

CULT Food Science Corp.

Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2023 and 2022



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, 2023 and 2022, 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 material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, 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, 2023. 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 \$4,333,003. Unreasonable basis used in the valuation judgments, as discussed in Note 4, 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.
- Sent confirmations to management of unlisted investments to corroborate valuation assumptions made by the Company’s management, including third party financing raised during the year.

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.

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

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

“SHIM & Associates LLP”

Chartered Professional Accountants

Vancouver, Canada

29 April 2024

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

	Note	December 31, 2023 \$	December 31, 2022 \$
Assets			
Current assets			
Cash and cash equivalents		170	57,839
Prepaid expenses		48,445	52,553
		48,615	110,392
Non-current assets			
Investments	4	4,333,003	4,468,181
Equipment	3	5,169	7,376
Total assets		4,386,787	4,585,949
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		355,809	118,793
Loan payable	5	43,488	-
Total liabilities		399,297	118,793
Shareholders' equity			
Share capital	6	19,767,781	17,796,420
Reserves	6	3,524,905	3,327,805
Deficit		(19,305,196)	(16,657,069)
Total shareholders' equity		3,987,490	4,467,156
Total liabilities and shareholders' equity		4,386,787	4,585,949

Corporate Information and Going Concern (Note 1)
 Subsequent Events (Note 10)

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,	
		2023 \$	2022 \$
Net investment losses			
Unrealized loss on fair value of investments	4	(681,904)	(87,187)
Realized loss on sale of investments	4	-	(84,645)
		(681,904)	(171,832)
Expenses			
Consulting fees	8	534,230	1,099,232
Depreciation	3	2,207	3,148
Marketing		327,187	1,873,540
Office and administration		290,215	221,231
Professional fees		186,892	432,071
Share-based compensation	6, 8	579,563	1,850,261
Transfer agent and filing fees		54,758	65,913
Total expenses		(1,975,052)	(5,545,396)
Loss from operating activities		(2,656,956)	(5,717,228)
Other items			
Interest and other income		200	1,122
Interest expense	5	(488)	-
Write-off of accounts payable		9,117	5,920
Foreign exchange gain (loss)		-	466
Loss for the year		(2,648,127)	(5,709,720)
Loss per share, basic and diluted		(0.05)	(0.04)
Basic and diluted weighted average number of common shares outstanding		49,441,465	40,166,924

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		Warrant Reserve	Share-based Payment Reserve	Deficit	Total Shareholders' Equity
	Number of Shares*	Amount				
		\$				
Balance, December 31, 2021	34,826,072	15,427,717	-	1,749,189	(10,947,349)	6,229,557
Warrant exercises (Note 6)	4,463,750	1,126,500	-	-	-	1,126,500
Option exercises (Note 6)	206,250	204,145	-	(134,145)	-	70,000
Conversion of RSUs (Note 6)	625,000	137,500	-	(137,500)	-	-
Purchase of investments (Notes 4, 6)	4,168,215	900,558	-	-	-	900,558
Share-based compensation	-	-	-	1,850,261	-	1,850,261
Loss for the year	-	-	-	-	(5,709,720)	(5,709,720)
Balance, December 31, 2022	44,289,287	17,796,420	-	3,327,805	(16,657,069)	4,467,156
Warrant exercises (Note 6)	75,000	15,000	-	-	-	15,000
Option exercises (Note 6)	156,250	61,170	-	(29,920)	-	31,250
Conversion of RSUs (Note 6)	2,125,000	487,500	-	(487,500)	-	-
Private placement (Note 6)	3,373,925	1,214,363	134,957	-	-	1,349,320
Share exchange agreement (Notes 4, 6)	480,375	163,328	-	-	-	163,328
Debt settlement (Note 6)	83,333	30,000	-	-	-	30,000
Share-based compensation	-	-	-	579,563	-	579,563
Loss for the year	-	-	-	-	(2,648,127)	(2,648,127)
Balance, December 31, 2023	50,583,170	19,767,781	134,957	3,389,948	(19,305,196)	3,987,490

*On August 23, 2023, the Company completed its share consolidation to consolidate all of the Company's issued and outstanding common shares on the basis of every four (4) old common shares being consolidated into one (1) new common share. All share disclosures in these financial statements are presented on a post-consolidation basis, unless otherwise noted.

