

CULT Food Science Corp.

Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2022 and 2021



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of CULT Food Science Corp.

Opinion

We have audited the accompanying financial statements of CULT Food Science Corp. (the “Company”), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of loss and comprehensive loss, changes in shareholders’ equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our audit report.

Valuation of unlisted investments

The valuation of unlisted investments requires significant judgment and estimates by management and is therefore considered a key audit matter due to the subjective nature of certain assumptions inherent in each valuation. The investment portfolio at the year-end was comprised of unlisted investments valued at \$4,468,181. Unreasonable basis used in the valuation judgments could result in a material difference in the value presented.

We responded to this matter by performing audit procedures in relation to the valuation of unlisted investments and the accuracy of the net change in unrealized loss on investments. These procedures include, among others:

- Obtained financial data of investee company, if available.
- Obtained evidence of recent financing raised by the investee during the year, if available.
- Analysed changes in significant assumptions compared with assumptions used in prior years, and compared to independent evidence, where available, including available industry data.
- Compared the business models to other similar entities in the industry.
- Performed sensitivity analysis to evaluate the appropriateness of the assumptions and valuation methodologies.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Dong H. Shim.

“SHIM & Associates LLP”

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada

May 1, 2023

CULT Food Science Corp.
Statements of Financial Position
(Expressed in Canadian dollars)

	Note	December 31, 2022 \$	December 31, 2021 \$
Assets			
Current assets			
Cash and cash equivalents		57,839	2,020,714
Prepaid expenses		52,553	915,484
		110,392	2,936,198
Non-current assets			
Investments	4	4,468,181	3,501,002
Equipment	3	7,376	10,524
Total assets		4,585,949	6,447,724
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	7	118,793	218,167
Total liabilities		118,793	218,167
Shareholders' equity			
Share capital	5	17,796,420	15,427,717
Share-based payment reserve	5	3,327,805	1,749,189
Deficit		(16,657,069)	(10,947,349)
Total shareholders' equity		4,467,156	6,229,557
Total liabilities and shareholders' equity		4,585,949	6,447,724

Corporate Information and Going Concern (Note 1)
Subsequent Events (Note 9)

Approved on behalf of the Board of Directors by:

"Dorian Banks"

Director

"Kirill Kompaniyets"

Director

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

CULT Food Science Corp.Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Note	Years ended December 31,	
		2022	2021
		\$	\$
Net investment losses			
Unrealized loss on fair value of investments	4	(87,187)	-
Realized loss on sale of investments	4	(84,645)	-
		(171,832)	-
Expenses			
Consulting fees	7	1,099,232	198,306
Depreciation	3	3,148	4,492
Foreign exchange gain		(466)	-
Management fees		-	4,325
Marketing		1,873,540	430,533
Office and administration		221,231	16,427
Professional fees		432,071	222,634
Share-based compensation	5, 7	1,850,261	1,628,301
Transfer agent and filing fees		65,913	46,566
Total expenses		(5,544,930)	(2,551,584)
Loss from operating activities		(5,716,762)	(2,551,584)
Other items			
Interest and other income (loss)		1,122	(68)
Write-off of accounts payable		5,920	-
Loss for the year		(5,709,720)	(2,551,652)
Loss per share, basic and diluted		(0.04)	(0.05)
Basic and diluted weighted average number of common shares outstanding		160,667,699	55,415,629

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

CULT Food Science Corp.Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Share Capital		Share-based Payment Reserve	Deficit	Total Shareholders' Equity
	Number of Shares	Amount \$			
Balance, December 31, 2020	5,224,544	8,162,830	110,056	(8,395,697)	(122,811)
Private placements, net of share issue cost	123,079,606	7,144,887	10,832	-	7,155,719
Debt settlement	11,000,000	120,000	-	-	120,000
Share-based compensation	-	-	1,628,301	-	1,628,301
Loss for the period	-	-	-	(2,551,652)	(2,551,652)
Balance, December 31, 2021	139,304,150	15,427,717	1,749,189	(10,947,349)	6,229,557
Warrant exercises	17,855,000	1,126,500	-	-	1,126,500
Option exercises	825,000	204,145	(134,145)	-	70,000
Conversion of RSUs	2,500,000	137,500	(137,500)	-	-
Purchase of investments (Note 4)	16,672,862	900,558	-	-	900,558
Share-based compensation	-	-	1,850,261	-	1,850,261
Loss for the period	-	-	-	(5,709,720)	(5,709,720)
Balance, December 31, 2022	177,157,012	17,796,420	3,327,805	(16,657,069)	4,467,156

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

Cult Food Science Corp.
Statements of Cash Flows
(Expressed in Canadian dollars)

