



**ZOGLO'S INCREDIBLE FOOD CORP.**  
(FORMERLY 1258481 B.C. LTD.)

MANAGEMENT DISCUSSION AND ANALYSIS  
June 30, 2022

## ZOGLO'S INCREDIBLE FOOD CORP.

Management Discussion & Analysis

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### 1.1 Date

This Management Discussion and Analysis ("MD&A") of Zoglo's Incredible Food Corp. (formerly 1258481 B.C. Ltd.) (or the "Company") has been prepared by management as of August 29, 2022 and should be read in conjunction with the condensed consolidated interim financial statements and related notes thereto of the Company for the six months ended June 30, 2022 and 2021 and the audited consolidated financial statements and related notes thereto of the Company for the years ended December 31, 2021 and 2020 which was prepared in accordance with International Accounting Standards using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC").

This MD&A contains forward-looking information which reflects management's expectations regarding the Company's growth, results of operation, performance and business prospects and opportunities. The use of words such as "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe", "outlook", "forecast" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements in this MD&A include, but not limited to, the Company's expectation of future activities and results, of its working capital needs and its ability to identify, evaluate and pursue suitable business opportunity. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results of events to differ materially from those anticipated in these forward-looking statements. Readers should not put undue reliance on forward-looking information.

Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

### 1.2 Overall Performance

Zoglo's Incredible Food Corp. formerly 1258481 B.C. Ltd.) (the "Company") was incorporated under the laws of the Province of British Columbia on July 23, 2020. On March 29, 2021, the Company changed its name to "Zoglo's Incredible Food Corp." in connection with the closing of a reverse take-over ("RTO") transaction.

On March 23, 2021, the Company completed the RTO transaction with Zoglo's Incredible Food Inc. ("Zoglo") whereby the Company acquired 100% of the issued and outstanding common shares of Zoglo, in exchange for 64,000,000 of common shares of the Company issued to the shareholders of Zoglo (the "Transaction") resulting in Zoglo becoming a wholly owned subsidiary of the Company and the Company will continue on the business of Zoglo. Upon completion of the Transaction, the securities holders of Zoglo became shareholders of the combined entity (the "Resulting Issuer").

The Resulting Issuer is a plant-based food company that is in the business of designing, developing, producing, distributing, and selling plant-based meat alternative products.

On July 21, 2021, the Company filed a non-offering long form prospectus dated July 20, 2021 (the "Prospectus") in the Provinces of Ontario and British Columbia, to enable the Resulting Issuer to become a "reporting issuer" pursuant to applicable securities legislation. The Company's common shares were approved for listing on the Canadian Securities Exchange ("CSE"), and commenced trading effective July 26, 2021 under the symbol "ZOG".

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On November 4, 2021, the Company's shares have been accepted for listing and have commenced trading on the Frankfurt Stock Exchange under the symbol "7UT".

The Company's head office and principal address is 75 Addiscott Ct, Markham, ON L6G 1A6. The registered and records office is Suite 1500-1055 West Georgia Street, Vancouver, BC, V6E 4N7.

These financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company's continuation as a going concern is dependent upon the successful identification of viable business projects, its ability to raise equity capital, to obtain loans from related parties, and to attain profitable operations to generate funds and meet current and future obligations. These conditions cast significant doubt on the Company's ability to continue as a going concern. During the six months ended June 30, 2022, the Company reported a net loss of \$1,503,888 (2021 - \$4,391,679). As at June 30, 2022, the Company had working capital of \$696,413 (December 31, 2021 - \$2,091,281) and an accumulated deficit of \$9,487,725 (December 31, 2021 - \$7,983,837). There is material uncertainty related to these events and conditions which may cast significant doubt on the Company's ability to continue as a going concern.

In March 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which resulted in a series of public health and emergency measures being put in place to combat the spread of the virus. These measures have caused material disruption to businesses in Canada and globally resulting in an economic slowdown. The duration and impact of COVID-19 continues to be unknown and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Company in future periods. To date, the Company has not experienced material changes in operations, however, there is no certainty this will continue going forward.

