are both significant to the fair value measurement and unobservable.

f. Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. At December 31, 2025 and 2024, cash equivalents consisted primarily of deposits held in business checking accounts.

The Company maintains cash balances at U.S. banks, which are insured by the Federal Deposit Insurance Corporation (FDIC) for up to $250,000 for each institution. The Company's cash balances at times exceeded federally insured limits. The Company has not experienced any losses and does not believe it is exposed to any significant credit risk on cash and cash equivalents. At December 31, 2025 and 2024, the Company's cash accounts exceeded federally insured limits by approximately $82,000 and $0, respectively.

1. Summary of Significant Accounting Policies (Continued)

g. Accounts Receivable

Accounts receivable include amounts billed and currently due from customers of which the Company has an unconditional right to receive. The amounts due are stated at their estimated net realizable value. The Company extends credit to its customers and does not require collateral. An allowance for credit losses is maintained to provide for the estimated amount of receivables that will not be collected. The allowance is based on the Company's assessment of the collectibility of receivables with similar risk characteristics on a pooled basis. It is derived from a review of the Company's historical collections based on the length of time receivables are past due which is then adjusted for management's assessment of certain factors, including current market conditions and reasonable and supportable forecasts.

As of December 31, 2025 and 2024, the allowance for credit losses was $93,920 and $90,931, respectively.

The Company writes off uncollectible receivables against the allowance when the likelihood of collection is remote. Recoveries of receivables previously written off are recognized as an offset to provision for credit loss in the year of recovery.

h. Inventories

Inventories consist of raw materials and finished goods and are stated at the lower of cost and net realizable value, with cost determined using the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The Company maintains a perpetual inventory system and periodically reconciles it to physical counts. Management reviews inventory for excess, obsolete, slow-moving, and damaged items and records write-downs when cost exceeds net realizable value.

Inventories are adjusted for estimated excess and obsolete items based upon assumptions about future demand and market conditions when necessary. As of December 31, 2025 and 2024, the Company did not have an inventory reserve.

1. Summary of Significant Accounting Policies (Continued)

i. Property, Plant, and Equipment

Property, plant, and equipment is recorded at cost. Expenditures for additions, improvements, and other enhancements to property, plant, and equipment are capitalized, and minor replacements, maintenance, and repairs that do not extend asset life or add value are charged to expense as incurred. When property, plant, and equipment assets are retired or otherwise disposed of, the related cost and accumulated depreciation is removed from the accounts and any resulting gain or loss is included in results of operations.

Property, plant, and equipment is depreciated using the straight-line method. Vehicles are depreciated over 5 years and machinery and equipment, including retail and production freezers, over 7 years. The Company's estimate of depreciation expense incorporates management assumptions regarding the useful economic lives and residual values of the Company's assets. The Company periodically reviews and adjusts, as appropriate, the residual values and useful lives of its assets.

Leasehold improvements are recorded as components of property, plant, and equipment and are depreciated over 15 or 39 years using the straight-line method.

j. Long-lived Asset Impairment

The Company reviews its long-lived assets, including property, plant, and equipment, finite-lived intangible assets, and right of use assets held under finance leases, which are held and used in its operations, for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If such an event or change in circumstances is present, the Company will estimate the undiscounted future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the undiscounted future cash flows is less than the carrying amount of the related asset, the Company will record the asset at fair value and recognize an impairment loss in operating income.

1. Summary of Significant Accounting Policies (Continued)

k. Goodwill and Intangible Assets

The Company has elected the private company accounting alternative under ASC 350-20 to amortize goodwill on a straight-line basis over 10 years. Goodwill is tested for impairment at the entity level only when a triggering event occurs that indicates the fair value of the entity may be below its carrying amount. Goodwill is amortized over 15 years for federal income tax purposes.

l. Leases

The Company recognizes and measures its leases in accordance with FASB *ASC 842, Leases*. The Company determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. At commencement, the Company recognizes a right-of-use (ROU) asset and a lease liability equal to the present value of the remaining lease payments, discounted at the rate implicit in the lease when readily determinable and otherwise at its incremental borrowing rate. The Company's leases of freezers and forklifts are classified as finance leases. For these, the ROU asset is amortized on a straight-line basis over the lease term and interest is recognized on the lease liability using the effective interest method. A cash reserve held by the freezer lessor and applied to lease payments is presented as a current asset. The Company has elected not to recognize ROU assets or lease liabilities for leases with a term of 12 months or less, and recognizes the cost of those leases on a straight-line basis.

m. Revenue recognition

The Company recognizes revenue under ASC 606, *Revenue from Contracts with Customers*. Revenue is recognized when control of the promised goods passes to the customer, in the amount the Company expects to be entitled to in exchange for those goods.

