

The Good Flour Corp.

Condensed Interim Consolidated Financial Statements

For the Six Months Ended December 31, 2022

(Unaudited – Expressed in Canadian Dollars)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a) released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the condensed interim financial statements for the six months ended December 31, 2022.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by, and are the responsibility of, the Company's management.

The Good Flour Corp.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2022 and June 30, 2022
(Expressed in Canadian Dollars)

		December 31, 2022	June 30, 2022
Assets	Note		
Current assets:			
Cash		\$ 1,019,253	\$ 1,343,681
Restricted cash		50,000	50,000
Amounts receivable	5	394,586	208,836
Prepaid expenses and deposits		72,992	42,757
Inventory	6	234,870	90,434
Total current assets		1,771,701	1,735,708
Non-current assets:			
Right of use assets	8	233,085	311,480
Property and equipment	7	813,279	709,320
Total Assets		\$ 2,818,065	\$ 2,756,508
Liabilities and Shareholders' Equity (Deficiency)			
Current liabilities:			
Accounts payable and accrued liabilities	9	\$ 1,437,630	\$ 975,614
Lease liability	8	156,048	204,182
Total current Liabilities		1,593,678	1,179,796
Non-current liabilities:			
Loans payable	11	61,956	57,372
Lease liability	8	89,002	116,030
Convertible debentures	12	246,067	475,365
Total Liabilities		\$ 1,990,703	\$ 1,828,563
Shareholders' Equity (Deficiency)			
Common shares	13	\$ 5,728,332	\$ 3,615,291
Reserves		3,147,680	2,991,532
Deficit		(8,048,650)	(5,678,878)
Total Shareholders' Equity		\$ 827,362	\$ 927,945
Total Liabilities and Shareholders' Equity		\$ 2,818,065	\$ 2,756,508

Nature of operations and going concern (Note 1 and 2)

Subsequent events (Note 18)

Approved on March 1, 2023 by the directors:

“MATTHEW CLAYTON”

“DEAN GOLBECK”

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

The Good Flour Corp.
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND
 COMPREHENSIVE LOSS**

For the Six Months and Three Months Ended December 31, 2022 and 2021
 (Expressed in Canadian Dollars)

	Note	For the Three Months ended December 31		For the Six Months ended December 31	
		2022	2021	2022	2021
Revenue	14	\$ 368,362	\$ 114,183	\$ 654,126	\$ 114,183
Cost of Sales		(627,988)	(104,039)	(1,016,804)	(104,039)
Gross Margin		(259,626)	10,144	(362,678)	10,144
Expenses					
Operating expenses:					
Depreciation	7,8	64,041	18,985	113,495	18,985
Finance costs	8,11,12	15,683	11,445	35,820	11,445
General and administrative	15	426,149	3,006,560	726,267	3,124,887
Sales and marketing	15	856,746	26,344	982,950	26,344
Share-based compensation	13	45,933	1,181,000	131,532	1,181,000
Total expenses		1,408,552	4,244,334	1,990,064	4,362,661
Net loss before other items		\$ (1,668,178)	\$ (4,234,190)	\$ (2,352,742)	\$ (4,352,517)
Other items					
Currency exchange loss		(2,252)	(2,624)	(4,264)	(2,624)
Loss on settlement of accounts payable	13	(12,766)	(31,989)	(12,766)	(31,989)
Net loss for the period		\$ (1,683,196)	\$ (4,268,803)	\$ (2,369,772)	\$ (4,387,130)
Loss per share – basic and diluted		\$ (0.02)	\$ (0.07)	\$ (0.03)	\$ (0.07)
Weighted average number of common shares		69,462,707	63,284,467	69,462,707	63,284,467

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

The Good Flour Corp.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Six Months Ended December 31, 2022 and the Year Ended June 30, 2022
(Expressed in Canadian Dollars)