### Highlights:

- Entered into a consulting agreement with Boom Capital Markets Inc. ("Boom") in January 2022 for providing advisory services to the Company. Pursuant to the terms and conditions of the agreement, the Company granted 150,000 incentive stock options at an exercise price of \$0.25 per share expiring January 1, 2027 to Boom. In March 2022, this agreement was terminated and the options were cancelled unexercised.
- Listing of its Incredible™ product line into the Canadian retail market:
  - Food Basics, subsidiary of Metro Inc., supermarket locations across Ontario
  - Marche Adonis supermarket locations across Ontario and Quebec
  - Real Canadian Superstores in 40 Ontario locations and 81 Western Canada locations
- Appointed Bentonville, Arkansas-based Summit Group to introduce and represent the Company's products across the US market by establishing a reliable retail supply chain infrastructure and amplifying Zoglo's brand presence; and
- Nomination of six of its plant-based food products as finalists for Best New Products of 2021 in Prepared Meals, Frozen Foods, and Appetizer categories at the Retail Council of Canada's 29th Annual Canadian Grand Prix New Product Awards.
- Four of its plant-based products will be available for purchase on leading Canadian online food-delivery company, Skip the Dishes, across 13 national distribution fulfillment centres.

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- Zoglo's plant-based products will be available for purchase IGA's new online grocery and delivery service, Voila par IGA, commencing August 2022 throughout all of Quebec.
- Fifteen Healthy Planet larger format stores across Canada picks up six of Zoglo's plant-based products beginning August 2022.
- Receives the 2022 IABC OVATIONS Award for Marketing, Advertising and Brand Communication for its integrated communications and awareness program spearheaded by its award-winning PR firm, Strategic Objectives.
- Retirement of Zoglo's CEO, Anthony Morello, and promotion of Zoglo's COO, Jim Delsnyder to interim CEO.

### 1.3 Selected Annual Information

	December 31, 2021	Date of Incorporation (July 13, 2020) to December 31, 2020
Net Loss	\$ (7,973,688)	\$ (10,149)
Loss per share	\$ (0.09)	\$ (0.00)
Total assets	\$ 9,706,741	\$ 936,305
Total long-term liabilities	\$ 1,805,005	Nil
Cash dividends declared per share for each class of share	Nil	Nil

### 1.4 Results of Operations

#### Six months ended June 30, 2022

During the six months ended June 30, 2022, the Company reported a net loss of \$1,503,888 or \$0.01 per share compared to a net loss of \$4,391,679 or \$0.06 per share for the six months ended June 30, 2021, a decrease in loss of \$2,887,791. The decrease in loss was primarily a result of the Company's listing expense incurred in fiscal 2021.

#### **Revenues and profit**

During the six months ended June 30, 2022, the Company earned \$1,816,941 (2021 - \$138,320) in revenues from the sale of plant-based food products. Cost of sales totaled \$1,497,861 (2021 - \$128,630) resulting in a gross profit of \$319,080 or 18% of gross sales compared to a gross profit of \$9,690 or 7% of gross sales in the first half of 2021.

#### **General and administrative expenses**

The Company's general and administrative expenses decreased by \$101,475 in the first half of fiscal 2022 which consisted of the following decreases in expenses:

Consulting fees of \$6,444 due to less business development and advisory services rendered to the Company.

Foreign exchange loss of \$11,959 as the Company had fewer foreign exchange transactions.

Rent of \$11,300 as other rental operating costs were included during the six months ended June 30, 2021.

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Share based compensation of \$1,094,352 as fewer stock options were granted in the current period.

Offsetting the decreases in expenses were increases in the following expenses:

Accretion expense of \$161,753 on the note payable issued in connection to the acquisition of certain assets from Naknik. The accretion was calculated based on a 15% discount rate over a period of 3 years.