The Company's contracts with customers are generally purchase orders or invoices for finished product, each with a single performance obligation: delivering the product. Customers are distributors, chain and independent retailers, on-premise accounts, and online consumers. For sales delivered by the Company's own vehicles, control passes when the customer receives the product. For sales shipped by third-party carriers, control passes either when the product is delivered or shipped, depending on the shipping terms.

1. Summary of Significant Accounting Policies (Continued)

n. Cost of Revenues

Cost of revenues include the cost of inventory sold: raw materials (dairy and other ingredients, spirits and liqueurs, and packaging), direct and temporary production labor and related payroll taxes, and an allocation of production overhead, including indirect production labor, utilities, equipment rental, repairs and maintenance, and production supplies. Cost of revenues also includes inbound freight, federal and state excise taxes, production scrap, and inventory shrinkage and write-downs.

o. Stock Options

The Company accounts for stock options under ASC 718 (Stock Compensation). Under ASC 718, share-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as an item of expense ratably over the employee's requisite vesting period.

Management is required to estimate the fair value to be utilized in determining stock-based compensation costs. In estimating the fair value, management considers recent sales of its common stock. Considerable management judgment is necessary to estimate the fair value. Accordingly, actual results could vary significantly from management's estimates.

p. Compensated Absences

The Company does not record a liability for employee's compensation for future absences as the amount cannot be reasonably estimated.

q. Share Based Compensation

Share based compensation awards are measured at the grant date based on the fair value of the awards and are recognized as compensation expense over the requisite service period. Compensation expense for awards with graded vesting is recognized on a straight-line basis over the service period. The Company recognizes forfeitures of options and share awards when they occur.

r. Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was $26,121 and $339,057 in 2025 and 2024, respectively.

1. Summary of Significant Accounting Policies (Continued)

s. Taxes Collected from Customers and Remitted to Governmental Authorities

Taxes collected from customers and remitted to governmental authorities are presented in the accompanying consolidated statements of operations on a net basis.

t. Income Taxes

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts, computed using enacted tax rates, attributable to temporary differences between carrying amounts and tax bases of assets and liabilities and to carryforwards of tax deductions or credits. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. The Company recognizes interest and penalties on income taxes as a component of income tax expense. The Company files consolidated income tax returns with its subsidiaries.

The Company recognizes the tax benefit from an uncertain tax position only if it is "more likely than not" that the tax position would be sustained on examination by the taxing authorities, based upon the technical merits of the position. The amount recognized is the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon examination. Interest and penalties related to unrecognized tax benefits are classified as income tax expense.

2. Inventories

Inventories consist of the following:

	2025	2024
Raw materials inventory	$ 352,815	$ 482,759
Finished goods inventory	180,089	289,986
Inventories, net	$ 532,904	$ 772,745

3. Property, Plant, and Equipment

The historical costs of the Company's property, plant, and equipment and related accumulated depreciation balances are as follows:

	2025	2024
Machinery and equipment	$ 771,938	$ 755,824
Leasehold improvements	48,272	48,272
Vehicles	118,560	118,560
Property, plant, and equipment, gross	938,770	922,656
Less Accumulated depreciation and amortization	(419,106)	(297,621)
Property, plant, and equipment, net	$ 519,664	$ 625,035

Depreciation expense related to property, plant, and equipment was $122,627 and $121,291 for the years ended December 31, 2025 and 2024, respectively.

4. Goodwill and Intangible Assets

On June 15, 2018, Liquorem Holdings, LLC acquired substantially all of the business and assets of JBL Holdings II, Inc. via an Asset Purchase Agreement. The total purchase price and assumed liabilities were allocated to the acquired assets based on their respective net book values as of the closing date, with the remaining balance allocated to goodwill. This transaction generated a gross goodwill balance of $134,537.

The Company has elected the private company accounting alternative under FASB ASC 350-20, Intangibles—Goodwill and Other, to amortize goodwill on a straight-line basis over a 10-year period. Goodwill is tested for impairment at the entity level only when a triggering event occurs that indicates the fair value of the entity may be below its carrying amount. As of December 31, 2025, and 2024, the Company determined there were no triggering events, and no impairment losses were recognized.