	Common Shares (#)	Amount (\$)	Reserves				Deficit (\$)	Total (\$)
			Stock Options (\$)	Warrants (\$)	Convertible Debt (\$)	Total Reserve (\$)		
Balance, June 30, 2021	34,000,000	474,000	-	376,000	-	376,000	(133,694)	716,306
Units issued for cash	26,075,000	2,788,250	-	2,226,750	-	2,226,750	-	5,015,000
Issuance of convertible debentures	-	-	-	-	72,476	72,476	-	72,476
Shares deemed issued on reverse takeover	3,209,468	353,041	-	-	-	-	-	353,041
Warrants deemed issued on reverse takeover	-	-	-	2,000	-	2,000	-	2,000
Stock options deemed issued on reverse takeover	-	-	3,125	-	-	3,125	-	3,125
Convertible debt deemed issued on reverse takeover	-	-	-	-	17,653	17,653	-	17,653
Repayment of convertible debt	-	-	-	-	(17,653)	(17,653)	-	(17,653)
Share-based compensation	-	-	311,181	-	-	311,181	-	311,181
Comprehensive loss for the period	-	-	-	-	-	-	(5,545,184)	(5,545,184)
Balance, June 30, 2022	63,284,468	3,615,291	314,306	2,604,750	72,476	2,991,532	(5,678,878)	927,945
Convertible debentures exercised	656,250	175,000	-	-	-	-	-	175,000
Share-based compensation	-	-	119,267	-	36,881	156,148	-	156,148
Shares issued on debt-settlement	21,276	12,766	-	-	-	-	-	12,766
Issuance of common shares	5,500,713	1,925,275	-	-	-	-	-	1,925,275
Comprehensive loss for the period	-	-	-	-	-	-	(2,369,772)	(2,369,772)
Balance, December 31, 2022	69,462,707	5,728,332	433,573	2,604,750	109,357	3,147,680	(8,048,650)	827,362

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

The Good Flour Corp.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

	Note	For the Six Months ended	
		December 31	
		2022	2021
<i>Cashflow provided by (used in) operating activities:</i>			
Net loss		\$ (2,369,772)	\$ (4,387,130)
Items not involving cash			
Depreciation	7,8	134,095	18,985
Finance costs	8,11,12	29,427	11,445
Share-based payment	13	131,532	1,181,000
Listing expense		-	2,545,720
Loss on settlement of debt	13	12,766	31,989
Unrealized foreign exchange loss		-	2,624
Changes in non-cash working capital			
Accounts receivable and due from related party		(185,750)	(40,197)
Prepaid expenses and deposits		(30,234)	1,076
Inventory		(144,436)	-
Accounts payables and accrued liabilities		462,016	(533,669)
Cash provided by (used in) operating activities		\$ (1,960,356)	\$ (1,168,157)
<i>Cashflow used in investing activities:</i>			
Purchase of property and equipment		(159,659)	(206,542)
Cash acquired on acquisitions		-	(396,895)
Cash used in investing activities		\$ (159,659)	\$ (603,437)
<i>Cashflow provided by (used in) financing activities:</i>			
Issuance of common shares	13	1,925,275	5,015,000
Repayment of convertible debentures	12	(43,750)	(320,310)
Lease payments	8	(85,937)	(18,872)
Cash provided by (used in) financing activities		\$ 1,795,588	\$ 4,675,818
Net decrease in cash		\$ (324,428)	\$ 2,904,224
Cash and cash equivalent, beginning of the year		\$ 1,393,681	\$ 754,802
Cash and cash equivalent, end of the year		\$ 1,069,253	\$ 3,659,027
Cash and cash equivalent consists of			
Cash		\$ 1,019,253	\$ 3,659,027
Guaranteed Investment Certificate (GIC)		\$ 50,000	\$ -

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

The Good Flour Corp.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended December 31, 2022

UNAUDITED (Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

The Good Flour Corp., (the “Company” or “GFCO”) was incorporated under the provisions of *The Business Corporations Act* (Saskatchewan) on September 25, 2009. On September 4, 2014, the Company completed its continuance to British Columbia under the *Business Corporations Act* (British Columbia). The Company’s head office, principal address and the registered and records office are located at 5791 Sidley Street, Burnaby, BC V5J 5E6.