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,	
	2023	2022
	\$	\$
Cash flows from operating activities		
Loss for the year	(2,648,127)	(5,709,720)
Adjustments for:		
Depreciation	2,207	3,148
Accrued interest expense	488	-
Loan facilitation fee	10,000	-
Share-based compensation	579,563	1,850,261
Unrealized loss on fair value of investments	681,904	87,187
Realized loss on sale of investments	-	84,645
Write-off of accounts payable	(9,117)	(5,920)
Net change in non-cash working capital:		
Prepaid expense	4,108	862,931
Purchase of investments	(383,398)	(389,092)
Proceeds from sale of investments	-	150,639
Accounts payable and accrued liabilities	276,133	(93,454)
Total cash flows used in operating activities	(1,486,239)	(3,159,375)
Cash flows from financing activities		
Proceeds from loans payable	33,000	-
Proceeds from issuance of shares, net of share issue cost	1,349,320	-
Proceeds from exercise of warrants	15,000	1,126,500
Proceeds from exercise of options	31,250	70,000
Total cash flows provided by financing activities	1,428,570	1,196,500
Decrease in cash and cash equivalents during the year	(57,669)	(1,962,875)
Cash and cash equivalents at beginning of year	57,839	2,020,714
Cash and cash equivalents at end of year	170	57,839
Comprised as following:		
Cash	170	29,089
Redeemable guaranteed investment certificates	-	28,750
Other supplemental information		
Interest paid	-	-
Income taxes paid	-	-
Issuance of shares for investments	163,328	900,558
Fair value of shares issued for debt	30,000	-

The accompanying notes are an integral part of these financial statements

CULT Food Science Corp.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

Expressed in Canadian dollars

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.

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 \$2,648,127 (2022 - \$5,709,720) during the year ended December 31, 2023 and as of the date of the financial statements the Company’s accumulated deficit is \$19,305,196 (December 31, 2022 - \$16,657,069). 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 April 29, 2024.

2. Basis of Presentation and Summary of Material 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

For the years ended December 31, 2023 and 2022

Expressed in Canadian dollars

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

II) Material 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

For the years ended December 31, 2023 and 2022

Expressed in Canadian dollars

2. Basis of Presentation and Summary of Material 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

For the years ended December 31, 2023 and 2022

Expressed in Canadian dollars

2. Basis of Presentation and Summary of Material 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) Material 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

For the years ended December 31, 2023 and 2022

Expressed in Canadian dollars

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

i) Material 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, 2023. 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, 2022 and December 31, 2023	39,231
Accumulated Amortization	
Balance, December 31, 2021	28,707
Depreciation	3,148
Balance, December 31, 2022	31,855
Depreciation	2,207
Balance, December 31, 2023	34,062
Carrying value	
As at December 31, 2022	7,376
As at December 31, 2023	5,169

CULT Food Science Corp.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

Expressed in Canadian dollars

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 \$
Biftek Inc.	396,779	160,999
Cella Food Systems Inc.	150,558	150,557
Change Foods Inc.	156,379	65,203
Fiction Foods Inc.	330,649	317,815
Further Foods Inc.	362,964	362,964
Jellatech Inc.	99,194	95,138
MeliBio Inc.	639,257	255,308
Mogale Meat Co (PTY) Ltd.	680,194	572,593
Novel Farms Inc.	198,390	190,896
Opalia Inc. (formerly BetterMilk Inc.)	429,845	317,693
Peqish Group, Food & Hospitality Inc.	163,328	163,328
Umami Bioworks Pte. Ltd.	345,026	189,407
Unicorn Biotechnologies Limited	104,706	63,929
Others	275,734	2,196,264
December 31, 2023	4,333,003	5,102,094

CULT Food Science Corp.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

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4. Investments (continued)