Depreciation of \$239,632 which consisted of \$21,339 from equipment and \$218,293 from the intangible assets purchased from Naknik.

Investor relations costs of \$67,288 to increase investor awareness and communication of the Company's ongoing development.

Marketing fees of \$122,437 for market research analysis, advertisement, and product design costs.

Office and miscellaneous of \$142,218 for general operating expenses for the Company's operating activities.

Regulatory and transfer agent fees of \$25,113 consisted of listing fees for the CSE and transfer agent fees in connection to maintaining the Company's share treasury and escrow arrangements. There were no such costs during the six months ended June 30, 2021.

Travel costs of \$9,292 for car allowances paid to the Company's CEO and COO.

Wages and benefits of \$179,620 paid to the Company's CEO, COO and support staff.

Other items contributing to the decrease in loss was listing expenses incurred in 2021. The Company did not have similar costs in 2022.

### Three months ended June 30, 2022

During the three months ended June 30, 2022, the Company reported a net loss of \$575,700 or \$0.01 per share compared to a net loss of \$1,800,468 or \$0.02 per share for the three months ended June 30, 2021, a decrease in loss of \$1,224,768. The decrease in loss was primarily a result of the Company's share-based compensation on stock options and restricted share units granted to directors, officers, employees and consultants in the second quarter of 2021.

### **Revenues and profits**

During the second quarter ended June 30, 2022, the Company earned \$1,219,019 (2021 - \$42,317) in revenues from the sale of plant-based food products. Cost of sales totaled \$964,808 (2021 - \$42,389) resulting in a gross profit of \$254,211 or 21% of gross sales compared to a gross loss of \$72 in the second quarter of 2021.

### **General and administrative expenses**

The Company's general and administrative expenses decreased by \$678,809 from \$1,508,811 for the three months ended June 30, 2021 to \$830,002 for the same period ended June 30, 2022. The decrease in loss was primarily due to a decrease in share-based compensation expense on stock options granted to directors, officers, employees and consultants of the Company.

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### 1.5 Summary of Quarterly Results

The following is a summary of financial information concerning the Company for each of the last eight available quarters.

Quarter ended	Revenue (adjustment)	Gross profit (loss)	Operating expenses	Loss	Loss per share
June 30, 2022	\$ 1,219,019	\$ 254,211	\$ 830,003	\$ (575,700)	\$ (0.01)
March 31, 2022	597,922	64,869	993,210	(928,188)	(0.01)
December 31, 2021	(1,029,538)	(489,632)	1,710,437	(2,199,916)	(0.03)
September 30, 2021	1,687,686	331,338	1,714,759	(1,382,093)	(0.02)
June 30, 2021	42,317	(72)	1,508,811	(1,800,468)	(0.03)
March 31, 2021	96,003	9,762	415,876	(2,591,211)	(0.04)
December 31, 2020	Nil	Nil	10,149	(10,149)	(0.00)
September 30, 2020	Nil	Nil	Nil	Nil	(0.00)

Over the past fiscal quarters, the significant variances were as follows:

Quarter Ended	Summary of Results
June 30, 2022	The Company did not incur listing expenses and lower share-based compensation expense in addition to the increase in revenues earned in the quarter resulting in a lower net loss.
March 31, 2022	The Company did not incur listing expenses in the period which resulted in a decrease in net loss.
December 31, 2021	Increase in loss due to increases in consulting, professional fee, wages and benefits, share based compensation expense and a decrease in sales and cost of sales due to a reclassification as a result of management re-assessment of its recognition policy.
September 30, 2021	The Company earned an increase in revenue due to new customer contracts while operating expense maintained a steady level compared to the previous quarter.
March 31, 2021 and June 30, 2021	Loss included share-based payment in connection to stock options, RSUs, and warrants granted and listing expenses in connection to the RTO
December 31, 2020	Loss consists primarily of professional fees accrued for the Company's fiscal year end audit.
September 30, 2020	The Company was incorporated on July 13, 2020 with no activities in the quarter.