On July 8, 2021, the Company announced the signing of a share exchange agreement whereby it proposed to acquire 100% of the issued and outstanding shares of VGAN Brands Inc. (“VGAN”) in exchange for 60,075,000 common shares of the Company (the “VGAN Transaction”). The completion of the VGAN Transaction was contingent on VGAN completing an acquisition (the “Ghetto Transaction”) of all issued and outstanding share capital of The Gourmet Ghetto Food Ltd. (“Ghetto”). Ghetto manufactures and distributes a line of healthy, gluten-free and allergen free food products.

On November 4, 2021, VGAN completed the Ghetto Transaction. On November 5, 2021, the Company completed the VGAN Transaction. On November 8, 2021, the Company began trading on the Canadian Securities Exchange (“CSE”) under the symbol “GFCO”. The VGAN Transaction constituted a Reverse Takeover (“RTO”). The consolidated statements of financial position are presented as a continuance of VGAN and the comparative figures presented are those of the VGAN.

On December 31, 2021, VGAN and Ghetto were amalgamated under the Business Corporations Act (British Columbia).

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) and in accordance with International Accounting Standards (“IAS”) 34, *Interim Financial Reporting*. The consolidated interim financial statements do not include all the information required for full annual financial statements.

These consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended June 30, 2022.

These consolidated financial statements were approved by the Board of Directors on March 1, 2023.

Going Concern

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. As at December 31, 2022, the Company has not achieved profitable operations, has accumulated losses of \$8,048,650 since inception and expects to incur further losses in the development of its business. The aforementioned conditions have resulted in material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. The Company’s continuation as a going concern is dependent upon its ability to attain profitable operations to generate funds or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations and management is intending to secure additional financing as may be required, there is no assurance it will be able to do so in the future. These financial statements do not include any adjustments that might result from the outcome of this uncertainty. Should the Company be unable to

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended December 31, 2022

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continue as a going concern, the net realizable value of its assets may be materially less than the amount on its statement of financial position.

Basis of Measurement

The preparation of financial statements in compliance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. See Note 4 for use of estimates and judgments made by management in the application of IFRS.

The financial statements have been prepared on a historical cost basis, except for financial instruments measured at their fair value. 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, unless otherwise stated. The Canadian dollar is the functional and presentation currency of the Company.

Basis of Consolidation

These consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control exists when the Company has power over an investee, exposure or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Company's returns.

These consolidated financial statements include the financial statements of the Company and its significant subsidiaries listed below:

Name	Country of Incorporation	Functional Currency	% Equity Interest As at December 31, 2022
Loop Japan KK	Japan	Japanese Yen	100%
Good Flour USA Corp.	Nevada, U.S.A.	US \$	100%
The Good Flour Milling Corp.	Canada	Canadian \$	100%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited financial statements for the year ended June 30, 2022. The accompanying unaudited condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended June 30, 2022.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended December 31, 2022

UNAUDITED (Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management has made critical judgments in the process of applying accounting policies. The judgments with the most significant effect on the amounts recognized in the financial statements include:

- i) The assessment of the Company's ability to continue as a going concern and its ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances. The factors considered by management are disclosed in Note 2.
- ii) The Company must make an assessment of whether trade receivables are collectible from customers. Accordingly, management establishes an allowance for estimated losses arising from non-payment, taking into consideration customer credit, current economic trends and past experience. If future collections differ from estimates, future earnings would be affected.
- iii) The Company adjusts inventory values so that the carrying values do not exceed the net realizable value. The valuation of inventory at the lower of cost or net realizable value requires the use of estimates with regards to the amount of current inventory that will be sold, the prices at which it will be sold, and an estimate of expected orders from customers. Additionally, the estimates reflect changes in products or changes in demand because of various factors, including the market for products, obsolescence, change in product offerings, technology changes and competition.
- iv) The determination of whether a set of assets acquired and liabilities assumed in an acquisition constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits.
- v) The functional currency of each of the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determine the primary economic environment.

