

KOMO PLANT BASED FOODS INC.

Consolidated Financial Statements

For the Years Ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Komo Plant Based Foods Inc.

Opinion

We have audited the consolidated financial statements of Komo Plant Based Foods Inc. (the "Company"), which comprise the consolidated statements of financial position as at July 31, 2023 and 2022, and the consolidated statements of operations and comprehensive loss, changes in shareholders' deficit, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at July 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

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 Consolidated 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 in the consolidated financial statements, which indicates that the Company incurred a net loss from continuing operations of \$597,562 and negative cash flows from continuing operations of \$66,411 during the year ended July 31, 2023 and, as of that date, the Company has a working capital deficit of \$2,509,810, and an accumulated deficit of \$17,653,993. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate 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

We have determined that there are no key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, 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 consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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 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 Henry Chow.

The image shows a handwritten signature in black ink that reads "SATURNA GROUP LLP". The letters are stylized and connected, with a cursive-like appearance.

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

November 28, 2023

KOMO PLANT BASED FOODS INC.Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	July 31, 2023	July 31, 2022
		\$	\$
ASSETS			
Current assets			
Cash		2,058	224,344
Amounts receivable	3	45,363	259,533
Inventory	4	-	92,142
Prepaid expenses and deposits	5	3,000	124,399
Total current assets		50,421	700,418
Loss on debt settlement			
Non-current assets			
Property and equipment	5	-	26,463
Intangible assets	7	-	33,650
Total non-current assets		-	60,113
Total assets		50,421	760,531
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8	524,683	351,614
Interest payable	9	200,261	54,434
Convertible debentures	9	1,359,245	-
Derivative liabilities	9	43,711	334,468
Loans payable	10	120,000	-
Due to related parties	8	312,331	45,949
Current and total liabilities		2,560,231	786,465
Non-current liabilities			
Convertible debentures	9	-	1,130,472
Loans payable	10	-	112,784
Total non-current liabilities		-	1,243,256
Total liabilities		2,560,231	2,029,721
SHAREHOLDERS' DEFICIT			
Share capital	11	12,111,402	11,825,566
Share-based payment reserve	11 & 13	2,965,063	3,028,305
Convertible debenture reserve	9	67,718	68,175
Deficit		(17,653,993)	(16,191,236)
Total shareholders' deficit		(2,509,810)	(1,269,190)
Total liabilities and shareholders' deficit		50,421	760,531

Nature of operations and continuance of business (Note 1)

Approved and authorized for issuance on behalf of the Board of Directors on November 28, 2023:

/s/ "Daniel Kang"
Daniel Kang, Director

/s/ "Angelo Rajasooriar"
Angelo Rajasooriar, Director

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

KOMO PLANT BASED FOODS INC.Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)

	Notes	Year ended July 31,	
		2023	2022
		\$	\$
EXPENSES			
Advertising and promotion	8	60,458	860,599
Consulting fees	8	90,499	365,611
Depreciation		-	2,430
General and administrative	8 & 14	33,315	29,572
Investor relations		46,116	600,197
Professional fees	8	17,884	100,255
Share-based compensation	13	(34,268)	773,203
Wages	8	24,643	126,621
Total expenses		238,647	2,858,488
LOSS BEFORE OTHER INCOME/EXPENSES		(238,647)	(2,858,488)
Other income/expenses	14	(358,915)	(465,114)
Net loss from continuing operations		(597,562)	(3,323,602)
Loss from discontinued operations	18	(865,195)	(1,279,201)
NET AND COMPREHENSIVE LOSS		(1,462,757)	(4,602,803)
Loss per shares, basic & diluted			
from continuing operations		(0.06)	(0.36)
from discontinued operations		(0.08)	(0.14)
Loss per share, basic & diluted		(0.14)	(0.50)
Weighted average shares outstanding,			
- basic & diluted		10,221,473	9,193,016

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

KOMO PLANT BASED FOODS INC.

Consolidated Statements of Changes in Shareholders' Equity (Deficit)
(Expressed in Canadian Dollars)

	Share capital		Share-based payment reserve	Convertible debenture reserve	Deficit	Total
	Number of shares	Amount				
		\$	\$	\$	\$	\$
BALANCE, JULY 31, 2021	8,543,866	10,111,033	1,717,966	-	(11,588,433)	240,566
Issuance of units for cash	780,863	1,071,122	70,086	-	-	1,141,208
Share issuance costs	-	(33,086)	13,086	-	-	(20,000)
Issuance of units for debt	70,749	81,358	17,686	-	-	99,044
Convertible debentures issued	-	-	402,156	70,002	-	472,158
Shares issued on exercise of stock options	29,000	75,995	(44,895)	-	-	31,100
Shares issued on exercise of warrants	240,237	455,219	(62,144)	-	-	393,075
Shares/units issued on debenture conversions	42,382	63,925	-	(1,827)	-	62,098
Share-based compensation	-	-	914,364	-	-	914,364
Net loss for the year	-	-	-	-	(4,602,803)	(4,602,803)
BALANCE, JULY 31, 2022	9,707,097	11,825,566	3,028,305	68,175	(16,191,236)	(1,269,190)
Issuance of units for cash	766,666	115,000	-	-	-	115,000
Conversion of convertible debentures	455,704	60,836	-	(457)	-	60,379
Issuance of units to settle debts	733,332	110,000	-	-	-	110,000
Share-based compensation	-	-	(63,242)	-	-	(63,242)
Net loss for the year	-	-	-	-	(1,462,757)	(1,462,757)
BALANCE, JULY 31, 2023	11,662,799	12,111,402	2,965,063	67,718	(17,653,993)	(2,509,810)

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

KOMO PLANT BASED FOODS INC.