	Years ended December 31,	
	2022	2021
	\$	\$
Cash flows from operating activities		
Loss for the year	(5,709,720)	(2,551,652)
Adjustments for:		
Depreciation	3,148	4,492
Interest expense	-	384
Share-based compensation	1,850,261	1,628,301
Unrealized loss on fair value of investments	87,187	-
Realized loss on sale of investments	84,645	-
Write-off of accounts payable	(5,920)	-
Net change in non-cash working capital:		
Prepaid expense	862,931	(915,484)
Purchase of investments	(389,092)	(3,501,002)
Proceeds from sale of investments	150,639	-
Accounts payable and accrued liabilities	(93,454)	198,229
Total cash flows used in operating activities	(3,159,375)	(5,136,732)
Cash flows from financing activities		
Proceeds from loans payable	-	25,000
Repayments of loans payable	-	(25,000)
Proceeds from issuance of shares, net of share issue cost	-	7,155,719
Proceeds from exercise of warrants	1,126,500	-
Proceeds from exercise of options	70,000	-
Total cash flows provided by financing activities	1,196,500	7,155,719
Increase (decrease) in cash and cash equivalents during the year	(1,962,875)	2,018,987
Cash and cash equivalents at beginning of year	2,020,714	1,727
Cash and cash equivalents at end of year	57,839	2,020,714
Comprised as following:		
Cash	29,089	1,991,964
Redeemable guaranteed investment certificates	28,750	28,750
Other supplemental information		
Issuance of shares for investments	900,558	-
Fair value of shares issued for debt	-	120,000
Fair value of warrants issued for finder's fee	-	10,832
Reclassification of loans payable to accounts payable	-	1,594

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

CULT Food Science Corp.

Notes to the Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2022 and 2021

1. Corporate Information and Going Concern

CULT Food Science Corp. (the “Company”) was incorporated on November 16, 1983 under the British Columbia Companies Act and is an investment issuer focused on early stage investments in cultivated meat and cultured dairy companies around the world. Effective July 28, 2021, the Company changed its name to Cult Food Science Corp.

The Company’s head office address is 82 Richmond St. Toronto, Ontario, Canada.

On August 12, 2021, the Company completed a share-split of the issued and outstanding share capital on the basis of two new shares for one old share. Accordingly, all current and comparative share capital amounts within these financial statements have been retroactively restated to adjust for the share consolidation.

These financial statements are prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business and that management neither intends to liquidate the entity nor does it have no realistic alternative to do so. The Company incurred a net loss of \$5,709,720 (2021 - \$2,551,652) during the year ended December 31, 2022 and as of the date of the financial statements the Company’s accumulated deficit is \$16,657,069 (December 31, 2021 - \$10,947,34). These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

The Company’s ability to continue its operations is dependent upon its ability to restructure its debt and raise financing. Although the Company has been successful in obtaining the necessary financing to continue operations in the past, there can be no assurance that it will be able to continue to do so in the future and that such funds will be available on terms acceptable by the Company. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and to restructure the Company’s debt. These financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

These financial statements were authorized for issue by the Audit Committee and Board of Directors on May 1, 2023.

2. Basis of Presentation and Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

I) Basis of preparation and Measurement

a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board. The Company has determined that it meets the definition of an investment entity in accordance with IFRS 10, Consolidated Financial Statements (“IFRS 10”), and accordingly all investments have been recorded as investments at fair value through profit or loss.

b) Basis of Measurement

These financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out in Note 2(II). In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These financial statements are presented in Canadian dollars, which is the Company’s functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates and exercise judgement in applying the Company’s policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these financial statements are disclosed in Note 2(II)(i).

CULT Food Science Corp.

Notes to the Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2022 and 2021

2. Basis of Presentation and Summary of Significant Accounting Policies (continued)

II) Significant Accounting Policies

a) Cash and Cash Equivalents

Cash is comprised of cash on hand that is subject to an insignificant risk of change in value. Cash equivalents consist of redeemable guaranteed investment certificates with a term of one year, with an option to renew on a yearly basis.

b) Equipment

Equipment is stated at historical cost less accumulated amortization and accumulated impairment losses. Amortization is calculated on a declining balance method over their estimated useful lives. The Company's equipment, which consists of furniture and fixtures are amortized at 30%.

c) Financial Instruments

Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or Other Comprehensive Income (OCI). For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transactions costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial liabilities are measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in income. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

Debt instruments

Subsequent measurement of debt instrument depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of loss and comprehensive loss.

CULT Food Science Corp.

Notes to the Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2022 and 2021

2. Basis of Presentation and Summary of Significant Accounting Policies (continued)

c) Financial Instruments (continued)

Measurement (continued)

Debt instruments (continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from deficit to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss and comprehensive loss.
- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of loss and comprehensive loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

The Company assesses on a forward -looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

d) Income Taxes

Income tax expense is comprised of current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in OCI or directly in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, adjusted for amendments to tax payable with respect of previous periods.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

e) Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares or share options are shown in equity as a deduction, net of tax, from the proceeds. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

CULT Food Science Corp.

Notes to the Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2022 and 2021

2. Basis of Presentation and Summary of Significant Accounting Policies (continued)

e) Share Capital (continued)

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Share capital is reduced by the average per-common-share carrying amount, with the difference between this amount and the consideration paid, added to or deducted from the share-based payment reserve.

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded in reserves.

f) (Loss) Earnings Per Share

Basic (loss) earnings per share is computed by dividing the net (loss) earnings by the weighted average number of common shares outstanding during the period, which excludes shares held in escrow.

Diluted (loss) earnings per share is computed by dividing the loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted. In periods that the Company reports a net loss, stock options are excluded from the calculation of diluted loss per share as their inclusion would be anti-dilutive. For the years presented, this calculation proved to be anti-dilutive.

g) Share-based Payments

The stock option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Share-based compensation to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured. The fair value of options is determined using a Black-Scholes pricing model which incorporates all market vesting conditions. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that have vested.