Significant estimates

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the current and next fiscal financial years:

- i) The Company measures the cost of equity settled transactions with employees and non-employees by reference to the fair value of the related instrument at the date in which they are granted and fair value

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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of services, respectively. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant, which is dependent on the terms and conditions of the grant. In addition, the option pricing models used require management to make various estimates and assumptions in relation to the expected life of the awards, volatility and forfeiture rates. Significant judgement is required in estimating the number of performance shares that are expected to vest. This estimate is subsequently trued up for differences between the number of instruments expected to vest and the actual number of instruments vested.

- ii) The Company assesses its property and equipment, for possible impairment at each reporting date or if there are events or changes in circumstances that indicate the carrying values of the assets may not be recoverable. The recoverability of the Company's asset carrying values is assessed at the CGU level. The determination of CGUs is subject to management judgments taking into consideration: the nature of the underlying business operations, geographical proximity of operations, shared infrastructure, and exposure to market risk.

The assessment of any impairment of property and equipment is dependent upon estimates of the recoverable amount that take into account factors such as economic and market conditions, timing of cash flows, the useful lives of assets, and their related salvage values. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is estimated using future cash flow projections, discounted to their present value, expected to arise from the CGU to which the goodwill relates. The required valuation methodology and underlying financial information that is used to determine value in use requires significant estimates to be made by management. These estimates include, but are not limited to, expected levels of activity within the gluten-free food products industry, long term projections of future financial performance and the selection of appropriate discount rates used to determine the present value of future cash flows. The estimated future cash flows are dependent upon a number of factors including, among others, future activity levels within the gluten-free food products industry, current economic and market conditions. Future activity cannot be predicted with certainty and, as such, actual results may differ from these estimates. Changes to these estimates may affect the recoverable amounts of the Company's CGUs, which may then require a material adjustment to their related carrying values.

- iii) The determination of other provisions and contingent liabilities is a complex process that involves judgments about the outcomes of future events, estimates of timing and amount of future expenditures, the interpretation of laws and regulations, and discount rates. The amount recognized as a provision is management's best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

5. AMOUNTS RECEIVABLE

	December 31, 2022		June 30, 2022	
Trade accounts receivables	\$	245,295	\$	95,347
Sales tax receivable		149,291		113,489
				\$
	\$	394,586		208,836

The Good Flour Corp.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Six Months Ended December 31, 2022

UNAUDITED (Expressed in Canadian Dollars)

6. INVENTORY

	December 31, 2022		June 30, 2022	
Finished goods	\$	64,865	\$	21,276
Packaging		19,609		22,868
Raw materials		143,230		37,536
Work in Process		7,166		8,754
	\$	234,870	\$	90,434

Products available for sale are carried at their net realizable value. Finished goods consist of food that has been mixed and packaged for shipment.

7. PROPERTY AND EQUIPMENT

	Leasehold Improvements	Equipment	Office Equipment	Automobiles	Total
Cost					
As at June 30, 2022	\$ -	\$ 698,255	\$ 116,379	\$ 8,132	\$ 822,766
Additions	61,776	86,497	11,385	-	159,659
Balance at December 31, 2022	61,776	784,752	127,764	8,132	982,425
Depreciation					
As at June 30, 2022	-	22,976	82,337	8,132	113,446
Depreciation expense	4,259	45,426	6,014	-	55,700
Balance at December 31, 2022	4,259	68,403	88,352	8,132	169,146
Net book value	\$ 57,516	\$ 716,350	\$ 39,413	\$ -	\$ 813,279

During the six month period ending December 31, 2022, depreciation expensed through cost of sales was \$20,600 (\$2021 – nil).

8. RIGHT OF USE ASSETS

The carrying amounts of the right-of use assets recognized and the movements during the year are as follows:

	December 31, 2022		June 30, 2022	
Balance at the beginning of period	\$	311,480	\$	-
Assets acquired in acquisition		-		373,217
Asset acquired on share exchange		-		3,660
Additions		-		30,841
Accumulated depreciation		(78,395)		(96,238)
Balance at the end of period	\$	233,085	\$	311,480

The Good Flour Corp.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended December 31, 2022

UNAUDITED (Expressed in Canadian Dollars)

The carrying amounts of the lease liabilities recognized and the movements during the year are as follows:

	December 31, 2022	June 30, 2022
Balance at the beginning of period	\$ 320,212	\$ -
Lease liabilities assumed on acquisition	-	374,937
Lease liabilities assumed on share exchange	-	4,765
Additions	-	30,841
Interest expense	10,775	15,795
Lease payments	(85,937)	(106,126)
Balance at the end of period	245,050	320,212

Which consist of:

Current lease liability	156,048	204,182
Non-current lease liability	89,002	116,030
Balance at the end of period	\$ 245,050	\$ 320,212

The Company's right-of-use asset and lease liability relate to the office and plant premises. As at December 31, 2022 future payments required are as follows:

Payable not later than one year	\$ 156,048
Payable later than one year and not later than five years	89,002
	\$ 245,050

The details of the Company's leases are as follows:

	Description	Term	Renewal option	Expiry
Lease 1	Production facility	3 years	3 years	September 30, 2024
Lease 2	Production facility	2 Years	2 years	October 31, 2023
Lease 3	Storage facility	1 year	None	August 31, 2023

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2022	June 30, 2022
Accounts payable	\$ 420,030	\$ 854,838
Accounts payable (statute of limitations)	675,220	-
Obligation to issue restricted stock units	126,230	-
Accrued liabilities	216,150	120,776
	\$ 1,437,630	\$ 975,614

10. RELATED PARTY TRANSACTIONS

During the six months ended December 31, 2022 and 2021, the Company incurred the following related party transactions:

The Company has identified its directors and senior officers as its key management personnel. No post-employment benefits, other long-term benefits and termination benefits were made during the six months ended December 31, 2022.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended December 31, 2022

UNAUDITED (Expressed in Canadian Dollars)

Key Management Compensation

The Company incurred the following transactions with directors, officers and companies that are controlled by directors of the Company.

	For the three months ended	
	December 31	
	2022	2021
Salary and management fees	\$ 291,075	\$ 44,500
Legal and consulting fees	64,200	70,950
Share-based compensation expensed	105,851	1,181,000
	\$ 461,756	\$ 1,296,450

The following amounts are payable and due to/from related parties. These amounts are unsecured, are non-interest bearing and have no fixed terms of repayment.

	December 31, 2022	June 30, 2022
	\$	\$
Due to directors and officers	20,740	32,767
Convertible debentures	246,067	313,800
	\$ 266,807	\$ 346,567

On August 4, 2022, the Company issued 437,500 common shares with a fair market value of \$0.38 per share to related party convertible debt holders on conversion of a portion of the outstanding convertible debt. Concurrently, the Company also repaid \$43,750 of convertible debentures held by related parties.

On November 4, 2022, the Company issued 218,750 common shares with a fair market value of \$0.40 per share to related party convertible debt holders on conversion of a portion of the outstanding convertible debt.

11. LOANS PAYABLE

The Canada Emergency Business Account loans ("CEBA Loans") bear 0% interest until December 31, 2023. If the balance is not paid by December 31, 2023, the remaining balance will be converted to a 3-year term loan at 5% annual interest paid monthly, commencing January 1, 2024. The Company anticipates repaying the loans before December 31, 2023.

The loans are carried at amortized cost based on an average market interest rate of 14%. During the three months ended December 31, 2022, interest accretion was \$2,341 (2021 - \$nil).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended December 31, 2022

UNAUDITED (Expressed in Canadian Dollars)

12. CONVERTIBLE DEBENTURES

	December 31, 2022	June 30, 2022
	\$	\$
Opening balance	475,365	-
Acquired in share exchange	-	286,027
Issued on acquisition	-	448,286
Equity component	(24,616)	-
Finance costs	14,068	27,079
Converted to common shares	(175,000)	-
Repayment of principal	(43,750)	(286,027)
	\$ 246,067	\$ 475,365

(a) On November 4, 2021 the Company issued convertible debentures of \$500,000. The notes bear no interest and are payable as follows:

- (i) 12.5% of the principal sum on the date that is 3 months from the date of issuance (Nov. 4)
- (ii) 12.5% of the principal sum every 3 months thereafter; and
- (iii) The final 12.5% on the date that is 24 months from the date of issuance.