Notes to the Consolidated Financial Statements

Years Ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

	Year ended July 31,	
	2023	2022
OPERATING ACTIVITIES		
Net loss from continuing operations	(597,562)	(3,323,602)
Items not involving cash:		
Accretion of discount on convertible debentures	282,798	165,953
Gain or loss on settlement of debt	9,448	(34,183)
Depreciation	-	2,430
Loss on disallowed GST	189,256	-
Interest expense on convertible debentures	153,769	88,693
Interest expense on loans/lease liabilities	2,912	6,425
Gain on change in fair value of derivative liabilities	(290,757)	319,886
Share-based compensation	(34,268)	773,203
Write-off of equipment	-	3,236
Changes in non-cash operating working capital:		
Amounts receivable	(83,248)	(91,579)
Prepaid expenses & deposits	94,884	18,070
Due to related parties	36,002	22,364
Accounts payable and accrued liabilities	170,356	269,205
Net cash used in operating activities from continuing operations	(66,411)	(1,779,899)
Net cash used in operating activities from discontinued operations (Note 18)	(267,340)	(1,090,224)
INVESTING ACTIVITIES		
Net cash used in investing activities from discontinued operations	-	(26,640)
FINANCING ACTIVITIES		
Proceeds from issuance of units issued in private placement	115,000	1,121,208
Restatement of convertible debentures	-	12,226
Proceeds from issuance of convertible debentures	-	1,502,000
Conversion of convertible debentures	-	-
Cash transaction costs from issuance of convertible debentures	-	(116,000)
Repayment of convertible debentures	-	(131,239)
Proceeds from exercise of stock options	-	31,100
Proceeds from exercise of warrants	-	393,075
Payment of convertible debentures interest	(3,536)	(34,259)
Net cash provided by financing activities from continuing operations	111,464	2,778,111
CHANGE IN CASH	(222,286)	(118,652)
Cash, beginning of year	224,344	342,996
CASH, END OF YEAR	2,058	224,344

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

KOMO PLANT BASED FOODS INC.

Notes to the Consolidated Financial Statements

Years Ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

1. Nature of Operations and Continuance of Business

Komo Plant Based Foods Inc. (the "Company") was incorporated under the laws of the province of British Columbia, Canada, on December 3, 2010. On May 31, 2021, the Company changed its name to Komo Plant Based Foods Inc. The Company researches, develops, manufactures, markets and sells plant-based frozen food products through ecommerce and retail. In May 2023, the Company discontinued its operations (Note 18).

These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to realize its assets and satisfy its liabilities in the normal course of business for the foreseeable future. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon the Company's ability to continue as a going concern. During the year ended July 31, 2023, the Company has incurred a net loss from continuing operations of \$597,562 and incurred negative cash flows in operating activities from continuing operations of \$66,411. As at July 31, 2023, the Company has a working capital deficit of \$2,509,810 and an accumulated deficit of \$17,653,993. The continued operations of the Company are dependent on future profitable operations, management's ability to manage costs, and the future availability of equity or debt financing. Whether and when the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due is uncertain. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and consolidated statement of financial position classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

2. Significant Accounting Policies

(a) Statement of Compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee.

(b) Basis of Presentation

These consolidated financial statements include the accounts of the Company and its wholly owned Canadian subsidiaries, Komo Plant Based Comfort Foods Inc. ("Comfort"), Fasttask Inc., and 10758914 Canada Inc. All intercompany balances and transactions have been eliminated on consolidation.

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for the cash flow information. The presentation and functional currency of the Company and its Canadian subsidiaries is the Canadian dollar, and the functional currency of its previously wholly owned subsidiary, KBM, is the United States dollar. In the opinion of the Company's management, all adjustments considered necessary for a fair presentation have been included.

(c) Significant Accounting Estimates and Judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income 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.

KOMO PLANT BASED FOODS INC.

Notes to the Consolidated Financial Statements

Years Ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(c) Significant Accounting Estimates and Judgments (continued)

Significant areas requiring the use of estimates include the collectability of amounts receivable, net realizable value of inventory, the useful lives and carrying values of property and equipment and intangible assets, fair value of share-based compensation and derivative liabilities, discount rates used for convertible debentures, revenue recognition, and measurement of unrecognized deferred income tax assets.

Judgments include the factors that are used in determining the application of the going concern assumption which requires management to consider all available information about the future, which is at least but not limited to, 12 months from the year end of the reporting period, factors used in determining the discount rate for the carrying value of convertible debentures.

(d) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(e) Inventory

Inventory consists primarily of finished goods, raw materials, and packaging and are measured at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(f) Financial Instruments

(i) Recognition and initial measurement

The Company's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities, convertible debentures, derivative liability, and loans payable, and due to related parties.

The following table shows the classification under IFRS 9:

Financial instrument	Classification
Cash	Amortized cost
Amounts receivable (except for GST receivable)	Amortized cost
Accounts payable and accrued liabilities, and interest payable	Amortized cost
Due to related parties	Amortized cost
Convertible debentures	Amortized cost
Derivative liabilities	FVTPL
Loans payable	Amortized cost

Trade receivables are initially recognized when they are originated. All other financial assets and liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

KOMO PLANT BASED FOODS INC.

Notes to the Consolidated Financial Statements

Years Ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(f) Financial Instruments (continued)

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Subsequent measurement and gains and losses

- Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the consolidated statement of operations.
- Financial assets at amortized cost: These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statement of operations. Any gain or loss on derecognition is recognized in the consolidated statement of operations.
- Debt investments at FVOCI: These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the consolidated statement of operations. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the consolidated statement of operations.