### 1.6 Liquidity and Capital Resources

The Company reported a working capital of \$696,413 (December 31, 2021 - \$2,091,281) at June 30, 2022. As at June 30, 2022, the Company had cash and cash equivalents of \$196,682 (December 31, 2021 - \$2,502,910), trades and other receivables of \$434,567 (December 31, 2021 - \$400,979), advances to supplier of \$216,032 (December 31, 2021 - \$215,010), accounts payable and accrued liabilities of \$322,796 (December 31, 2021 - \$1,421,574), deferred revenues of \$Nil (December 30, 2021 - \$1,231,902) and current portion of note payable of \$884,709 (December 31, 2021 - \$722,956).

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The Company may continue to have capital requirements in excess of its currently available resources. In the event the Company's plans change, its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund operations, the Company may be required to seek additional financing. There can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

### 1.7 Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

### 1.8 Risk and Uncertainties

The Company's financial instruments consist of cash, trade and other receivables, accounts payables and accrued liabilities, and note payable. These financial instruments are exposed to certain risks, including credit risk, interest rate risk, liquidity risk and other market risk.

#### *Credit risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk. The Company is exposed to credit risk from its operating activities (primarily trade and other receivables) and from its financing activities, including cash and short term investments with banks and financial institutions and advances to suppliers.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and seeking equity financing when needed.

The following table summarizes the amount of contractual undiscounted future cash flow requirements for financial liabilities as at June 30, 2022 is as follows:

<b>Contractual obligations</b>	<b>Within 1 year</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Accounts payable and accrued liabilities	\$ 322,796	\$ -	\$ -	\$ 322,796
Long-term debt	884,709	1,305,005	-	2,189,714
<b>Total Contractual obligations</b>	<b>\$ 1,207,505</b>	<b>\$ 1,305,005</b>	<b>\$ -</b>	<b>\$ 2,512,510</b>

As at June 30, 2022, the Company had cash and cash equivalents of \$196,682 (December 31, 2021-\$2,502,910), and current liabilities of \$1,207,505 (December 31, 2021 - \$3,376,432). Management will need to raise additional funds in order to continue operations.

#### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

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### (a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company's cash is held in an account with a major Canadian financial institution. The funds may be withdrawn at any time without penalty.

### (b) Foreign currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which purchases are denominated and the functional currency of the Company. The functional currency of the Company is the Canadian dollar. The currency in which purchase transactions are denominated is Israeli shekels. The Company does not currently hedge its currency risk, and is therefore subject to gains or losses due to fluctuations in that currency.

### (c) Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potentially adverse impact on the Company's ability to obtain equity financing due to movements in individual equity prices. The Company closely monitors individual equity movements to determine the appropriate course of action to be taken by the Company.

## 1.9 Transactions with Related Parties

Key management personnel includes persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. Key management personnel comprise of the directors of the Company, executive and non-executive, and officers.

The remuneration of the key management personnel during the six months ended June 30, 2022 and 2021 were as follows:

	June 30, 2022	June 30, 2021
Officers remuneration (i)	\$ 274,315	\$ 112,133
Consulting fees (ii)	-	85,000
Director's fees (iv)	16,733	-
Share-based compensation (v)(vi)	365,318	547,220
Total	\$ 656,366	\$ 744,353

Transactions with key management and other related party transactions:

- (i) During the six months ended June 30, 2022, the Company paid or accrued salaries, management fees, health benefits and vehicle allowances totaling \$274,315 (2021- \$112,133) to three officers of the Company.
- (ii) The Company entered into two advisory agreements with the following related parties:
  - a. with Canadian Endernational Limited, a company with a director and significant shareholder in common, for consulting services with respect to sales, marketing and relationship management services in exchange for \$120,000 per year, payable monthly. The advisory agreement is for a term of one year and will automatically renew annually unless terminated. Effective October 1, 2021, this advisory agreement was terminated.