On each vesting date the holders will have the option to receive either their respective portion of cash or an amount equal to their respective portion in consideration shares. The exact number of common shares will be based on a deemed price per share of \$0.20.

On August 4, 2022, the Company settled convertible debentures with a book value of \$87,500 by issuing 437,500 common shares at a deemed price of \$0.20 per share. Concurrently, the Company also repaid \$43,750 of convertible debenture principal.

On November 4, 2022, the Company settled convertible debentures with a book value of \$87,500 by issuing 218,750 common shares at deemed price of \$0.20 per share.

13. SHARE CAPITAL AND RESERVES

(a) Authorized

An unlimited number of common shares without par value.

(b) Share Issuances

The following common shares were issued during the six months ended December 31, 2022:

- On August 4, 2022, the Company issued 437,500 shares with a fair market value of \$0.38 per share in settlement of convertible debt obligations.
- On November 4, 2022, the Company issued 218,750 shares with a fair market value of \$0.40 per share in settlement of convertible debt obligations.
- On December 9, 2022, the Company issued 5,500,713 units for total proceeds of \$1,925,250. Each unit is comprised of one common share and one common share purchase warrant. Each full warrant will entitle the holder thereof to purchase one common share at a price of \$0.40. The warrants expire three years from date of issuance.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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- On December 9, 2022, the company issued 1,000,000 Restricted Share Units (“RSU”) that vest on April 10, 2023. Each RSU can be redeemed for one common share of the Company or a cash payment equal to the fair value of the shares upon vesting. During the six month period ended December 31, 2022, the Company recognized a liability of \$126,230 which is recorded in accrued liabilities.
- On December 21, 2022, the Company issued 21,276 shares with a fair market value of \$0.60 per share to settle debt totaling \$12,766. A loss on debt settlement was recorded as a result of this transaction.

The following common shares were issued during the year ended June 30, 2022:

- On July 23, 2021, the Company issued 2,000,000 units for total proceeds of \$200,000. Each unit is comprised of one common share and common share purchase warrant. Each full warrant will entitle the holder thereof to purchase one common share at a price of \$0.40 per common share. The warrants expire three years from date of issuance. The estimated fair value of the warrants of \$60,000 was calculated using the Black Scholes Option Pricing Model with the following grant-date assumptions: grant date stock price, \$0.07; expected life, 5 years; expected volatility, 124%; risk free rate, 0.72%; and expected dividends, 0%. The residual amount of \$140,000 was attributed to the shares.
- On October 29, 2021, the Company issued 24,075,000 units for total proceeds of \$4,815,000. Each unit is comprised of one common share and common share purchase warrant. Each full warrant will entitle the holder thereof to purchase one common share at a price of \$0.25 per common share. The warrants expire five years from date of issuance. The estimated fair value of the warrants of \$2,166,750 was calculated using the Black Scholes Option Pricing Model with the following grant-date assumptions: grant date share price, \$0.11; expected life, 5 years; expected volatility, 129%; risk free rate, 1.39%; and expected dividends, 0%. The residual amount of \$2,648,250 was attributed to the shares.
- On November 5, 2021, the Company issued 3,209,468 common shares with a fair value of \$353,041 pursuant to the VGAN Transaction (Note 5).

(c) Escrow shares

During the six months ended December 31, 2022, 9,111,559 common shares were released from escrow and 656,250 common shares were deposited on the vesting of the convertible debentures. The resulting balance of shares held in escrow is 363,675.

(d) Stock Options

Options to purchase Common Shares may be granted to directors, consultants, officers and employees of the Company for terms up to five years at a price at least equal to the market price prevailing on the date of the grant.