The carrying amount of goodwill as of December 31, 2025, and 2024, is as follows:

4. Goodwill and Intangible Assets (Continued)

	2025	2024
Gross Goodwill	$ 134,537	$ 134,537
Accumulated Amortization	(102,024)	(88,570)
Net Book Value of Goodwill	$ 32,513	$ 45,967

5. Leases

The Company leases retail display freezers, forklifts, delivery trucks, production and warehouse space, and certain production equipment. The Company determines whether an arrangement is a lease at inception. Right-of-use (ROU) assets and lease liabilities are recognized at the commencement date based on the present value of the lease payments over the lease term, using the rate implicit in the lease when readily determinable and otherwise the Company's incremental borrowing rate. The Company has elected not to recognize ROU assets or lease liabilities for leases with a term of 12 months or less, and to account for lease and nonlease components as a single lease component.

Information regarding lease terms and discount rates is as follows:

	2025	2024
Weighted-average remaining lease term (years):		
Finance leases	1.8	2.8
Total Weighted-average remaining lease term (years):	1.8	2.8
Weighted-average discount rate (%):		
Finance leases	13.8	13.8
Total Weighted-average discount rate (%):	13.8	13.8

Maturities of lease liabilities are as follows as of December 31, 2025:

5. Leases (Continued)

Year	Finance Leases
2026	$ 152,841
2027	311,114
2028	14,155
2029	14,155
2030	7,069
Thereafter	-
Total lease payments	499,334
Less imputed interest	(80,983)
Total lease liabilities	$ 418,351

6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following:

	2025	2024
Trade accounts payable	$ 896,908	$ 1,036,606
Accrued expenses	-	9,425
Accrued payroll and related benefits	177,412	65,332
Sales and excise tax payable	34	18
Total accounts payable and accrued expenses	$ 1,074,354	$ 1,111,381

7. Debt

Long-term debt consists of the following:

7. Debt (Continued)

	2025	2024
Convertible notes payable - 12% interest, converted to equity or extended ~4 years as a loan in January 2026, a portion converted March 2025. Conversions contingent on fundraising thresholds and conversion price was discounted 15% - 35% to the board-determined $1 share price	$ 2,467,588	$ 2,923,587
Loan payable, 6% interest with $1,000 monthly payments, then a balloon payment of $28,166 due in 2026.	38,149	96,383
Bridge loans, bear interest ranging from 8.75% to 14%, weighted average 11.4% 12/31/2025, no collateral, payable in 3 to 5 to 7 years, unsecured bridge loans primarily with related parties and members of the Board of Directors	1,473,150	1,310,845
Equipment loans, 10.2% to 17.1% (weighted average 12.6%), payable in monthly installments over 3 to 6 years, secured by the financed equipment, primarily freezers.	271,205	424,105
Long-term Note Payable, 27.7% interest, 20 months, no collateral	198,000	-
EIDL Loan, 3.75% fixed, 30 years	87,643	90,008
Total long-term debt	4,535,735	4,844,928
Less current maturities	379,882	290,762
Net long-term debt	$ 4,155,853	$ 4,554,166

The aggregate amounts of principal maturities and sinking fund requirements of long-term debt outstanding at December 31, 2025 are as follows:

7. Debt (Continued)

Year	Future Payments
2026	$ 379,882
2026 Conversion to common stock (see note below)	1,703,000
2027	288,911
2028	186,966
2029	258,657
2030	530,251
Thereafter	1,188,068
Total long-term debt	$ 4,535,735

On January 5, 2026, notes with principal of $1,703,000 and accrued interest of $388,358, totaling $2,091,358, were converted into 2,460,421 shares of common stock at $0.85 per share. As the conversion eliminates the need to use current assets within the next 12 months, the Company has treated the post-year-end equity issuance as a qualifying refinancing of short-term debt into a long-term position and excluding the converted notes from current maturities at December 31, 2025.

8. Equity

The Company is authorized to issue one class of stock, designated common stock, par value $0.00001 per share. The Company had 18,000,000 shares of common stock authorized as of December 31, 2025 and 2024, following a December 2024 amendment to its Certificate of Incorporation that increased authorized shares from 12,000,000. There were 10,187,550 and 7,479,006 shares issued and outstanding as of December 31, 2025 and 2024, respectively. As of December 31, 2025 and 2024, warrants to purchase 669,378 shares of common stock at $1.00 per share were outstanding, expiring November 21, 2032.