Where stock options are exercised, the cash proceeds along with the amount previously recorded as share-based payment reserves are recorded as share capital.

h) Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation. Such reclassification is for presentation purpose only and has no effect on previously reported results.

i) Significant Accounting Judgments, Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses and certain disclosures reported in these financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions are recognized in the period in which the estimates are revised and in future periods affected.

Areas where critical accounting estimates and assumptions have the most significant effect on the amounts recognized in these financial statements include the following:

CULT Food Science Corp.

Notes to the Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2022 and 2021

2. Basis of Presentation and Summary of Significant Accounting Policies (continued)

i) Significant Accounting Judgments, Estimates and Assumptions (continued)

Determination of investment entity

During the year ended December 31, 2021, the Company transitioned to become an investment issuer.

Management has applied judgement in determining whether the Company meets the criteria required under IFRS 10, in order to be classified as an investment entity. Management has applied the following typical characteristics of an investment entity: a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services; b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

In addition, IFRS 10 clarifies that an investment entity may earn fee income from the provision of investment related services to external parties. In determining its status as an investment entity, the Company has determined that fair value is the primary measurement attribute used to monitor and evaluate its investments.

Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its deferred tax assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

Fair value of investments in securities not quoted in an active market

Where the fair values of financial assets and financial liabilities recorded on the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. Changes in estimates and assumptions about these inputs could affect the reported fair value. Refer to Note 4 for further details.

j) Recent Accounting Pronouncements

As at the date of authorization of these financial statements, the IASB and the IFRS Interpretations Committee had issued certain pronouncements that are mandatory for the Company's accounting periods commencing on or after January 1, 2022. Many are not applicable or do not have a significant impact to the Company, have been excluded.

The Company continues to review changes to IFRS standards. There are no other pending IFRSs or IFRIC interpretations that are expected to be relevant to the Company's financial statements.

3. Equipment

	Office Furniture and Equipment
Cost	\$
Balance, December 31, 2021 and 2022	39,231
Accumulated Amortization	
Balance, December 31, 2021	28,707
Depreciation	3,148
Balance, December 31, 2022	31,855
Carrying value	
As at December 31, 2021	10,524
As at December 31, 2022	7,376

CULT Food Science Corp.

Notes to the Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2022 and 2021

4. Investments

i) Simple Agreement for Future Equity (“SAFE”) Agreements

Pursuant to the terms of the SAFE Agreements, if there is an equity financing before the instrument expires or is terminated, the investee will automatically issue to the investors either: 1) the greater of: the number of Standard Preferred Shares equal to the Purchase Amount divided by the lowest price per share of the Standard Preferred Shares, or the number of Safe Preferred Shares equal to the Purchase Amount divided by the SAFE Price or 2) in case the agreement specifies a discount rate, a number of shares of Safe Preferred Stock equal to the Purchase Amount divided by the Conversion Price. The Conversion Price means either the SAFE Price or the Discount Price, whichever calculation results in a greater number of shares of Safe Preferred Stock. The SAFE Price means the price per share equal to the Valuation Cap or Post-Money Valuation Cap divided by the Company Capitalization. The Discount Price means the price per share of the Standard Preferred Stock sold in the equity financing multiplied by the Discount Rate.

If there is a liquidation event before the expiration or termination of the SAFE Agreement, the investor will at its option either: 1) receive a cash payment equal to the purchase amount or 2) automatically receive from the investee a number of shares of common stock equal to the purchase amount divided by the liquidity price, if the investor fails to select the cash option. Alternatively, the investor will automatically receive a portion of Proceeds, due and payable to the investor, equal to the greater of the Purchase Amount or the amount payable on the number of shares of Common Stock equal to the Purchase Amount divided by the liquidity price. Thereafter the SAFE Agreement will terminate. In connection with a cash payment through a liquidity event, if there are not enough funds to pay the investors and holders of the SAFE Agreements in full, funds will be distributed pro-rata and based on the purchase price and the remaining amounts will be covered with common stock equal to the remaining unpaid purchase price divided by the liquidity event. In a dissolution event, SAFE Agreement holders will be paid out of remaining assets prior to holders of the investee’s capital stock.

In accordance with IFRS 9, the Company initially recorded these SAFE investments at cost, which approximates fair value.

ii) The fair value and cost of investments are as follows:

	Fair Value \$	Cost \$
December 31, 2022	4,468,181	4,555,368
December 31, 2021	3,501,002	3,501,002

iii) Financial instrument hierarchy:

The fair value measurements use a fair value hierarchy that reflects the significant of the inputs used in making the measurements. The level in the hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The fair value hierarchy has the following levels:

- (1) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- (2) Level 2 – Inputs other than quoted prices included within Level 1 that are observable from the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- (3) Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The following table presents the Company’s financial instruments, measured at fair value and categorized into levels of the fair value hierarchy on the statements of financial position as at December 31, 2022 and 2021:

	Level 1 \$	Level 2 \$	Level 3 \$
Investments at fair value			
December 31, 2022	-	-	4,468,181
December 31, 2021	63,390	-	3,437,612

CULT Food Science Corp.