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The continuity of the stock options for the six months ended December 31, 2022 and the year ended June 30, 2022 is as follows:

	Six Months Ended December 31, 2022		Year Ended June 30, 2022	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
		\$		\$
Outstanding, beginning of period	7,007,550	0.29	3,000,000	0.20
Deemed issued on reverse takeover	-	4.44	193,050	4.44
Granted	-	0.20	6,850,000	0.20
Cancelled	-	0.25	(3,035,500)	0.25
Outstanding end of period	7,007,550	\$ 0.29	7,007,550	\$ 0.29

On May 28, 2021, the Company executed a consulting agreement with a food products marketing consultant. The agreement provides for the consultant to be granted 3,000,000 incentive stock options at an exercise price of \$0.20 and a maturity date of May 28, 2026 to be vested on achieving certain milestones. None of the incentives had been earned as at March 31, 2022. The consulting agreement was subsequently cancelled on May 14, 2022 and these options were forfeited.

On November 5, 2021 the Company granted 6,850,000 options to certain employees as a part of its compensation plan. The options vest over 5 years and are exercisable at \$0.20.

On November 5, 2021 as a part of the VGAN Transaction (note 5) the Company issued 193,050 stock options that have an average exercise price of \$4.44.

On February 5, 2022, 28,000 options with a weighted average exercise price of \$4.66 were cancelled.

On June 1, 2022 5,000 options with an exercise price of \$6.00 were cancelled.

On June 21, 2022, 2,500 options with an exercise price of \$4.00 were cancelled.

The fair value of the options has been estimated using the Black-Scholes Option Pricing Model assuming a grant date share price of \$0.11, risk-free rate of 1.26% with an expected life of 5 years, expected volatility of 116% and no expected dividend. The weighted average grant date fair value of these options was \$0.08 per option.

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Details of options outstanding and exercisable at December 31, 2022 are as follows:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Weighted Average Exercise Price	Remaining Life (Years)
13,050	13,050	\$5.00	November 23, 2023	\$5.00	0.90
21,500	21,500	\$6.00	July 18, 2024	\$6.00	1.55
123,000	123,000	\$4.00	January 3, 2025	\$4.00	2.01
6,850,000	5,126,399	\$0.20	November 5, 2026	\$0.20	3.85
7,007,550	5,283,949			\$0.32	3.80

For the six month period ending December 31, 2022, the Company recorded stock-based compensation of \$131,532 (2021 - \$1,181,000) in respect of incentive stock options.

(e) Warrants

The continuity of warrants for the six months December 31, 2022 and year ended June 30, 2022 is as follows:

	Warrants outstanding	Exercise Price
Balance, June 30, 2021	34,000,000	\$ 0.05
Granted	26,075,000	0.12
Deemed issued on reverse takeover	33,453	3.90
Balance, June 30, 2022	60,108,453	\$ 0.14
Granted	5,500,713	0.40
Balance, December 31, 2022	65,609,166	\$ 0.16

As at December 31, 2022, the following warrants were outstanding:

Expiry Date	Number of Warrants issued and exercisable	Exercise Price	Weighted average remaining contractual life (years)
January 22, 2023	33,453	\$3.90	0.06
March 31, 2026	34,000,000	\$0.05	3.25
July 23, 2026	2,000,000	\$0.15	3.56
October 29, 2026	24,075,000	\$0.25	3.83
December 9, 2025	5,500,713	\$0.40	2.94
	65,609,166	\$0.16	3.44

14. REVENUES

Gross revenue for the three months ended December 31, 2022 from the sales of dry food mixes and frozen food products totaled \$429,349 (2021 - \$114,183). Revenues are shown net of rebates and marketing fees paid to distributors of \$60,987 (2021 - nil). All revenues are from North America.

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15. EXPENSES BY NATURE

For the six months ended December 31, 2022:

	Cost of sales	General and administrative	Sales and marketing
Personnel	\$ 408,704	\$ 322,870	\$ -
Travel	-	31,948	-
Office	68,536	128,560	-
Depreciation	20,600	-	-
Raw Materials	518,964	-	-
Consulting	-	-	331,137
Accounting and legal	-	242,889	-
Advertising and marketing fees	-	-	651,813
Totals	\$ 1,016,804	\$ 726,267	\$ 982,950

For the six months ended December 31, 2021:

	General and administrative	Sales and marketing
Personnel	\$ 65,706	\$ -
Travel	12,639	-
Office	9,585	5,132
Consulting	419,207	21,212
Accounting and legal	57,950	-
Listing Fees	2,559,800	-
Totals	\$ 3,124,887	\$ 26,344