KOMO PLANT BASED FOODS INC.

Notes to the Consolidated Financial Statements

Years Ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(f) Financial Instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets (continued)

- Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of operations unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to the consolidated statement of operations.

Financial liabilities

Financial liabilities are classified as 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 the consolidated statement of operations. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the consolidated statement of operations. Any gain or loss on derecognition is also recognized in the consolidated statement of operations.

(iii) Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company enters into transactions whereby it transfers assets recognized in its consolidated statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the consolidated statement of operations.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

KOMO PLANT BASED FOODS INC.

Notes to the Consolidated Financial Statements

Years Ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(f) Financial Instruments (continued)

(v) Impairment

Financial assets and contract assets

The Company recognizes loss allowances for expected credit losses ("ECLs") on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

KOMO PLANT BASED FOODS INC.

Notes to the Consolidated Financial Statements

Years Ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(f) Financial Instruments (continued)

(v) Impairment (continued)

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to the consolidated statement of operations and is recognized in OCI.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(g) Property and Equipment

Property and equipment consists of office fixtures, equipment, and computers and is recorded at cost. The Company depreciates the cost of its property and equipment over their estimated useful life of 3 years using the straight-line basis.

(h) Intangible Assets

Intangible assets consist of plant-based alternative meat product formulations. Intangible assets are carried at cost less accumulated amortization and impairment and are capitalized when the costs can be measured reliably and it is probable that future economic benefits that are attributable to the asset will flow to the Company. Product formulations are deemed to have an indefinite useful life and will be periodically evaluated by the Company to assess whether they have a determinable useful life or whether their value has become impaired over time.

KOMO PLANT BASED FOODS INC.

Notes to the Consolidated Financial Statements

Years Ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(i) Impairment of Non-financial Assets

At each reporting period, the Company assesses whether there are indicators of impairment for its non-financial assets, including intangible assets. If indicators exist, the Company determines if the recoverable amount of the asset or cash generating unit ("CGU") is greater than its carrying amount. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets.

If the carrying amount exceeds the recoverable amount, the asset or CGU is recorded at its recoverable amount with the reduction recognized in profit or loss. The recoverable amount is the greater of the value in use or fair value less costs to sell. Fair value is the amount the asset could be sold for in an arm's length transaction. The value in use is the present value of the estimated future cash flows of the asset from its continued use. The fair value less costs to sell considers the continued development of a property and market transactions in a valuation model.

Impairments are reversed in subsequent periods when there has been an increase in the recoverable amount of a previously impaired asset or CGU and these reversals are recognized in the consolidated statement of operations. The recovery is limited to the original carrying amount less depreciation, if any, that would have been recorded had the asset not been impaired.

(j) Leases

At inception of the contract, the Company assesses whether a contract is, or contains, a lease by evaluating if the contract conveys the right to control the use of an identified asset. For contracts that contain a lease, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted by any initial direct costs, and costs to dismantle and remove the underlying asset less any lease incentives. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term. Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36, *Impairment of Assets*.

The lease liability is initially measured at the present value of lease payments to be paid subsequent to the commencement date of the lease, discounted either at the interest rate implicit in the lease or the Company's incremental borrowing rate. The lease payments measured in the initial lease liability include payments for an optional renewal period, if any, if the Company is reasonably certain that it will exercise a renewal extension option. The liability is measured at amortized cost using the effective interest method and will be remeasured when there is a change in either the future lease payments or assessment of whether an extension or other option will be exercised. The lease liability is subsequently adjusted for lease payments and interest on the obligation. Interest expense on the lease obligation is included in the consolidated statement of operations. The Company discounts its lease liabilities at the Company's incremental borrowing rate.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases with a lease term of less than 12 months and low value assets, and recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term, as permitted by IFRS 16.

KOMO PLANT BASED FOODS INC.

Notes to the Consolidated Financial Statements

Years Ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(k) Revenue recognition

The Company generates revenue from the sale of personal care products and plant-based foods through e-commerce sales and retail. The time between invoicing and when payment is due is not significant and none of the Company's contracts contain a significant financing component.

The Company follows IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), to recognize its revenue. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, the Company's accounting policy for revenue recognition is as follows: i) identify the contract with the customer; ii) identify the performance obligation(s) in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligation(s); and (v) recognize revenue when (or as) performance obligation(s) are satisfied.

For retail sales, revenue is recognized immediately upon providing the customer with the product. For e-commerce sales, revenue is recognized when delivery has occurred and there is no unfulfilled obligation that could affect the customer's acceptance. These criteria are generally met at the time the product leaves the Company's premises and at that point, control has passed to the customer. Revenue is measured based on the price specified in the Company's invoice provided to the customer. The Company does not have any multiple-element revenue arrangements. Revenue is presented net of discounts and sales and other related taxes.

(l) Share capital

The Company uses the residual value method with respect to the measurement of common shares and share purchase warrants issued as units. The proceeds from the issue of units is allocated between common shares and share purchase warrants on a residual value basis, wherein the fair value of the common shares is based on the market value on the date of the announcement of the placement and the balance, if any, is allocated to the attached warrants.

(m) Compound Instruments – Convertible Debentures

The components of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the contractual agreement. At the date of issue, the fair value of the liability component is estimated using the market interest rate then in effect for a similar instrument without a conversion feature. The amount is recorded as a liability at amortized cost, using the effective interest rate method until its expiry at the time of conversion or maturity of the instrument. The calculated liability component is deducted from the total fair value of the compound instrument, with the residual value assigned to the equity component.