Notes to the Financial Statements

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For the years ended December 31, 2022 and 2021

4. Investments (Continued)

The following table presents the changes in fair value measurements of financial instruments classified as Level 3 for the year ended December 31, 2022 and 2021. These financial instruments are measured at fair value utilizing non-observable market inputs based on specific company information and general market conditions. The net change in unrealized gains (losses) are recognized in the statements of loss and comprehensive loss.

	\$
Balance as at December 31, 2020	-
Additions	3,501,002
Balance as at December 31, 2021	3,501,002
Additions – paid by cash	389,092
Additions – paid by shares (Note 6)	900,558
Proceeds on disposals	(150,639)
Realized loss on disposals	(84,645)
Unrealized loss, including foreign exchange	(87,187)
Balance as at December 31, 2022	4,468,181

Significant unobservable inputs used in the fair value measurement of Level 3 investments were:

Description	Fair value at December 31, 2022 \$	Valuation technique / Unobservable inputs	% of investments
SAFE Agreements	3,284,420	New investments / recent transactions / subsequent financings / comparable entities	74%
Equity – private	1,127,419	New investments / recent transactions / subsequent financings / comparable entities	25%
Debentures	56,342	New investments	1%
	4,468,181		100%

Description	Fair value at December 31, 2021 \$	Valuation technique / Unobservable inputs	% of investments
SAFE Agreements	2,919,773	New investments / recent transactions	83%
Equity – public	63,390	Market price	2%
Equity – private	517,839	New investments / recent transactions	15%
	3,501,002		100%

Within Level 3, the Company includes private company investments and other investment instruments such as loans to investees and convertible debentures which are not quoted on an exchange. The key assumptions used in the valuation of these instruments include (but are not limited to) company-specific information used in modelling, the valuation and share performance of comparable publicly-traded companies, trends in general market conditions, the value at which a recent financing was done by the investee, liquidation analysis and a strategic review.

CULT Food Science Corp.

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4. Investments (Continued)

For investments valued based on trends in comparable entities, general market conditions and specific company information, the inputs used can be highly judgmental. A 10% change on the fair value (i.e. recent transaction price) of this investment will result in a corresponding \$450,000 (2021 - \$350,000) change in the total fair value of the investments. While this illustrates the overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different terms and circumstances.

The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions, and its results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of the investments.

Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Company's view of expected future changes in the fair value of this investment. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

5. Share Capital

Authorized share capital

The authorized share capital of the Company is an unlimited number of common shares without par value.

Issued share capital

As at December 31, 2022, the Company had 177,157,012 (December 31, 2021 – 139,304,150) shares outstanding.

On December 21, 2022, the Company issued 2,500,000 common shares upon the conversion of 2,500,000 of RSUs and the Company transferred \$137,500 from share-based payment reserve to share capital.

On September 2, 2022, the Company issued 15,000,000 common shares at a fair value of \$750,000 of the Company pursuant to a Share Purchase Agreement to acquire 100% interest in Food Revolution Media, a private entity (Note 5).

On May 9, 2022, the Company issued 1,672,862 common shares at a fair value of \$150,557 of the Company pursuant to a Share Exchange Agreement to acquire 30,000 shares of Cella Foods, a private entity (Note 5).

During the year ended December 31, 2022, the Company issued 17,855,000 common shares upon exercise of warrants for total proceeds of \$1,126,500.

During the year ended December 31, 2022, the Company issued 825,000 common shares upon exercise of stock options for total proceeds of \$70,000. The Company reclassified \$134,145 from share-based payment reserve to share capital.

On November 5, 2021, the Company issued 1,060,606 units at a price of \$0.33 per unit for gross proceeds of \$350,000 pursuant to a non-brokered private placement. Each unit will be comprised of one common share in the capital of the Company and one share purchase warrant. Each warrant will entitle the holder thereof to acquire one common share at a price of \$0.75 for a period of two years from the date of issuance. The full proceeds were allocated to the shares under the residual value method.

On October 4, 2021, the Company issued 420,000 units at a price of \$0.25 per unit for gross proceeds of \$105,000 pursuant to a non-brokered private placement. Each unit will be comprised of one common share in the capital of the Company and one share purchase warrant. Each warrant will entitle the holder thereof to acquire one common share at a price of \$0.75 for a period of two years from the date of issuance. The full proceeds were allocated to the shares under the residual value method. The Company paid cash share issuance costs of \$6,300.

On September 22, 2021, the Company issued 1,210,000 units at a price of \$0.25 per unit for gross proceeds of \$302,500 pursuant to a non-brokered private placement. Each unit will be comprised of one common share in the capital of the Company and one share purchase warrant. Each warrant will entitle the holder thereof to acquire one common share at a price of \$0.75 for a period of two years from the date of issuance. The full proceeds were allocated to the shares under the residual value method.

CULT Food Science Corp.