Holders of common stock are entitled to one vote per share on all matters submitted to a vote of stockholders and do not have cumulative voting rights. Holders are entitled to receive dividends when, as, and if declared by the Board of Directors out of legally available funds; no dividends have been declared or paid to date. Upon liquidation, dissolution, or winding up of the Company, holders of common stock are entitled to share ratably in the net assets remaining after payment of all liabilities. Common stock has no preemptive, conversion, redemption, or sinking fund rights. Shares were issued in private placements under Rule 506(b) of Regulation D and are restricted securities that may not be resold absent registration or an applicable exemption.

In December 2024, the Company's stockholders also approved an increase in the number of shares reserved for issuance under the 2022 Stock Plan to 4,000,000 shares.

9. Share Based Compensation

The Company's 2022 Stock Plan (the "Plan"), which has been approved by the Company's stockholders, permits the grant of stock options and the issuance of shares of common stock to employees, directors, and consultants. In December 2024, stockholders approved an increase in the number of shares reserved under the Plan from 1,000,000 to 4,000,000. Under the Plan, the Board sets the exercise price of each option, which may not be less than the par value of the common stock. Incentive stock options granted to holders of more than 10% of the Company's stock must have an exercise price of at least 110% of fair market value on the grant date. Options granted during 2025 and 2024 had exercise prices of $1.00 to $3.15 per share. Vesting is set by the Board for each award. Most awards vest monthly over the recipient's service period without a cliff; certain awards vest over three years with a cliff, and certain director awards were fully vested at grant. Options have contractual terms of up to 10 years and generally may be exercised for three months after service ends. Unless an outstanding option is assumed or replaced by the successor, it vests in full upon a change in control (as defined in the Plan).

The Company recognizes compensation cost for awards to employees and nonemployees based on the grant-date fair value of the award, over the requisite service period, and accounts for forfeitures as they occur. Stock-based compensation expense was $320,732 and $634,875 for the years ended December 31, 2025 and 2024, respectively.

The fair value of each option award is estimated on the date of grant using a Black-Scholes option valuation model that uses the assumptions noted in the following table. The Company uses historical data to estimate option exercise and employee termination within the valuation model. Expected volatilities are based on implied volatilities from traded options of peer companies' stock, historical volatility of the Company's stock, and other factors. The risk-free rate is based on the U.S. Treasury yield for a term similar to the estimated option life at the time of grant.

Valuation Input	2025	2024
Expected volatility (%)	65%	65%
Expected dividends (%)	0%	0%
Expected term (years)	5.0 - 5.4	5.0 - 6.3
Risk-free rate (%)	3.65% - 4.40%	3.93% - 4.44%

The weighted-average grant-date fair value of options granted during 2025 and 2024 was $0.59 and $1.44 per option, respectively.

9. Share Based Compensation (Continued)

A summary of option activity under the employee share compensation plan as of December 31, 2024, and changes during the year then ended is presented below.

	Shares	Weighted-average exercise price	Weighted-average remaining contractual term (years)
Outstanding at January 1, 2024	1,043,740	1.71	4.2
Granted	571,405	1.85	-
Exercised	-	-	-
Forfeited	-	-	-
Expired	(381,300)	2.39	-
Outstanding at December 31, 2024	1,233,845	1.56	5.9
Options expected to vest at December 31, 2024	1,233,845	1.56	5.9
Exercisable at December 31, 2024	858,990	1.31	7.0

A summary of option activity under the employee share compensation plan as of December 31, 2025, and changes during the year then ended is presented below.

	Shares	Weighted-average exercise price	Weighted-average remaining contractual term (years)
Outstanding at January 1, 2025	1,233,845	1.56	5.9
Granted	328,250	1.00	-
Exercised	-	-	-
Forfeited	-	-	-
Expired	(288,641)	2.14	-
Outstanding at December 31, 2025	1,273,454	1.29	6.9
Options expected to vest at December 31, 2025	1,273,454	1.29	6.9
Exercisable at December 31, 2025	952,600	1.23	6.9

9. Share Based Compensation (Continued)

Cash received from the exercise of options during 2025 and 2024 was $0 and $0, respectively. On December 31, 2024, a senior advisor exercised 247,500 options at $1.00 per share using a $247,500 nonrecourse loan from the Company, secured solely by the shares purchased. Because the holder bears no risk of loss the loan is not recognized as an asset, and the shares are not considered outstanding until the loan is repaid.