	Fair Value	Cost
	\$	\$
Biftek Inc.	169,300	160,999
Cella Food Systems Inc.	150,558	150,557
Cell AG Tech Inc.	677,200	631,960
Eat Just Inc.	101,580	347,199
Fiction Foods Inc.	338,600	317,815
Food Revolution Media Inc.	750,000	750,000
Jellatech Inc.	101,580	95,138
MeliBio Inc.	270,880	255,308
Mogale Meat Co (PTY) Ltd.	609,480	572,593
Novel Farms Inc.	203,160	190,896
Ohayo Valley Inc.	135,440	124,575
Opalia Inc. (formerly BetterMilk Inc.)	338,600	317,693
Umami Bioworks Pte. Ltd.	203,160	189,407
Others	418,643	451,228
December 31, 2022	4,468,181	4,555,368

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, 2023 and 2022:

	Level 1	Level 2	Level 3
Investments at fair value	\$	\$	\$
December 31, 2023	-	-	4,333,003
December 31, 2022	-	-	4,468,181

The following table presents the changes in fair value measurements of financial instruments classified as Level 3 for the year ended December 31, 2023 and 2022. 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.

CULT Food Science Corp.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

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4. Investments (continued)

	\$
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
Additions – paid by cash	383,398
Additions – paid by shares (Note 6)	163,328
Unrealized loss, including foreign exchange	(681,904)
Balance as at December 31, 2023	4,333,003

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

Description	Fair value	
	at December 31, 2023	% of investments
	\$	
SAFE Agreements	3,308,467	77%
Equity – private	968,106	22%
Debentures	56,430	1%
	4,333,003	100%

Description	Fair value	
	at December 31, 2022	% of investments
	\$	
SAFE Agreements	3,284,420	74%
Equity – private	1,127,419	25%
Debentures	56,342	1%
	4,468,181	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. All privately-held investments are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at each reporting period, the fair value of an investment may (depending upon the circumstances) be adjusted using one or more of the valuation indicators described below.

The determinations of fair value of the Company's privately-held investments at other than initial cost are subject to certain limitations. Financial information for private companies in which the Company has investments may not be available and, even if available, that information may be limited and/or unreliable. Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these techniques may not be realized or realizable. Company-specific information is considered when determining whether the fair value of a privately-held investment should be adjusted upward or downward at the end of each reporting period. In addition to company-specific information, the Company will take into account trends in general market conditions and the performance of comparable publicly-traded companies. The absence of the occurrence of any of these events, any significant change in trends in general market conditions, or any significant change in performance of comparable publicly-traded companies generally indicates that the fair value of the investment has not materially changed. The fair value of a privately-held investment may be adjusted if:

- a. there has been a significant subsequent equity financing provided by outside investors at a valuation different than the current value of the investee company.

CULT Food Science Corp.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

Expressed in Canadian dollars

4. Investments (continued)

- b. there have been significant corporate or operating events affecting the investee company that, in management's opinion, have a material impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable;
- c. the investee company is placed into receivership or bankruptcy;
- d. based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern;
- e. release by the investee company of positive/negative results; or
- f. important positive/negative management changes by the investee company that the Company's management believes will have a very positive/negative impact on the investee company's ability to achieve its objectives and build value for shareholders.

Adjustments to the fair value of a privately-held investment are based upon management's judgment and any value estimated may not be realized or realizable. The resulting values for non-publicly traded investments may differ from values that could be realized if a ready market existed. In addition, the amounts at which the Company's privately-held investments could be disposed of currently may differ from the carrying value assigned.

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 \$430,000 (2022 - \$450,000) 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. Loan Payable

During the year ended December 31, 2023, the Company entered into a demand promissory note and received \$33,000 (2022 - \$Nil) from a private company. The note is unsecured, bears interest at 10% per annum and due on demand. The Company also agreed to pay a \$10,000 loan facilitation fee. For the year ended December 31, 2023, the Company recorded interest expense of \$488 (2022 - \$Nil).

6. 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, 2023, the Company had 50,583,170 (December 31, 2022 – 44,289,287) shares outstanding.