Notes to the Financial Statements

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5. Share Capital (Continued)

On September 15, 2021, the Company issued 10,752,000 units at a price of \$0.25 per unit for gross proceeds of \$2,688,000 pursuant to a non-brokered private placement, of which \$55,000 net of cash share issuance costs of \$3,400 was received in October 2021 and included in amounts receivable. Each unit will be comprised of one common share in the capital of the Company and one share purchase warrant. Each warrant will entitle the holder thereof to acquire one common share at a price of \$0.75 for a period of two years from the date of issuance. The full proceeds were allocated to the shares under the residual value method. The Company paid cash share issuance costs of \$97,975 and issued 104,700 finder's warrants, exercisable at \$0.75 per common share, and expiring two years from the grant date. The fair value of the finder's warrants was estimated to be \$7,543 using the Black-Scholes option pricing model with the following assumptions: term - 2 years; expected volatility - 100%; risk-free rate - 0.42%; and expected dividends - \$Nil.

On September 3, 2021, the Company issued 8,262,000 units at a price of \$0.25 per unit for gross proceeds of \$2,065,500 pursuant to a non-brokered private placement. Each unit will be comprised of one common share in the capital of the Company and one share purchase warrant. Each warrant will entitle the holder thereof to acquire one common share at a price of \$0.75 for a period of two years from the date of issuance. The full proceeds were allocated to the shares under the residual value method. The Company paid cash share issuance costs of \$25,105 and issued 31,620 finders warrants, exercisable at \$0.75 per common share, and expiring two years from the grant date. The fair value of the finder's warrants was estimated to be \$3,290 using the Black-Scholes option pricing model with the following assumptions: term - 2 years; expected volatility - 100%; risk-free rate - 0.39%; and expected dividends - \$Nil.

On August 23, 2021, the Company issued 76,375,000 units at a price of \$0.02 per unit for gross proceeds of \$1,527,500 pursuant to a non-brokered private placement. Each unit will be comprised of one common share in the capital of the Company and one share purchase warrant. Each warrant will entitle the holder thereof to acquire one common share at a price of \$0.10 for a period of five years from the date of issuance. The full proceeds were allocated to the shares under the residual value method.

On August 23, 2021, the Company issued 1,000,000 units at a fair value of \$20,000, to settle an outstanding loan of \$20,000. Each unit consists of one common share in the capital of the Company and one share purchase warrant, exercisable at \$0.10 per common share, and expiring five years from the grant date. \$Nil value was allocated to the warrants under the residual value method.

On August 3, 2021, the Company issued 25,000,000 units at \$0.01 per unit for gross proceeds of \$250,000 pursuant to a non-brokered private placement. Each unit will be comprised of one common share in the capital of the Company and one share purchase warrant. Each warrant will entitle the holder thereof to acquire one common share at a price of \$0.05 for a period of five years from the date of issuance. The full proceeds were allocated to the shares under the residual value method.

On May 29, 2021, the Company completed a debt settlement agreement and settled debts of \$100,000 and issued 10,000,000 units on May 29, 2021. Each unit consists of one common share in the capital of the Company and one share purchase warrant. Each warrant will entitle the holder thereof to acquire one common share at a price of \$0.05 for a period of five years from the date of issuance. \$Nil value was allocated to the warrants under the residual value method.

Stock Option Plan Details

The Company's Board of Directors, at its discretion may grant non-transferable options for the purchase of common shares to its directors, officers, employees, consultants, or service providers of the Company provided that the maximum number of options that may be reserved for issuance or issued is limited to 20% of the issued and outstanding securities under the plan adopted on March 12, 2021. The Company's stock option plan allows for options to be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors.

Stock Options

On November 16, 2022, the Company granted 200,000 stock options with an exercise price of \$0.05 per share expiring on November 16, 2027. One-quarter of the stock options vest every three months for a year after the date of grant. The fair value of the stock options was estimated to be \$4,407 for the full vesting period of the options, with a current period charge of \$1,122. The Black-Scholes option pricing model was used with the following assumptions: term - 5 years, expected volatility - 151%, risk free rate - 3.17% and expected dividends - \$Nil.

On November 13, 2022, the Company granted 250,000 stock options with an exercise price of \$0.05 per share expiring on November 13, 2027. One-quarter of the stock options vest every three months for a year after the date of grant. The fair value of the stock options was estimated to be \$4,345 for the full vesting period of the options, with a current period charge of \$1,182. The Black-Scholes option pricing model was used with the following assumptions: term - 5 years, expected volatility - 151%, risk free rate - 3.22% and expected dividends - \$Nil.

CULT Food Science Corp.

Notes to the Financial Statements

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5. Share Capital (Continued)

Stock Options (continued)

On October 3, 2022, the Company granted 100,000 stock options with an exercise price of \$0.05 per share expiring on October 3, 2027. One-quarter of the stock options vest every three months for a year after the date of grant. The fair value of the stock options was estimated to be \$3,633 for the full vesting period of the options, with a current period charge of \$1,831. The Black-Scholes option pricing model was used with the following assumptions: term – 5 years, expected volatility – 152%, risk free rate – 3.23% and expected dividends – \$Nil.

On August 29, 2022, the Company granted 3,000,000 stock options with an exercise price of \$0.05 per share expiring on August 29, 2027. One-quarter of the stock options vest every three months for a year after the date of grant. The fair value of the stock options was estimated to be \$142,652 for the full vesting period of the options, with a current period charge of \$88,007. The Black-Scholes option pricing model was used with the following assumptions: term – 5 years, expected volatility – 153%, risk free rate – 3.17% and expected dividends – \$Nil.