On July 1, 2024, a consultant surrendered 132,000 vested options in exchange for 132,900 shares of common stock. The exchange was accounted for as a modification, and the incremental fair value of $91,831 is recognized as the shares vest. Upon issuance, $240,861 was reclassified from additional paid-in capital – stock options to paid-in capital.

A summary of activity in shares awarded under the employee share compensation plan for the years ended December 31, 2025 and 2024, and changes during the year then ended is presented below.

	Shares	Weighted-Average Grant-Date Fair Value
Granted	132,900	3.15
Vested	(132,720)	3.15
Forfeited	-	-
Nonvested at December 31, 2025	180	3.15

The total fair value of shares vested during 2025 and 2024 was $1,134 and $416,934, respectively.

As of December 31, 2025, unrecognized compensation cost related to nonvested option and share awards granted under the employee share compensation plan totaled $236,691. That cost is expected to be recognized over a weighted-average period of 2.0 years.

10. Income Taxes

The Company is taxed as a C corporation for federal and state income tax purposes and files consolidated federal income tax returns with its wholly-owned subsidiaries.

For the years ended December 31, 2025 and 2024, the provision (benefit) for income taxes consisted of the following:

	2025	2024
Current:		
Federal	$ —	$ —
State	—	—
Total current income tax expense	—	—
Deferred:		
Federal	(535,510)	(791,990)
State	(118,039)	(134,842)
Change in valuation allowance	653,549	926,832
Total deferred income tax expense (benefit)	—	—
Total income tax expense (benefit)	**$ —**	**$ —**

A reconciliation of the statutory federal income tax rate (21.0%) to the Company's effective income tax rate for the years ended December 31, 2025 and 2024 is as follows:

	2025	2024
Statutory federal income tax rate	21.00%	21.00%
State income taxes, net of federal tax benefit	4.01%	3.55%
Permanent differences (non-deductible meals, entertainment, and penalties)	(0.13)%	(0.13)%
Other / state apportionment and rate adjustments	(0.55)%	(0.01)%
Change in valuation allowance	(24.33)%	(24.41)%
Effective income tax rate	**0.00%**	**0.00%**

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, as well as operating loss and tax credit carryforwards. Significant components of the Company's deferred tax assets and liabilities as of December 31, 2025 and 2024 are as follows:

	2025	2024
Deferred tax assets:		
Federal net operating loss carryforwards	$ 1,898,120	$ 1,353,739
State net operating loss carryforwards (net of federal tax benefit)	289,579	199,370
Cash-to-accrual adjustments	271,958	253,746

10. Income Taxes (Continued)

Allowance for credit losses	23,495	22,746
Lease liabilities / right-of-use assets	12,882	12,882
Charitable contribution carryforwards (net of federal tax benefit)	261	261
Total gross deferred tax assets	2,496,295	1,842,745
Less: Valuation allowance	(2,496,295)	(1,842,745)
Net deferred tax assets	**$ —**	**$ —**

As of December 31, 2025, the Company had federal net operating loss (NOL) carryforwards of approximately $9,038,668 and apportioned state NOL carryforwards of approximately $7,213,384 available to offset future taxable income. Under the Tax Cuts and Jobs Act of 2017, federal NOLs generated after 2017 carry forward indefinitely, subject to an annual deduction limitation of 80% of taxable income. State NOL carryforwards expire at various dates depending on state jurisdiction. As of December 31, 2025, the Company also had federal and state charitable contribution carryforwards of $1,000 and $1,276, respectively.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and carryforwards can be utilized. Based on the weight of available evidence, including cumulative losses since inception, management established a full valuation allowance of $2,496,295 and $1,842,745 as of December 31, 2025 and 2024, respectively. The valuation allowance increased by $653,549 and $926,832 during the years ended December 31, 2025 and 2024, respectively.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions, primarily South Carolina, North Carolina, Florida, and California. The Company is generally no longer subject to U.S. federal or state income tax examinations by tax authorities for years prior to 2022. As of December 31, 2025 and 2024, the Company had no unrecognized tax benefits and incurred no interest or penalties related to uncertain tax positions.