On August 23, 2023, the Company completed its share consolidation to consolidate all of the Company's issued and outstanding common shares on the basis of every four (4) old common shares being consolidated into one (1) new common share. All share and per-share disclosures in these financial statements are presented on a post-consolidation basis, unless otherwise noted.

On May 18, 2023, the Company issued 480,375 common shares at a fair value of \$163,328 of the Company pursuant to a Share Exchange Agreement with Peqish Group, Food & Hospitality Inc. (Note 4).

CULT Food Science Corp.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

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6. Share Capital (Continued)

On April 14, 2023, the Company issued 83,333 common shares at a fair value of \$30,000 pursuant to a debt settlement agreement.

On March 21, 2023, the Company issued 3,373,925 units at a price of \$0.40 per unit for gross proceeds of \$1,349,570 pursuant to a non-brokered private placement. Each unit are 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 \$0.80 for a period of two years from the date of issuance. The Company allocated \$134,957 to the warrants under the residual value method. The Company paid cash and have issuance cost of \$250.

During the year ended December 31, 2023, the Company issued 75,000 common shares upon exercise of warrants for total proceeds of \$15,000.

During the year ended December 31, 2023, the Company issued 156,250 common shares upon exercise of stock options for total proceeds of \$31,250. The Company reclassified \$29,920 from share-based payment reserve to share capital.

During the year ended December 31, 2023, the Company issued 2,125,000 common shares upon conversion of 2,125,000 RSUs and the Company transferred \$487,500 from share-based payment reserve to share capital.

On December 21, 2022, the Company issued 625,000 common shares upon the conversion of 625,000 of RSUs and the Company transferred \$137,500 from share-based payment reserve to share capital.

On September 2, 2022, the Company issued 3,750,000 common shares at a fair value of \$750,000 of the Company pursuant to a Share Purchase Agreement with Food Revolution Media, a private entity (Note 4).

On May 9, 2022, the Company issued 418,215 common shares at a fair value of \$150,557 of the Company pursuant to a Share Exchange Agreement with Cella Food Systems Inc. (Note 4).

During the year ended December 31, 2022, the Company issued 4,463,750 common shares upon exercise of warrants for total proceeds of \$1,126,500.

During the year ended December 31, 2022, the Company issued 206,250 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.

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 June 21, 2023, the Company granted 12,500 stock options with an exercise price of \$0.26 per share expiring on June 21, 2028. 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 \$2,981 for the full vesting period of the options, with a current period charge of \$2,404. The Black-Scholes option pricing model was used with the following assumptions: term – 5 years, expected volatility – 151%, risk free rate – 3.57% and expected dividends – \$Nil.

On April 27, 2023, the Company granted 1,250,000 stock options with an exercise price of \$0.40 per share expiring on April 27, 2028. 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 \$430,911 for the full vesting period of the options, with a current period charge of \$385,127. The Black-Scholes option pricing model was used with the following assumptions: term – 5 years, expected volatility – 148%, risk free rate – 2.99% and expected dividends – \$Nil.

On January 10, 2023, the Company granted 250,000 stock options with an exercise price of \$0.20 per share expiring on January 10, 2028, vesting fully on April 9, 2023. The fair value of the stock options was estimated to be \$26,386 for the full vesting period of the options, with a current period charge of \$26,386. The Black-Scholes option pricing model was used with the following assumptions: term – 5 years, expected volatility – 147%, risk free rate – 3.11% and expected dividends – \$Nil.

CULT Food Science Corp.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

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6. Share Capital (continued)

Stock Options (continued)

On November 16, 2022, the Company granted 50,000 stock options with an exercise price of \$0.20 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 \$563. 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 62,500 stock options with an exercise price of \$0.20 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 \$3,163. 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.