Transaction costs related to the issuance of convertible debentures are allocated proportionately to the liability and equity components based on their initial carrying amounts. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the debenture using the effective interest method. Transaction costs relating to the equity component are recognized as a deduction from equity.

KOMO PLANT BASED FOODS INC.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(n) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as share-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in share-based payment reserve, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

(o) Foreign Currency Translation

The presentation and functional currency of the Company is the Canadian dollar. Foreign currency transactions are translated into its functional currency, Canadian dollars, using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Foreign exchange gains and losses are included in the consolidated statement of operations.

(p) Loss Per Share

Basic loss per common share is computed by dividing their respective net loss by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the income per share. The dilutive effect of convertible securities is reflected in the diluted loss per share by application of the "if converted" method. The dilutive effect of outstanding incentive stock options and their equivalents is reflected in the diluted loss per share by application of the treasury stock method. As at July 31, 2023, the Company had 7,062,315 (2022 - 9,761,306) potentially dilutive shares from the issuance of stock options, share purchase warrants, and convertible debt.

(q) Comprehensive Income (Loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the consolidated statement of operations.

KOMO PLANT BASED FOODS INC.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(r) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the consolidated statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(s) Reclassifications

Certain financial statement items have been reclassified for consistency with the current period presentation. These reclassifications related to the presentation of discontinued operations (Note 18) and had no material effects on the consolidated financial statements.

(t) Accounting Standards Issued But Not Yet Effective

Certain pronouncements have been issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning on or after August 1, 2023 or later years. Management does not believe the adoption of these future standards will have a material impact on the Company's financial statements.

3. Amounts Receivable

	July 31,	
	2023	2022
	\$	\$
Accounts receivable	70,776	119,226
Allowance for doubtful accounts	(52,658)	(4,747)
GST receivable	27,245	145,054
Net accounts receivable	45,363	259,533

KOMO PLANT BASED FOODS INC.

Notes to the Consolidated Financial Statements

Years Ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

4. Inventory

	July 31,	
	2023	2022
	\$	\$
Packaged food products	33,975	39,444
Raw materials	-	11,580
Packaging materials	31,990	41,118
Impairment (Note 18)	(65,965)	-
Total	-	92,142

The inventory relates to the discontinued operations of the Company during the year. The Company is not expecting to realize the value of inventory as at year-end and the impairment loss has been recorded in discontinued operations (Note 18).

5. Prepaid Expenses and Deposits

Below is a summary of the Company's prepaid expense and deposits as of July 31, 2023 and 2022:

	July 31,	
	2023	2022
	\$	\$
Prepaid expenses	-	85,367
Deposits	3,000	39,032
Total	3,000	124,399

KOMO PLANT BASED FOODS INC.

Notes to the Consolidated Financial Statements

Years Ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

6. Equipment

	Office Fixtures	Office equipment	Production equipment	Total
	\$	\$	\$	\$
Cost				
Balance, July 31, 2021	4,610	7,861	7,559	20,030
Additions	-	23,096	3,544	26,639
Disposals	(4,610)	-	-	(4,610)
Balance, July 31, 2022	-	30,957	11,103	42,060
Impairment	-	(30,957)	(11,103)	(42,060)
Balance, July 31, 2023	-	-	-	-
Accumulated depreciation				-
Balance, July 31, 2021	3,874	1,369	495	5,738
Depreciation	2,062	10,210	3,523	15,795
Disposals	(5,936)	-	-	(5,936)
Balance, July 31, 2022	-	11,579	4,018	15,597
Depreciation	-	10,319	3,701	14,020
Impairment	-	(21,898)	(7,719)	(29,617)
Balance, July 31, 2023	-	-	-	-
Carrying amounts				
Balance, July 31, 2022	-	19,378	7,085	26,463
Balance, July 31, 2023	-	-	-	-

All equipment was no longer in use since the Company discontinued their business operations during the year. As at July 31, 2023, the carrying value of equipment was impaired (Note 18).

7. Intangible Assets

On December 18, 2020, the Company completed an Asset Purchase Agreement, whereby it acquired 33 plant-based alternative meat product formulations for its plant-based comfort foods business in consideration for 409,286 (500,000 pre-merger) common shares with a fair value of \$33,650.

As at July 31, 2023, the Company's plant based comfort food business was discontinued. The Company does not expect to further utilize these product formulations and the full carrying amount of \$33,650 was impaired.

KOMO PLANT BASED FOODS INC.

Notes to the Consolidated Financial Statements

Years Ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

8. Related Party Transactions

During the years ended July 31, 2023 and 2022, compensation of key management personnel and related parties were as follows:

	Year ended July 31,	
	2023	2022
	\$	\$
Wages	20,500	253,875
Consulting and director fees	205,000	170,000
Share-based compensation	(33,575)	392,447
Total	191,925	816,322

- As at July 31, 2023, the Company owed \$279,351 (2022- \$nil) to the CEO of the Company. The amount is unsecured, due on demand, and non-interest bearing.
- As at July 31, 2023, the Company owed \$10,500 (2022- \$nil) to the CFO of the Company, which is recorded in accounts payable and accrued liabilities. The amount is unsecured, due on demand, and non-interest bearing.
- As at July 31, 2023, the Company owed \$69,410 (2022 - \$45,949) to Better Plant Sciences Inc. ("BPS"), an associated company, of which \$37,056 (2022 - \$nil) is recorded in accounts payable and accrued liabilities. The balance owing is unsecured, non-interest bearing, and due on demand. During the year ended July 31, 2023, the Company incurred operating expenses of \$6,250 (2022 - \$125,718) to BPS for shared services.