On April 20, 2022, the Company granted 500,000 stock options with an exercise price of \$0.17 per share expiring on April 20, 2027. One-quarter of the stock options vest every three months for a year after the date of grant. The fair value of the stock options was estimated to be \$65,575 for the full vesting period of the options, with a current period charge of \$59,351. The Black-Scholes option pricing model was used with the following assumptions: term – 5 years, expected volatility – 150%, risk free rate – 2.70% and expected dividends – \$Nil.

On April 4, 2022, the Company granted 50,000 stock options with an exercise price of \$0.255 per share expiring on April 4, 2027. One-quarter of the stock options vest every three months for a year after the date of grant. The fair value of the stock options was estimated to be \$11,426 for the full vesting period of the options, with a current period charge of \$10,638. The Black-Scholes option pricing model was used with the following assumptions: term – 5 years, expected volatility – 151%, risk free rate – 2.41% and expected dividends – \$Nil.

On March 8, 2022, the Company granted 100,000 stock options with an exercise price of \$0.33 per share expiring on March 8, 2027. One-quarter of the stock options vest every three months for a year after the date of grant. The fair value of the stock options was estimated to be \$28,241 for the full vesting period of the options, with a current period charge of \$26,912. The Black-Scholes option pricing model was used with the following assumptions: term – 5 years, expected volatility – 152%, risk free rate – 1.61% and expected dividends – \$Nil.

On January 31, 2022, the Company granted 200,000 stock options with an exercise price of \$0.27 per share expiring on January 31, 2027. One-quarter of the stock options vest every three months for a year after the date of grant. The fair value of the stock options was estimated to be \$44,689 for the full vesting period of the options, with a current period charge of \$43,758. The Black-Scholes option pricing model was used with the following assumptions: term – 5 years, expected volatility – 153%, risk free rate – 1.62% and expected dividends – \$Nil.

On November 17, 2021, the Company granted 100,000 stock options with an exercise price of \$0.33 per share expiring on November 17, 2026. One-quarter of the stock options vest every three months for a year after the date of grant. The fair value of the stock options was estimated to be \$24,619 for the full vesting period of the options, with a current period charge of \$18,493. The Black-Scholes option pricing model was used with the following assumptions: term – 5 years, expected volatility – 100%, risk free rate – 1.47% and expected dividends – \$Nil.

On November 8, 2021, the Company granted 50,000 stock options with an exercise price of \$0.33 per share expiring on November 8, 2026. One-quarter of the stock options vest every three months for a year after the date of grant. The fair value of the stock options was estimated to be \$12,300 for the full vesting period of the options, with a current period charge of \$8,599. The Black-Scholes option pricing model was used with the following assumptions: term – 5 years, expected volatility – 100%, risk free rate – 1.39% and expected dividends – \$Nil.

On November 3, 2021, the Company granted 100,000 stock options with an exercise price of \$0.33 per share expiring on November 3, 2026. One-quarter of the stock options vest every three months for a year after the date of grant. The fair value of the stock options was estimated to be \$17,715 for the full vesting period of the options, with a current period charge of \$11,872. The Black-Scholes option pricing model was used with the following assumptions: term – 5 years, expected volatility – 100%, risk free rate – 1.45% and expected dividends – \$Nil.

On October 24, 2021, the Company granted 50,000 stock options with an exercise price of \$0.33 per share expiring on October 24, 2026. One-quarter of the stock options vest every three months for a year after the date of grant. The fair value of the stock options was estimated to be \$8,847 for the full vesting period of the options, with a current period charge of \$5,429. The Black-Scholes option pricing model was used with the following assumptions: term – 5 years, expected volatility – 100%, risk free rate – 1.33% and expected dividends – \$Nil.

On October 20, 2021, the Company granted 50,000 stock options with an exercise price of \$0.25 per share expiring on October 20, 2026. One-quarter of the stock options vest every three months for a year after the date of grant. The fair value of the stock options was estimated to be \$9,310 for the full vesting period of the options, with a current period charge of \$5,504. The Black-Scholes option pricing model was used with the following assumptions: term – 5 years, expected volatility – 100%, risk free rate – 1.28% and expected dividends – \$Nil.

CULT Food Science Corp.

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5. Share Capital (Continued)

Stock Options (continued)

On October 8, 2021, the Company granted 200,000 stock options with an exercise price of \$0.25 per share expiring on October 8, 2026. One-quarter of the stock options vest every three months for a year after the date of grant. The fair value of the stock options was estimated to be \$37,209 for the full vesting period of the options, with a current period charge of \$19,496. The Black-Scholes option pricing model was used with the following assumptions: term – 5 years, expected volatility – 100%, risk free rate – 1.19% and expected dividends – \$Nil.

On September 1, 2021, the Company granted 50,000 stock options with an exercise price of \$0.33 per share expiring on September 1, 2026. One-quarter of the stock options vest every three months for a year after the date of grant. The fair value of the stock options was estimated to be \$8,803 for the full vesting period of the options, with a current period charge of \$3,424. The Black-Scholes option pricing model was used with the following assumptions: term – 5 years, expected volatility – 100%, risk free rate - 0.82% and expected dividends – \$Nil.