11. Concentrations

For the years ended December 31, 2025 and 2024, the Company purchased approximately 62% and 13%, respectively, of its inventory from Supplier A; approximately 10% of its inventory from Supplier B for the year ended December 31, 2025; approximately 53% of its inventory from Supplier C for the year ended December 31, 2024; and approximately 15% of its inventory from Supplier D for the year ended December 31, 2024. At December 31, 2025 and 2024, the amounts due to these suppliers represented 10% and 19%, respectively, of trade accounts payable. The Company believes other suppliers are available. However, a disruption at any one of them, or a forced change of supplier, could temporarily affect production and gross margin.

For the years ended December 31, 2025 and 2024, the Company derived approximately 38% and 5%, respectively, of its revenues from Customer A; approximately 10% and 28%, respectively, of its revenues from Customer B; approximately 8% and 22%, respectively, of its revenues from Customer C; and approximately 8% and 11%, respectively, of its revenues from Customer D. At December 31, 2025 and 2024, amounts due from these customers represented 60% and 43%, respectively, of accounts receivable.

Customers A and C are distributors that resell the Company's products to retailers, and the Company maintains relationships with those retailers directly. If a distributor were to stop operating, the retail accounts it serves would remain available to the Company through another distributor, although a change in distributor could temporarily reduce sales in the affected market.

12. Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of December 31, 2025, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations.

13. Related Party Transactions

Several of the Company's directors, directly or through entities they control, have provided debt financing to the Company:

- **A Revocable Trust** (affiliated with the Company's Chairman) provides an accordion loan that bears interest at 12% per annum, with no scheduled monthly payments. Outstanding principal was $480,005 and $229,729 at December 31, 2025 and 2024, respectively. The Chairman's Revocable Trust held a revenue sharing note with a balance of $62,103 at December 31, 2024, which was fully rolled into the accordion loan as of April 2025.
- **A Family Trust** (controlled by a director) provides a line of credit under an agreement dated June 23, 2025, bearing interest at 8.75% per annum. Outstanding principal was $411,883 at December 31, 2025. In addition, The Family Trust holds a bridge loan bearing interest at 14% per annum, with outstanding principal of $110,855 and $100,000 at December 31, 2025 and 2024, respectively.
- **Related Company 1** (controlled by a director) holds a bridge loan bearing interest at 14% per annum, with outstanding principal of $110,932 and $100,000 at December 31, 2025 and 2024, respectively.
- **Related Company 2** (controlled by a director) provided a term loan of $850,000 under a loan and equity agreement dated December 2024. The loan bears interest at 12% per annum and was originally payable in 48 monthly installments of $22,384 beginning January 2025. On April 1, 2025, Related Company 2 exchanged $403,965 of the outstanding principal, together with the interest that would have accrued on that portion over the remaining term, for 503,635 shares of common stock valued at $503,635. The Company recognized a loss on extinguishment of debt of $99,669, the excess of the fair value of the shares issued over the carrying amount of the debt exchanged. After the exchange, the remaining loan is payable in monthly installments of $11,192 through December 2028. Outstanding principal was $336,960 and $836,116 at December 31, 2025 and 2024, respectively.
  In September 2024, Related Company 2 exchanged a $100,000 bridge loan, and invested an additional $50,000, for a $150,000 convertible note. In March 2025, that note, with accrued interest of $8,630, converted into common stock along with other convertible notes.

- Directors and their affiliates also hold convertible notes with aggregate principal of $570,000 and $720,000 at December 31, 2025 and 2024, respectively.

13. Related Party Transactions (Continued)

Interest expense on related-party debt was $217,000 and $115,000 for the years ended December 31, 2025 and 2024, respectively, of which $198,000 and $85,000 was accrued and unpaid at year-end. Additional unpaid interest is compounded into the principal of the bridge loans.

On November 16, 2026, the Company and its director-lenders entered into an agreement extending the maturity of approximately $2.0 million of director debt to December 31, 2029 and modifying its interest, payment and security terms. See Note 15.

Equity purchases. During 2025 and 2024, directors and their affiliates purchased 289,043 and 100,000 shares of common stock for $289,043 and $100,000, respectively, on the same terms as other investors in the same offerings.

Warrants and options. In connection with prior financings, the Company issued warrants to purchase common stock at $1.00 per share, expiring November 21, 2032. Holders include the Revocable Trust (600,696 shares), the Company's CEO (52,800), the Family Trust (3,000), and Related Company 3 (3,000). In June 2025, the Company granted a director a fully vested option to purchase 12,000 shares at $1.00 per share for board service.