9. Convertible Debentures

- On May 31, 2021, the Company assumed Convertible Debenture Purchase Agreements with principal amounts totaling \$117,523 upon entering into the Merger Agreement with Comfort. The principal bears interest at 12% per annum and matured September 19, 2022. Interest payments were due quarterly until the maturity date with additional 2% late payment penalty if interest payments were not made within 10 days of the due date. The conversion price was either: (i) 10% discount to the price at which the Company's common shares are issued or the conversion price of securities convertible into common shares ("Securities") that are issued under the first sale of common shares or Securities by the Company to one or more non-related parties conducted by the Company after the debenture date ("Financing") or (ii) 10% discount to the trading price of the Company's common shares in the event a Financing has not been completed by the Company prior to a proposed conversion. Until the principal and interest were paid in full by the Company, the holder may have converted a minimum of \$10,000 of the principal amount into units of the Company at the conversion price. Each unit consisted of one common share of the Company and one-half share purchase warrant, exercisable at the price at which the Company's common shares are issued or the conversion price of Securities that are issued under Financing per share for a period of two years following the issuance of the warrant. The present value of the convertible debentures upon assumption was \$114,944, with a discount of \$2,579, which was recognized over the remaining term of the loan using the effective interest rate method.

In October 2021, the Company repaid the convertible debentures which were issued on May 31, 2021 with a principal of \$117,523 and accrued interest of \$15,647. Due to the variable nature of the conversion price, the Company derecognized a previously recognized derivative liability of \$14,582. In January 2022, a convertible debenture repayment in the amount of \$12,226 was returned to the Company and the holder elected to convert the debenture into units of the Company. Pursuant to the election, and on November 29, 2021, the Company issued 13,812 units to the holder. The fair value of share units issued was determined at \$22,097 and the fair value of debt settled was \$12,226. The Company recorded a loss from debt settlement of \$9,871.

KOMO PLANT BASED FOODS INC.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

9. Convertible Debentures (continued)

- (b) During the year ended July 31, 2022, the Company closed a non-brokered private placement of 1,000 units at \$1,000 per unit for gross proceeds of \$1,000,000. The private placement closed in two tranches, with the first 500 units closing on September 29, 2021, and the next 500 units closing on October 8, 2021. Each unit consisted of one convertible unsecured debenture (the "Debentures") and 700 common share purchase warrants of the Company (the "Warrants"). The Debentures bear interest at a rate of 10% per annum on an accrual basis from issuance, calculated and payable semi-annually in arrears on January 31 and July 31 of each year with such payment having commenced on January 31, 2022 with a redemption date that is 24 months from issuance. The Debentures are convertible in full or in part, at the holders' option, into common shares in the capital of the Company at a price of \$1.40 per common share, at any time prior to their redemption. Each Warrant will entitle the holder to acquire one common share of the Company at a price of \$1.60 per share for a period of 36 months from the date of issue.

In connection with the issuance of the Debentures, the Company paid \$80,000 of finder's fees to registered brokers and issued 57,143 warrants exercisable at a price of \$1.40 per share for a period of 24 months from the date of issue (the "Broker Warrants") with a fair value of \$118,137. The shares underlying the Warrants, the Broker Warrants and the Debentures are subject to a statutory hold period expiring four months and one day from issuance of the underlying securities. The fair value associated with the Broker Warrants granted was determined using the Black-Scholes pricing model with the following weighted average assumptions: stock price at grant date \$2.40; volatility of 199%; an expected life of 2 years; a dividend yield of 0%; an expected forfeiture rate of 0%; and a risk-free rate of 0.61%.

During the year ended July 31, 2022, the Company issued 28,571 common shares to a debenture holder upon an election of early conversion. The convertible debenture liability of \$40,000 and convertible debenture reserve of \$1,827 were transferred to share capital.

During the year ended July 31, 2023, the Company issued 66,666 common shares to debenture holders upon an election of early conversion. The convertible debenture liability of \$10,000 and convertible debenture reserve of \$457 were transferred to share capital.

- (c) On June 21, 2022, the Company closed a non-brokered private placement of 593.87 units at \$1,000 per unit for gross proceeds of \$502,000 and settlement of accounts payable of \$91,875. Each unit consisted of one convertible unsecured debenture (the "Debentures") and 1600 common share purchase warrants of the Company (the "Warrants"). The debentures bear interest at a rate of 10% per annum on an accrual basis from issuance, calculated and payable semi-annually in arrears on May 31 and November 30 of each year with each such payment commencing on November 30, 2022 with a redemption date that is 24 months from issuance (the "Maturity Date"). The Debentures are convertible in full or in part, at the holders' option, into common shares in the capital of the Company at a 15% discount to the 30-day moving average as at the Maturity Date, subject to CSE regulations, at a price not less than \$0.50 per share, at any time prior to their redemption. Each Warrant will entitle the holder to acquire one common share of the Company at a price of \$0.70 per share for 36 months from the date of issue. As at July 31, 2023, the Company recorded derivative liabilities of \$43,711 (2022 - \$334,468) using a binomial option model assuming expected life of 0.92 years (2022-1.9 years), volatility of 212% (2022-159%), risk-free rate of 5.4% (2022-2.9%), exercise price of \$0.50 (2022 - \$0.50) per share, and no expected dividends.

In connection with the issuance of the Debentures, the Company paid \$36,000 of finder's fees to registered brokers and issued 72,000 warrants with a fair value of \$20,079 exercisable at a price of \$0.50 per share for a period of 24 months from the date of issue (the "Broker Warrants"). The fair value associated with the Broker Warrants granted was determined using the Black-Scholes pricing model with the following weighted average assumptions: stock price at grant date \$0.40; volatility of 153%; an expected life of 2 years; a dividend yield of 0%; an expected forfeiture rate of 0%; and a risk-free rate of 3.31%. The shares underlying the Warrants, the Broker Warrants and the Debentures are subject to a statutory hold period expiring four months and one day from issuance of the underlying securities.