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a counter-party to a financial instrument fails to meet its contractual obligations. The Company's maximum exposure to credit loss is the book value of its financial instruments. The Company's cash and cash equivalents is deposited with a major Canadian chartered bank and is held in highly-liquid investments. The Company's receivables consist of taxes receivable and trade accounts receivable which represents the maximum credit risk for receivables.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due. As at December 31, 2022, the Company has working capital of \$178,023. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing

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will be favourable. The Company may seek additional financing through equity and debt offerings and advances from related parties, but there can be no assurance that such financing will be available on terms acceptable to the Company.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's cash is not subject to interest rate risk. The loan payable and convertible debentures are not subject to interest rate risk as they are a fixed rate. The Company is not exposed to other significant interest rate risk due to the short-term maturity of its monetary assets and liabilities and amounts owing being non-interest bearing or bearing fixed rates of interest.

(ii) Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's sales are in US dollars and the Company's manufacturing costs are largely denominated in US dollars, providing a natural hedge against the risk of foreign exchange fluctuations. However due to long lead times for parts used in manufacturing the Company's products, the Company is exposed to the risk of foreign currency fluctuations over time. The Company is also exposed to fluctuations in foreign currencies through its operations in Japan. The Company monitors this exposure but has entered into no formal hedge agreements.

As at December 31, 2022, the Company was exposed to foreign currency risk through the following financial assets and liabilities denominated in foreign source currencies.

	December 31, 2022		June 30, 2022	
	US Dollar	Japanese Yen	US Dollar	Japanese Yen
Cash	\$ 12,688	58,968	\$ 6,345	58,968
Accounts receivable	123,937	-	28,440	-
Accounts payable	134,962	18,078,247	52,662	18,078,247
Total	\$ 271,587	18,137,215	\$ 87,447	18,137,215

(ii) Other price risk

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 or foreign currency risk. The Company is not exposed to significant other price risk.

(d) Fair Value of Financial Instruments

Fair value measurement disclosure includes classification of financial instrument fair values in a hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

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Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy as follows:

	Level 1	Level 2	Level 3
	\$	\$	\$
As at December 31, 2022:			
Cash	1,019,253		
Restricted cash	50,000		
As at June 30, 2022:			
Cash	1,343,681		
Restricted cash	50,000		

(d) Fair Value of Financial Instruments (continued)

The carrying values of cash, restricted cash, accounts receivable, due from related party, accounts payable approximate their fair value given their short-term nature. The loans payable and convertible debentures are recorded at amortized cost. As at December 31, 2022 and June 30, 2022, the Company's has no Level 3 instruments.

17. CAPITAL MANAGEMENT

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its investment growth strategy, fund research and development, engage in sales and marketing activities, and undertake selective acquisitions, while at the same time taking a conservative approach toward financial leverage and management of financial risk. The Company's capital is composed entirely of equity and short-term loans. The Company uses capital to finance operating losses, capital expenditures, and increases in non-cash working capital. The Company currently funds these requirements from cash raised through share issuances and short-term debt as required. The Company's objectives when managing capital are to ensure that the Company will continue to have enough liquidity help build its business manufacturing and distributing a line of healthy, gluten-free and allergen free food products.

The Company monitors its capital on the basis of the adequacy of its cash resources to fund its business plan. In order to maximize flexibility to finance growth, the Company does not currently pay a dividend to holders of its common shares. The Company did not institute any changes to its capital management strategy during the year.

As at December 31, 2022, the Company had capital resources consisting of all components of shareholders' equity. 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. To maintain or adjust the capital structure, the Company may attempt to issue common shares.

18. SUBSEQUENT EVENT

On February 4, 2023, the Company settled convertible debentures with a book value of \$87,500 by issuing 218,750 common shares at deemed price of \$0.20 per share.

On February 16, 2023, warrant holders exercised 2,500,000 warrants at an exercise price of \$0.25. As a result of

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the exercise of the warrants, the Company issued 2,500,000 common shares and received gross proceeds of \$625,000.