Personal guarantees. The Chairman and the CEO personally guarantee certain of the Company's equipment financing obligations, including those with Channel Partners Capital, Blue Bridge Financial, JB&B Capital, Pawnee Leasing, Ascentium Capital, and Financial Pacific, for no compensation.
Loan to shareholder. On December 31, 2024, the Company made a non-interest-bearing, nonrecourse loan of $247,500 to a shareholder and former senior advisor, to fund the exercise of stock options.

Approval. Transactions with directors are approved by the Board. The Company's only director without a lending relationship with the Company, serves as the disinterested director for these approvals.

14. Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern within one year after the date that the financial statements are available to be issued.

The Company has operated at a loss since inception and has negative equity. The Company's net loss

was $2,756,927 and $3,744,108 for the years ended December 31, 2025 and 2024, respectively. The Company has financed its working capital requirements to date through the sale of common stock and various debt arrangements.

14. Going Concern (Continued)

As of December 31, 2025, the Company had cash of $331,829, trade accounts payable of $896,908, and approximately $5.0 million of notes payable, convertible notes, bridge loans, and lease obligations plus approximately $0.6 million of accrued interest. Net revenue has been roughly $1.0 million a year in each of the last two years, well short of the Company's operating costs and debt service. Scheduled monthly payments on equipment financing, finance leases, and term loans total about $51,000. The Company also has past-due vendor balances, some of which are in dispute. Management has concluded that, without additional financing, the Company's existing cash and cash expected from operations will not be enough to fund operations and meet its obligations as they come due during the next 12 months.

Management plans to address these conditions in a number of ways. Several revenue initiatives include expansion in Florida and California, re-entering North Carolina and South Carolina chain accounts and re-initiating ecommerce. In parallel, the company has engaged in cost reductions and restructuring including closing of the Company's Florida warehouse and moving Florida distribution to a third-party facility. The Company has also reduced field sales and distribution headcount in the Carolinas and is negotiating reductions in, or conversion to equity of, vendor payables. The company is also securing bridge financing and raising equity. In 2026, the Company opened a private placement of common stock to existing investors at $1.00 per share and, as of October 31, 2026, had issued 752,264 shares of common stock and warrants to purchase 1,504,527 shares at an exercise price of $1.00 per share; the offering remains open. Management also intends to raise an additional approximately $1.2 million or more through an offering under Regulation Crowdfunding and from accredited and institutional investors during Q4 of 2026 and Q1 of 2027.

There is no assurance that the Company will raise additional capital, restructure its obligations, or reach profitable operations on acceptable terms, or at all.

Accordingly, there is a substantial doubt that the Company will be able to pay its obligations as they come due without significant investment capital, and this substantial doubt is not alleviated by management's operating plans. The consolidated financial statements do not include any adjustments that may be necessary should the Company be unable to continue as a going concern.

15. Subsequent Events

The Company has evaluated subsequent events in 2026 up to the date the financial statements were available to be issued. Except as described below, there were no subsequent events requiring recognition or disclosure.

Conversion of convertible notes. On January 5, 2026, holders of convertible notes with an aggregate carrying amount of $3,036,469, including accrued interest, exchanged their notes. Notes with principal of $1,703,000 and accrued interest of $388,358, totaling $2,091,358, converted into 2,460,421 shares of common stock at $0.85 per share. The remaining notes, with principal of $764,588, were amended to remove the conversion feature and extend their maturities to dates between November 2029 and March 2030. They bear simple interest at 12%, and accrued interest of $180,524 through January 5, 2026 remains payable at maturity.

Bridge and term financing. During 2026 the Company borrowed additional bridge financing, primarily from existing investors and directors, under senior secured bridge notes. The notes bear interest at 18% per annum (1.5% per month), have an 18-month term, and were approved by the Board. Bridge loan balances increased from $1,473,150 at December 31, 2025 to $2,296,626 at October 31, 2026, including $340,500 from directors.

Insider debt agreement. On November 16, 2026, the Company, its subsidiary Liquorem Holdings II, LLC, and the directors (directly or through affiliated entities) who are lenders to the Company entered into an Insider Debt Standstill, Parity and Harmonization Agreement covering approximately $2.0 million of director debt. Under the agreement, (a) the lenders waived existing defaults and past maturities; (b) maturities were extended to December 31, 2029, and the lenders agreed not to call, accelerate or enforce the debt before then except upon a sale of the Company or a bankruptcy; (c) the debt bears simple interest at 12% per annum, with no cash payments until the Company achieves two consecutive quarters of positive operating cash flow or raises more than $1.5 million of new equity; and (d) the lenders were granted a first-priority lien on the Company's intangible assets, effective only if ratified by the disinterested stockholders by February 14, 2027. The agreement excludes the convertible notes amended on January 5, 2026, described above.