KOMO PLANT BASED FOODS INC.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

9. Convertible Debentures (continued)

During the year ended July 31, 2023, the Company issued 389,037 common shares to a debenture holder upon an election of early conversion. Convertible debenture liability of \$52,000 was transferred to share capital.

The following is a summary of changes in convertible debentures, including accrued interest payable of \$200,261 (2022 - \$54,434):

	Issuance date:				Total
	May 31, 2021	Sept. 29, 2021	Oct. 8, 2021	Jun. 21, 2022	
	\$	\$	\$	\$	\$
Carrying amount at July 31, 2021	130,041	-	-	-	130,041
Proceeds from issuance	-	500,000	500,000	593,875	1,593,875
Transaction costs - cash	-	(40,000)	(40,000)	(36,000)	(116,000)
Transaction costs - non-cash	-	(59,973)	(58,164)	(20,079)	(138,216)
Amount classified as equity	-	(34,757)	(35,245)	-	(70,002)
Fair value of warrants attached to units	-	(60,953)	(60,897)	(142,090)	(263,940)
Accretion	1,198	81,904	73,032	9,819	165,953
Accrued interest	1,931	39,772	40,556	6,434	88,693
Payment of interest	(1,931)	(16,772)	(15,556)	-	(34,259)
Repayment of convertible debentures	(131,239)	-	-	-	(131,239)
Restatement of convertible debentures	12,226	-	-	-	12,226
Conversion of debentures	(12,226)	(40,000)	-	-	(52,226)
Carrying amount at July 31, 2022	-	369,221	403,726	411,959	1,184,906
Accretion	-	68,464	87,536	84,553	240,552
Accrued interest	-	73,128	56,899	65,445	195,472
Conversion of debentures	-	-	(9,425)	(52,000)	(61,425)
Carrying amount at July 31, 2023	-	510,813	538,736	509,957	1,559,506

10. Loans Payable

During the year ended July 31, 2021, the Company received a total of \$60,000 from the Government of Canada sponsored Canada Emergency Business Account ("CEBA"). On May 31, 2021, the Company assumed an additional CEBA loan of \$60,000 upon acquisition of Fasttask, in which the present value of the forgivable portion was \$10,334. These loans are interest free until January 18, 2024. If the Company repays the CEBA loans on or before January 18, 2024, a total of \$40,000 of the principal balance will be forgiven. Any unpaid principal portion of the CEBA loans after January 18, 2024 will be converted into three-year loans at annual interest rate of 5% per annum.

	\$
Loan payable, July 31, 2021	97,246
Accreted interest	15,538
Loan payable, July 31, 2022	112,784
Accreted interest	7,216
Loan payable, July 31, 2023	120,000

KOMO PLANT BASED FOODS INC.

Notes to the Consolidated Financial Statements

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11. Share Capital

Authorized: unlimited number of common shares without par value

On January 30, 2023, the Company effected a 10:1 share consolidation. All share and per share amounts in these consolidated financial statements have been adjusted for the share consolidation.

Share transactions for the year ended July 31, 2023 included the following:

- (a) On April 26, 2023, the Company closed a non-brokered private placement, issuing an aggregate of 766,666 share units at a price of \$0.15 per unit. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant is exercisable to acquire one common share of the Company at a price of \$0.20 per share for a period of 36 months from the closing. No finders' fees were paid in connection with the issuance.
- (b) On April 26, 2023, the Company issued 455,703 units at \$0.15 per unit for the conversion of \$62,000 of convertible debentures and \$6,356 of accrued interest. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant is exercisable to acquire one common share of the Company at a price of \$0.20 per share for a period of 36 months from the closing.
- (c) On April 26, 2023, the Company issued 733,332 units to settle \$102,500 of accounts payable, including 350,000 units with a fair value of \$52,500 to a company controlled by the CFO of the Company for services rendered. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant is exercisable to acquire one common share of the Company at a price of \$0.20 per share for a period of 36 months from the closing.

Share transactions for the year ended July 31, 2022 included the following:

- (d) On October 29, 2021, the Company issued 80,000 units at \$2.00 per unit for proceeds of \$160,000. Each unit consisted of one common share and one warrant exercisable at \$2.15 per share until October 29, 2023.
- (e) On February 11, 2022, the Company issued 700,863 units at \$1.40 per unit for proceeds of \$981,208. Each unit consisted of one common share and one warrant exercisable at \$2.00 per share for a term of two years. In connection with the private placement, the Company incurred cash finders' fees of \$20,000 and issued 14,286 finders' warrants with a fair value of \$13,086. Each finders' warrant is exercisable into a common share at \$1.40 for a term of two years.
- (f) On February 16, 2022, the Company issued 70,748 units in order to settle debt with a value of \$99,044. Each unit consisted of one common share and one warrant exercisable at \$2.00 per share for a term of two years.
- (g) During the year ended July 31, 2022, the Company issued 29,000 common shares for proceeds of \$31,100 pursuant to the exercise of stock options. The fair value of the stock options of \$44,895 was transferred from share-based payment reserve to share capital upon exercise.
- (h) During the year ended July 31, 2022, the Company issued 240,237 common shares for proceeds of \$393,075 pursuant to the exercise of share purchase warrants. The fair value of the share purchase warrants of \$62,144 was transferred from share-based payment reserve to share capital upon exercise.
- (i) During the year ended July 31, 2022, the Company issued 13,811 units to a holder of convertible debentures the Company assumed upon Merger on May 31, 2021. The fair value of share units issued was determined at \$22,097 and the fair value of debt settled was \$12,226. The Company recorded a loss from debt settlement of \$9,871.
- (j) During the year ended July 31, 2022, the Company issued 28,571 common shares to a debenture holder for convertible debentures issued on September 29, 2021. Convertible debenture liability of \$40,000 and convertible debenture reserve of \$1,827 were transferred to share capital.