On October 3, 2022, the Company granted 25,000 stock options with an exercise price of \$0.20 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 \$1,802. 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 30, 2022, the Company granted 250,000 stock options with an exercise price of \$0.20 per share expiring on August 30, 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 \$50,769 for the full vesting period of the options, with a current period charge of \$19,448. 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 August 29, 2022, the Company granted 500,000 stock options with an exercise price of \$0.20 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 \$91,882 for the full vesting period of the options, with a current period charge of \$31,400. 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 125,000 stock options with an exercise price of \$0.68 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 \$6,224. 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 12,500 stock options with an exercise price of \$1.02 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 \$788. 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 25,000 stock options with an exercise price of \$1.32 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 \$1,329. 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 50,000 stock options with an exercise price of \$1.08 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 \$931. 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.

CULT Food Science Corp.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

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6. Share Capital (continued)**Stock Options (continued)**

A summary of stock option activity for the years ended December 31, 2023 and 2022 is as follows:

	Year ended December 31, 2023		Year ended December 31, 2022	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of year	4,068,750	\$0.41	3,200,000	\$0.44
Options granted	1,512,500	\$0.37	1,100,000	\$0.32
Options exercised	(156,250)	(\$0.20)	(206,250)	(\$0.32)
Options cancelled	(2,062,500)	(\$0.42)	(25,000)	(\$1.32)
Options outstanding, end of year	3,362,500	\$0.40	4,068,750	\$0.40
Options exercisable, end of year	2,731,250	\$0.40	3,281,250	\$0.41

At December 31, 2023, the weighted average remaining contractual life of the outstanding options is 3.44 years (December 31, 2022 – 3.91 years). The weighted average quoted market price for the options exercised was \$0.33.

As at December 31, 2023, 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)
1,537,500	1,537,500	0.40	August 30, 2026	2.67
25,000	25,000	1.00	October 8, 2026	2.77
25,000	25,000	1.32	November 3, 2026	2.84
12,500	12,500	1.32	November 8, 2026	2.86
25,000	25,000	1.32	March 8, 2027	3.19
12,500	12,500	1.02	April 4, 2027	3.26
375,000	375,000	0.20	August 29, 2027	3.66
25,000	25,000	0.20	October 3, 2027	3.76
62,500	62,500	0.20	November 13, 2027	3.87
1,250,000	625,000	0.40	April 27, 2028	4.33
12,500	6,250	0.26	June 21, 2028	4.48
3,362,500	2,731,250			3.44

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, 2023 and 2022:

	Year ended December 31, 2023		Year ended December 31, 2022	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning of year	29,090,232	\$0.84	33,553,982	\$0.76
Warrants issued	3,373,925	\$0.80	-	-
Warrants exercised	(75,000)	(\$0.20)	(4,463,750)	(\$0.24)
Warrants expired	(5,460,232)	(\$2.90)	-	-
Warrants outstanding, end of year	26,928,925	\$0.41	29,090,232	\$0.84

At December 31, 2023, the weighted average remaining contractual life of the outstanding warrants is 2.45 years (December 31, 2022 – 3.16 years). The weighted average quoted market price for the warrants exercised is \$0.20.

CULT Food Science Corp.

Notes to the Financial Statements

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6. Share Capital (continued)

Warrants (continued)

As at December 31, 2023, the Company had the following outstanding warrants:

Number of Warrants Outstanding	Exercise Price \$	Expiry Date	Remaining Contractual Life (Years)
3,373,925	0.80	March 21, 2025	1.22
1,050,000	0.20	May 29, 2026	2.41
4,075,000	0.20	August 3, 2026	2.59
18,430,000	0.40	August 23, 2026	2.65
26,928,925			2.45

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 2,500,000 RSUs to consultants of the Company. The RSUs vested immediately. Each RSU 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 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 625,000 common shares upon the conversion of 625,000 of RSUs.

On June 5, 2023, the Company has granted 250,000 RSUs to a consultant of the Company. The RSUs vested immediately. Each RSU 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 RSUs had a fair value of \$75,000, based on the closing price of the Company’s common shares on the date of grant.

On November 1, 2023, the Company granted 250,000 RSUs to the Company’s newly appointed CEO, Mitchell Scott. 50% of the RSUs vested immediately with the remaining 50% vesting on December 1, 2023. The RSUs entitle the CEO to acquire one common share in the capital of the Company for a period of five years from issuance. The RSUs had a fair value of \$25,000, based on the closing price of the Company’s common shares on the date of grant.