On August 30, 2021, the Company granted 12,200,000 stock options with an exercise price of \$0.10 per share expiring on August 30, 2026. One-quarter of the stock options vest every three months for a year after the date of grant. The fair value of the stock options was estimated to be \$2,576,957 for the full vesting period of the options, with a current period charge of \$994,645. The Black-Scholes option pricing model was used with the following assumptions: term – 5 years, expected volatility – 100%, risk free rate - 0.83% and expected dividends – \$Nil.

A summary of stock option activity for the years ended December 31, 2022 and December 31, 2021 is as follows:

	Year ended December 31, 2022		Year ended December 31, 2021	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of year	12,800,000	\$0.11	-	-
Options granted	4,400,000	\$0.08	12,800,000	\$0.11
Options exercised	(825,000)	(\$0.08)	-	-
Options cancelled	(100,000)	(\$0.33)	-	-
Options outstanding, end of period	16,275,000	\$0.10	12,800,000	\$0.11
Options exercisable, end of period	13,125,000	\$0.11	3,062,500	\$0.10

At December 31, 2022, the weighted average remaining contractual life of the outstanding options is 3.91 years (December 31, 2021- 4.67 years).

As at December 31, 2022, the Company had the following outstanding stock options outstanding:

Number of Stock Options Outstanding	Number of stock options exercisable	Exercise Price \$	Expiry Date	Remaining Contractual Life (Years)
11,625,000	11,625,000	0.10	August 30, 2026	3.67
50,000	50,000	0.33	September 1, 2026	3.67
200,000	200,000	0.25	October 8, 2026	3.77
50,000	50,000	0.25	October 10, 2026	3.81
50,000	50,000	0.33	October 20, 2026	3.82
100,000	100,000	0.33	October 24, 2026	3.84
50,000	50,000	0.33	November 3, 2026	3.86
200,000	150,000	0.27	November 8, 2026	3.88
100,000	75,000	0.33	January 31, 2027	4.09
50,000	25,000	0.26	March 8, 2027	4.19
500,000	250,000	0.17	April 20, 2027	4.26
2,750,000	500,000	0.05	August 29, 2027	4.66
100,000	-	0.05	October 3, 2027	4.76
250,000	-	0.05	November 13, 2027	4.87
200,000	-	0.05	November 16, 2027	4.88
16,275,000	13,125,000			3.91

CULT Food Science Corp.

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5. Share Capital (Continued)

Warrants

The Company has issued warrants entitling the holders to acquire common shares of the Company. The following table is a reconciliation of outstanding and exercisable warrants as at December 31, 2022 to December 31, 2021:

	Year ended December 31, 2022		Year ended December 31, 2021	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning of year	134,215,926	\$0.19	-	-
Warrants issued	-	-	134,215,926	\$0.19
Warrants exercised	(17,855,000)	\$(0.06)	-	-
Warrants outstanding, end of period	116,360,926	\$0.21	134,215,926	\$0.19

At December 31, 2022, the weighted average remaining contractual life of the outstanding options is 3.16 years (December 31, 2021- 4.14 years).

As at December 31, 2022, the Company had the following outstanding warrants:

Number of Warrants Outstanding	Exercise Price \$	Expiry Date	Remaining Contractual Life (Years)
8,293,620	0.75	September 3, 2023	0.76
10,856,700	0.75	September 15, 2023	0.79
1,210,000	0.75	September 21, 2023	0.81
420,000	0.75	October 4, 2023	0.84
1,060,606	0.75	November 5, 2023	0.93
4,200,000	0.05	May 29, 2026	3.50
16,600,000	0.05	August 3, 2026	3.68
73,720,000	0.10	August 23, 2026	3.73
116,360,926			3.16

Restricted Share Units

The Company adopted a Restricted Share Unit Plan in March 2021. The Board may, in its discretion, at any time, and from time to time, issue Restricted Share Units (“RSU”) as it determines appropriate. The aggregate number of shares that may be reserved for issuance, at any time, under this plan and under any other share compensation agreement adopted by the Company, including the Company’s Stock Option Plan, shall not exceed up to a maximum of 20% of the issued and outstanding shares at the time of grant.

On August 19, 2022, the Company has granted an aggregate of 10,000,000 RSUs to consultants of the Company. The RSUs vested immediately. The RSUs shall entitle the eligible parties the ability to acquire one common share in the capital of the Company for a period of five years from issuance (the “Term”). The RSUs had a fair value of \$550,000, based on the closing price of the Company’s common shares on the date of grant.

On December 21, 2022, the Company issued 2,500,000 common shares upon the conversion of 2,500,000 of RSUs.

CULT Food Science Corp.

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6. Financial Instruments, Capital Management and Risk Management

I) Financial Instruments

The Company's financial instruments include cash, investments, and accounts payable and accrued liabilities and loans payable.

Determination of Fair Value

The carrying value of cash, investments, accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments. The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	Fair Value Measurement Hierarchy	Financial assets at FVTPL	Financial liabilities at amortized cost
As at December 31, 2022:			
Cash	Not applicable	\$ 57,839	\$ -
Investments	Level 3	4,468,181	-
Accounts payable and accrued liabilities	Not applicable	-	118,793
As at December 31, 2021:			
Cash	Level 1	\$ 2,020,714	\$ -
Investments	Level 1	63,390	-
Investments	Level 3	3,437,612	-
Accounts payable and accrued liabilities	Not applicable	-	218,167

II) Capital Management

The Company's capital management objectives are to safeguard its ability to continue as a going concern and to seek new investment opportunities for the benefit of its shareholders. The Company includes shareholders' equity in the definition of capital.