KOMO PLANT BASED FOODS INC.

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12. Share Purchase Warrants

The following table summarizes the continuity of the Company's share purchase warrants:

	Number of warrants	Weight average exercise price \$
Balance, July 31, 2021	4,670,194	5.40
Issued	2,739,542	1.40
Exercised	(240,238)	1.60
Expired	(942,706)	1.80
Balance, July 31, 2022	6,226,792	2.85
Expired	(3,574,650)	3.95
Issued	1,955,702	0.20
Balance, July 31, 2023	4,607,844	0.88

As at July 31, 2023, the following share purchase warrants were outstanding:

Warrants outstanding	Exercise price \$	Expiry date
28,571	1.40	September 29, 2023
28,571	1.40	October 8, 2023
80,000	2.15	October 29, 2023
6,905	1.00	November 29, 2023
700,863	2.00	February 11, 2024
14,286	1.40	February 11, 2024
70,746	2.00	February 16, 2024
72,000	0.50	June 21, 2024
350,000	1.60	September 29, 2024
350,000	1.60	October 8, 2024
950,200	0.70	June 21, 2025
1,955,702	0.20	April 26, 2026
<u>4,607,844</u>		

13. Stock Options

The Company's Board of Directors approved a stock incentive plan in accordance with the policies of the Canadian Securities Exchange (the "Exchange"). The Board of Directors is authorized to grant options to directors, officers, consultants or employees to acquire up to 20% of the issued and outstanding common shares of the Company. The exercise price will not be less than \$1.00 per share and, in the event that the Company is listed on the Exchange, the market price of the common shares on the trading day immediately preceding the date of the grant, less applicable discounts permitted by the Exchange. The options that may be granted under this plan must be exercisable for over a period of not exceeding 5 years.

KOMO PLANT BASED FOODS INC.

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13. Stock Options (continued)

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price
		\$
Outstanding, July 31, 2021	1,335,450	1.30
Granted	395,000	1.15
Exercised	(29,000)	1.07
Cancelled/expired	(40,400)	2.03
Outstanding, July 31, 2022	1,661,050	1.28
Cancelled/expired	(968,900)	1.20
Outstanding, July 31, 2023	692,150	1.39
Exercisable, July 31, 2023	689,025	1.39

Additional information regarding stock options outstanding as at July 31, 2023 is as follows:

Range of exercise prices	Stock options outstanding	Stock options exercisable	Weighted average remaining contracted life (years)
\$			
1.00- 1.60	630,000	626,875	3.03
2.40 - 2.90	10,000	10,000	0.05
4.00 - 5.00	38,750	38,750	0.11
7.50 - 8.00	13,400	13,400	0.03
	692,150	689,025	2.74

Share-based compensation expense is determined using the Black-Scholes option pricing model. During the year ended July 31, 2023, the Company recognized share-based compensation recoveries of \$63,242 (2022 - expense of \$914,364) of which recoveries of \$33,575 (2022- expense of \$392,447) pertains to officers, directors and advisory board members of the Company.

Weighted average assumptions used in calculating the fair value of share-based compensation expense are as follows:

	2023	2022
Risk-free interest rate	3.64%	1.30%
Dividend yield	0%	0%
Expected volatility	150%	150%
Expected life (years)	3.75	4.81
Forfeiture rate	0%	0%

As at July 31, 2023, there was \$703 (2022- \$77,969) of unrecognized share-based compensation related to unvested stock options.

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14. Other Expense

Other expense is comprised of the following:

	Year ended July 31,	
	2023	2022
	\$	\$
Accretion of discounts on convertible debentures	(282,798)	(165,953)
Bad debt recovery	-	-
Foreign exchange gain (loss)	(883)	(4,022)
Gain (loss) on change in fair value of derivative liability	290,757	(319,886)
Gain on sale of App Assets	-	100,000
Gain (loss) on settlement of debt	(9,451)	34,183
(Loss) on asset disposal	-	(3,236)
Interest expense on debentures	(174,580)	(106,199)
Other income	7,296	-
Reversal of GST credits	(189,256)	-
	(358,915)	(465,113)

On March 31, 2022, the Company's wholly owned subsidiary, Fasttask Inc, closed a transaction to sell certain assets related to a crowdsourcing App ("App Assets") to Metaverse Networks Inc. for total proceeds of \$100,000. The App Assets were developed by the Company in-house and included intellectual property, application software, technology, and books and records related to the App. At the time of the transaction, these App Assets were no longer in use due to a change in business and they were previously written off.

15. Supplemental Disclosures

	Year ended July 31,	
	2023	2022
	\$	\$
Non-cash investing and financing activities:		
Transfer of contributed surplus on exercise of options	-	44,895
Transfer of contributed surplus on exercise of warrants	-	62,145
Fair value of brokers' warrants issued as finder's fees	-	13,086
Convertible debentures: Fair value of warrants attached to units	-	277,301
Convertible debentures: Equity portion	-	70,002
Convertible debentures: Non-cash transaction costs	-	124,855
Convertible debentures issued for settlement of accounts payable	-	91,875
Conversion of debentures	60,379	54,054
Units issued for settlement of accounts payable	110,000	99,044

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16. Capital Management

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the general operations of the Company and facilitate the liquidity needs of its operations. The Board of Directors does not establish quantitative return on capital criteria for management, but relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its working capital position, share capital, share-based payment reserves, and convertible debenture reserve.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended July 31, 2023. The Company is not subject to externally imposed capital requirements.