Equity issuances. In January and February 2026, the Company sold 160,000 shares of common stock to Pablo Gracia Unzurrunzaga under a common stock purchase agreement $1.00 per share. The Company lent Mr. Gracia $80,000 to fund part of the purchase, and he repaid the loan in full by May 2026. In September 2026 the Company began a private placement of common stock to existing and select strategic investors at $1.00 per share, with warrants to purchase two additional shares for each share purchased (200% warrant coverage). Bridge debt held by participating investors may convert into the

offering. As of October 31, 2026, the Company had issued 752,264 shares of common stock and warrants to purchase 1,504,527 shares at an exercise price of $1.00 per share, in closings on October 6–8, 2026. The offering, for up to 1,500,000 shares, remained open with no final closing as of the date these financial statements were available to be issued.

Regulation Crowdfunding offering. The Company has engaged Maverick Brands and Wefunder in connection with a planned offering of common stock under Regulation Crowdfunding. The Company expects the offering to raise more than $1.2 million. The offering has not launched as of the date these financial statements were available to be issued.

15. Subsequent Events (Continued)

Authorized shares. In July 2026, the Board approved an amendment to the Certificate of Incorporation increasing authorized common stock from 18,000,000 to 22,000,000 shares, subject to stockholder approval. As of October 31, 2026, 13,807,735 shares were issued and 13,560,235 shares were outstanding. On October 1, 2026, the Board approved a further amendment increasing authorized common stock to 29,000,000 shares, subject to stockholder approval, which was achieved by written consent of the majority of voting share on November 23, 2026.

Compensatory warrant. Effective July 6, 2026, the Company entered into an independent contractor agreement with New London Projects, LLC (the entity of recording artist October London). Under the agreement, the Company issued a compensatory warrant to purchase 3,698,884 shares of common stock at $1.00 per share for creative and promotional services, consisting of 2,219,330 initial shares and up to 1,479,554 additional shares that vest only upon achievement of a National Distribution Milestone.. The warrant will be accounted for under ASC 718.

Stock options. On October 1, 2026, the Company granted options to purchase a total of 540,000 shares at $1.00 per share to three non-employee directors, outside the 2022 Stock Plan.

Facility lease and leasehold improvements. On April 9, 2026, Liquorem Holdings II, LLC entered into a 72-month lease, beginning April 15, 2026, for production and office space in Columbia, South Carolina. Initial base rent is $6,889.66 per month, and the Company paid a $6,500 security deposit. The Company did not pay a $42,875 invoice from Develeco Construction LLC, an affiliate of the landlord, for tenant improvements. The Company later issued a promissory note for that amount, effective July 30, 2026, bearing interest at 12% and payable in six monthly installments from August 2026 through January 2027.

Operational matters. In mid-2026, two chain retailers in North Carolina and South Carolina directed the Company to remove its retail freezers from about 79 stores, citing state alcohol trade-practice

rules. This reduced sales to those accounts. The Company is working with regulatory counsel and plans to re-enter these accounts with in-line placement that does not use Company-supplied freezers. A national retailer also stopped carrying the Company's products in Florida. Beginning in August 2026, the Company restructured its operations: it closed its Florida and third-party dry-storage warehouses, moved Florida distribution to a third-party facility, and reduced field personnel. In addition, the Company's parcel carrier restricted direct-to-consumer shipments to states where the Company holds the required licenses.

Vendor dispute. The Company disputes $106,364 of invoices from a packaging supplier because of product specification failures, and has recorded this amount as disputed payables. The outcome cannot be determined at this time.

15. Subsequent Event (Continued)

Commercial agreements. In August 2026, the Company engaged a national broker for a $5,000 monthly retainer over an initial six-month term, plus commissions of 8.75% of wholesale price per case. The Company also entered into a co-branding arrangement with Luxardo (through its U.S. importer, Hotaling & Co.) under which no license fee or royalty is payable.

Management evaluated all activity of the Company through November 19, 2026 and concluded that no other subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the related notes to the consolidated financial statements