During the year ended December 31, 2023, the Company issued 2,125,000 common shares upon conversion of 2,125,000 RSUs and the Company transferred \$487,500 from share-based payment reserve to share capital.

7. Financial Instruments, Capital Management and Risk Management

I. Financial Instruments

The Company’s financial instruments include cash and cash equivalents, investments, and accounts payable and accrued liabilities and loan payable.

Determination of Fair Value

The carrying value of cash and cash equivalents, investments, accounts payable and accrued liabilities and loan payable 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.

CULT Food Science Corp.

Notes to the Financial Statements

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7. Financial Instruments, Capital Management and Risk Management (continued)

	Fair Value Measurement Hierarchy	Financial assets at FVTPL	Financial liabilities at amortized cost
As at December 31, 2023:			
Cash	Not applicable	\$ 170	\$ -
Investments	Level 3	4,333,003	-
Accounts payable and accrued liabilities	Not applicable	-	355,809
Loan payable	Not applicable	-	43,488
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

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.

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 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, 2023, a 2% increase or decrease in the US dollar would result in an increase/decrease to profit or loss of approximately \$101,000.

(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.

CULT Food Science Corp.

Notes to the Financial Statements

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7. Financial Instruments, Capital Management and Risk Management (continued)

(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 4 for details.

c) 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, 2023	355,809	-	-	-	355,809
December 31, 2022	118,793	-	-	-	118,793

The loan in the amount of \$43,488 at December 31, 2023 is payable on demand.

8. 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, 2023 and 2022:

	Year ended	
	December 31, 2023	December 31, 2022
	\$	\$
Consulting fees	236,625	171,700
Share-based compensation	82,071	213,122
	318,696	384,822

As at December 31, 2023, the balance due to related parties was \$156,804 (December 31, 2022 - \$53,500) which is included in accounts payable and accrued liabilities.

CULT Food Science Corp.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

Expressed in Canadian dollars

9. Income Taxes

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

	2023	2022
	\$	\$
Net loss before income taxes	(2,648,127)	(5,709,720)
Expected income tax recovery	(715,000)	(1,542,000)
Non deductible permanent differences	336,000	535,000
Change in prior year estimates	24,000	-
Change in unrecognized deductible temporary differences	355,000	1,007,000
Deferred income tax recovery	-	-

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

	2023	2022
	\$	\$
Deferred tax assets:		
Allowable capital losses	110,000	110,000
Non-capital losses	2,140,000	1,779,000
Share issue costs	16,000	23,000
Capital assets	9,000	8,000
Net unrecorded deferred tax assets	2,275,000	1,920,000

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, 2023		December 31, 2022	
	\$	Expiry Dates	\$	Expiry Dates
Capital losses	407,000	Not applicable	407,000	Not applicable
Non-capital losses	7,927,000	2029 to 2043	6,587,000	2029 to 2042
Share issue costs	57,000	2024 to 2025	86,000	2023 to 2025
Capital assets	32,000	Not applicable	32,000	Not applicable

10. Subsequent Events

In April 2024, the Company entered into debt settlement agreements to settle outstanding debts totaling \$140,940 and issued 3,270,000 common shares.

In April 2024, the Company granted 1,360,000 RSUs of the Company to the Company's directors and officers. The RSUs vest immediately. Each RSU entitle the directors and officers to acquire one common share of the Company for a period of five years from issuance.

Subsequent to the year ended December 31, 2023, the Company announced a claim was commenced against the Company by Cell AG. The claim is brought against the Company, for seeking specific performance of a share purchase agreement Cell AG alleges it entered into with the Company, including seeking an order that the Company pay Cell AG the purchase price and additional consideration as defined in the share purchase agreement, as well as the consulting fees, professional fees and grant funding as contemplated in the share purchase agreement and letter of intent. The Company intends to defend itself against the claim made and the matter is set for hearing on April 4, 2025.