During the six months ended June 30, 2022, the Company paid \$Nil (2021 - \$60,000) in consulting fees related to this agreement.



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- b. with The Canadian Triloon Corporation, a company with a former director in common and the spouse of a director and significant shareholder of the Company, for consulting services with respect to packaging, marketing and product advisory services in exchange for \$50,000 per year, payable monthly. The advisory agreement is for a term of one year and will automatically renew annually unless terminated. Effective October 1, 2021, this advisory agreement was terminated.

During the six months ended June 30, 2022, the Company paid \$Nil (2021 - \$25,000) in consulting fees pursuant to this agreement.

- (iii) During the six months ended June 30, 2022, the Company had the following transactions with Foodfest International 2000 Inc., a company whose CEO is a director and significant shareholder of the Company:
  - a. earned revenues totalling \$234,098 (2021 - \$138,321);
  - b. paid rent and office costs totalling \$9,000 and \$6,667 (2021 – rent of \$18,000 and office costs of \$12,000); and
  - c. purchased inventory totaling \$Nil (December 31, 2021 - \$121,438).

As at June 30, 2022, \$99,356 (December 31, 2021 - \$124,956) was included in trade and other receivables for the sale of food products to Foodfest. In addition, as at June 30, 2022, \$2,485 (December 31, 2021 - \$Nil) was included in accounts payable and accrued liabilities for expense charge backs to the Company.

- (iv) During the six months ended June 30, 2022, the Company paid \$16,733 (2021 - \$Nil) to a company controlled by the chairman of the board of the Company and a director of the Company for director fees.
- (v) During the six months ended June 30, 2022, share based compensation expense of \$365,318 (2021 - \$174,094) was recorded on the vested portion of the stock options granted to directors and officers of the Company.
- (vi) During the six months ended June 30, 2022, share based compensation expense of \$Nil (2021 - \$373,126) was recorded on RSUs granted to the former Chairman of the Company.
- (vii) During the six months ended June 30, 2022, the Company paid \$16,650 (2021 - \$Nil) in accounting and bookkeeping fees to a company partially owned by the CFO.
- (viii) As at June 30, 2022, \$178,827 (December 31, 2021 - \$698,738) was due to Naknik, a company controlled by a former director of the Company and the spouse of a director and significant shareholder of the Company, for inventory purchased. The amounts were non-interest bearing and repayable within 90 days following the receipt of the product. This amount was included in trade payable. During the six months ended June 30, 2022, the Company purchased inventory totalling \$384,017 (2021 - \$89,647) from Naknik.

#### 1.10 Subsequent Events

None.

#### 1.11 Proposed Transactions

None.

#### 1.12 Critical Accounting Estimates

Not applicable to venture issuers.

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### 1.13 Changes in Accounting Policies including Initial Adoption

The financial information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards. Our significant accounting policies are set out in Note 4 of the financial statements of the Company, as at and for the six months ended June 30, 2022.

### 1.14 Financial Instruments and Other Instruments

The Company's financial instruments at June 30, 2022 are as follows:

		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
<b>Financial assets</b>				
Cash and cash equivalents	\$	–	\$ 196,682	\$ –
Trade and other receivables	\$	–	\$ 434,567	\$ –
Advances to suppliers	\$	–	\$ 216,032	\$ –
<b>Financial liabilities</b>				
Trade payables	\$	–	\$ 322,796	\$ –
Note payable	\$	–	\$ 2,189,714	\$ –

### 1.15 Other Requirements

Summary of Outstanding Share Data as of August 29, 2022:

Authorized: Unlimited number of common shares without par value.

Issued and outstanding:	104,262,100
Options:	6,375,000
Warrants:	750,000

On behalf of the Board of Directors, thank you for your continued support.

*“Spence Walker”*

**Spence Walker**

CFO