The Company sets the amount of capital required in proportion to its operating requirements and perceived risk of loss. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company has historically relied on the equity markets to fund its activities and is open to new sources of financing to manage its expenditures in the interest of sustaining long-term viability. The Company's capital management objectives, policies and processes have not changed over the years presented.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to any externally imposed capital requirements.

III) Risk Management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and loan receivable. The Company's credit exposure is limited to the carrying amount of its financial assets.

The Company's cash is held with a high-credit-rated financial institution and, as such, the Company does not believe there to be a significant credit risk in respect to cash.

CULT Food Science Corp.

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6. Financial Instruments, Capital Management and Risk Management (Continued)

b) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk.

(i) Foreign currency risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and a foreign currency will affect the Company's operations and financial results. The Company does not have significant exposure to foreign exchange rate fluctuations.

The Company holds investments in US dollar, as such, it is subject to fluctuations in the exchange rates for the Canadian dollar and US dollar. Based upon the Company's financial instruments at December 31, 2022, a 2% increase or decrease in the US dollar would result in an increase/decrease to profit or loss of approximately \$60,000.

(ii) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not exposed to a financial liability with fluctuating interest rates. The Company considers the risk to be immaterial.

(iii) Commodity price risk

Commodity risk is the exposure to fluctuations in the market price of commodities. The Company does not have any commodity exposure.

(iv) Other risks

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk and foreign currency risk. The Company holds investments in securities that will fluctuate in value as a result of fluctuations in estimated fair values of those securities. Furthermore, as the Company's investments are early stage cultivated meat and cultured dairy companies, market values will fluctuate subject to the price of meat and dairy prices, economic cycles and political events. See Note 5 for details.

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can only do so at excessive cost. The key success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

The Company's policy is to ensure that it will have sufficient cash to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

	Up to 3 months	3 to 12 months	1 to 2 years	Over 2 years	Total
Accounts payable and other liabilities:					
December 31, 2022	\$ 118,793	\$ -	\$ -	\$ -	\$ 118,793
December 31, 2021	218,167	\$ -	\$ -	\$ -	218,167

CULT Food Science Corp.

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7. Related Party Transactions

The Company considers its related parties to comprise directors, officers, companies controlled by directors and officers and companies with common directors. The key management compensation and fees consist of the following for the years ended December 31, 2022 and 2021:

	Year ended	
	December 31, 2022	December 31, 2021
	\$	\$
Consulting fees	171,700	7,875
Share-based compensation	213,122	86,367
	384,822	94,242

As at December 31, 2022, the balance due to related parties was \$53,500 (December 31, 2021 - \$4,725) which is included in accounts payable and accrued liabilities.

8. Income Taxes

A reconciliation of income taxes at statutory rates is as follows:

	2022	2021
	\$	\$
Net loss before income taxes	(5,709,720)	(2,551,652)
Expected income tax recovery	(1,542,000)	(689,000)
Non deductible permanent differences	535,000	401,000
Change in unrecognized deductible temporary differences	1,007,000	288,000
Deferred income tax recovery	-	-

Significant components of the Company's deferred tax assets are as follows:

	2022	2021
	\$	\$
Deferred tax assets:		
Allowable capital losses	110,000	98,000
Non-capital losses	1,779,000	773,000
Share issue costs	23,000	34,000
Capital assets	8,000	8,000
Net unrecorded deferred tax assets	1,920,000	913,000

The significant components of the Company's deductible and taxable temporary differences and unused tax losses that have not been included on the statements of financial position are as follows:

	December 31, 2022		December 31, 2021	
	\$	Expiry Dates	\$	Expiry Dates
Capital losses	407,000	Not applicable	365,000	Not applicable
Non-capital losses	6,587,000	2029 to 2042	2,863,000	2029 to 2041
Share issue costs	86,000	2022 to 2025	126,000	2022 to 2025
Capital assets	32,000	Not applicable	28,000	Not applicable

CULT Food Science Corp.

Notes to the Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2022 and 2021

9. Subsequent Events

Subsequent to the year ended December 31, 2022, the Company issued 7,500,000 common shares pursuant to the conversion of RSUs, issued 300,000 common shares pursuant to the exercise of warrants for gross proceeds of \$15,000 and issued 250,000 common shares pursuant to the exercise of stock options for gross proceeds of \$12,500.

On January 10, 2023, the Company granted 1,000,000 stock options to a consultant of the Company, vesting 100% on April 9, 2023 with an exercise price of \$0.05 and an expiry date of January 10, 2028.

On March 21, 2023, the Company closed a private placement of 13,495,700 units at a price of \$0.10 per Unit for gross proceeds of \$1,349,570. Each unit comprises of one common share and one share purchase warrant exercisable to purchase one additional common share at an exercise price of \$0.20 per share for a term of 2 years from the issuance date.

On April 14, 2023, the Company issued 333,333 common shares pursuant to a debt settlement agreement to settle \$30,000 debt with the Chief Executive Officer of the Company.