17. Financial Instruments and Risk Management

(a) Fair Values

The fair values of other financial instruments, which includes cash, accounts receivable, amounts due to related parties, accounts payable and accrued liabilities, convertible debentures, and loans payable approximate their carrying values due to the relatively short-term maturity of these instruments. Derivative liabilities of \$43,711 (2022 - \$334,468) is classified as a Level 2 financial instrument.

(b) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, prepaid expenses and deposits, and accounts receivables.

(c) Foreign Exchange Rate Risk

Currency risk is the risk that the fair value of the Company's financial instruments will fluctuate because of changes in foreign currency exchange rates. The Company is not materially exposed to significant foreign currency risks.

(d) Interest Rate Risk

The Company's exposure to interest rate risk is limited as it does not carry any commercial loans with variable interest rates. The Company's convertible debenture carries a fixed 10% annual coupon rate.

(e) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company manages liquidity risk by maintaining sufficient cash balances and adjusting its operating budget and expenditure. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term and other specific obligations.

(f) Price Risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of raw materials to determine the appropriate course of action to be taken by the Company.

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Notes to the Consolidated Financial Statements

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18. Discontinued Operations

As at July 31, 2023, management made the decision to cease its plant based comfort food business ("Comfort") due to adverse market conditions. Efforts were being made to sell the business and its related assets. For the year ended July 31, 2023, Comfort met the criteria to be classified as discontinued operations. The results of operations of Comfort for all periods have been classified as discontinued operations on the consolidated statements of operations and comprehensive loss. The carrying amounts of the major classes of assets of Comfort have been impaired as at July 31, 2023.

Net Loss from Discontinued Operations

	Year ended July 31,	
	2023	2022
	\$	\$
Revenue	1,005,859	650,249
Cost of revenue	990,351	599,840
Gross profit	15,508	50,409
Expenses		
Advertising and promotion	41,904	214,939
Bad Debt	58,001	12,133
Consulting fees	30,918	37,117
Depreciation	14,020	13,733
General and administrative	204,147	238,428
Investor relations	5,184	3,172
Professional fees	77,216	89,711
Research and development	7,990	60,985
Share-based compensation	(28,975)	141,161
Travel	10,229	17,337
Wages	344,199	512,211
Total expenses	764,833	1,340,927
Loss before other expenses	(749,325)	(1,290,518)
Foreign exchange gain or loss	492	(466)
Interest expense	(4,304)	(9,113)
Impairment of inventory	(65,965)	(1,939)
Impairment of intangible assets	(33,650)	-
Impairment of property, plant and equipment	(12,443)	-
Research credits	-	22,836
Net loss from discontinued operations	(865,195)	(1,279,200)

KOMO PLANT BASED FOODS INC.

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18. Discontinued Operations (continued)

Cash flows from Discontinued Operations:

	Year ended July 31,	
	2023	2022
OPERATING ACTIVITIES		
Net loss from continuing operations	(865,195)	(1,279,201)
Items not involving cash:		
Bade debt expense	58,001	12,133
Impairment of inventory	65,965	-
Depreciation	14,020	13,733
Interest expense on loans/lease liabilities	4,304	9,113
Share-based compensation	(28,975)	141,161
Impairment of intangible assets	33,650	-
Impairment of equipment	12,443	-
Changes in non-cash operating working capital:		
Amounts receivable	51,335	(6,495)
Inventory	26,177	(73,769)
Prepaid expenses & deposits	26,513	8,297
Due to related parties	230,172	20,265
Accounts payable and accrued liabilities	104,250	64,539
Net cash used in operating activities	(267,340)	(1,090,224)
INVESTING ACTIVITIES		
Purchase of equipment	-	(26,640)
Net cash used in investing activities	-	(26,640)

19. Income Taxes

The Company is subject to Canadian federal and provincial tax at the rate of 27%.

The tax effect of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2023	2022
	\$	\$
Net loss	(1,462,757)	(4,602,803)
Statutory income tax rate	27%	27%
Income tax provision at statutory rate	(394,900)	(1,242,800)
Tax effect of:		
Permanent differences and other	96,000	410,500
Change in unrecognized deferred income tax assets	298,900	832,300
Income tax provision	-	-

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19. Income Taxes (continued)

The significant components of deferred income tax assets and liabilities are as follows:

	2023	2022
	\$	\$
Deferred income tax assets		
Non-capital losses carried forward	2,446,700	2,135,200
Share issuance costs	14,200	26,800
Total gross deferred income tax assets	2,460,900	2,162,000
Unrecognized deferred income tax assets	(2,460,900)	(2,162,000)
Net deferred income tax assets	-	-

As at July 31, 2023, the Company has Canadian non-capital losses carried forward of \$10,034,543 (2022 - \$7,908,300), which are available to offset future years' taxable income. These losses expire as follows:

	Canada
	\$
2038	(149,141)
2039	(1,031,044)
2040	(1,913,657)
2041	(1,694,558)
2042	(3,115,934)
2043	(1,157,843)
	(9,062,177)

20. SUBSEQUENT EVENT

In November 2023, the Company's CEO William White made further advances to the Company in the aggregated amount of \$53,697. This advance is unsecured, non-interest bearing, and is due on demand.