



**ZOGLO'S FOOD CORP.**  
(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP.)

Consolidated Financial Statements

Years ended December 31, 2022 and 2021

(Expressed in Canadian dollars, unless otherwise stated)

**ZOGLO'S FOOD CORP.**  
(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP.)

<b>Index</b>	<b>Page</b>
Independent Auditor's Report	1-5
 <b>Consolidated Financial Statements</b>	
Consolidated Statements of Financial Position	6
Consolidated Statements of Loss and Comprehensive Loss	7
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)	8
Consolidated Statements of Cash Flows	9-10
Notes to Consolidated Financial Statements	11-44



SRCO Professional Corporation  
Chartered Professional Accountants  
Licensed Public Accountants  
Park Place Corporate Centre  
15 Wertheim Court, Suite 409  
Richmond Hill, ON L4B 3H7, Canada  
Tel: 905 882 9500 & 416 671 7292  
Fax: 905 882 9580  
Email: info@srco.ca  
www.srco.ca

## INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Zolgo's Food Corp. (formerly Zoglo's Incredible Food Corp.)**

### ***Opinion***

We have audited the consolidated financial statements of Zolgo's Food Corp. (formerly Zoglo's Incredible Food Corp.) and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022, the consolidated statements of loss and comprehensive loss, changes in (deficiency) equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

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

### ***Basis for Opinion***

We conducted our audit 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 consolidated 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.

### ***Emphasis of Matter - Material Uncertainty Related to Going Concern***

We draw attention to Note 1 to the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2022 and had a working capital deficit and an accumulated deficit at that date. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

*(continues)*



**Independent Auditor’s Report to the Shareholders of Zolgo’s Food Corp. (formerly Zoglo’s Incredible Food Corp.) (continued)**

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Emphasis of Matter - Material Uncertainty Related to Going Concern* section of our report, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p><b>Intangible asset impairment assessment</b></p> <p>The Company’s impairment test required management to make significant assumptions in determining the recoverable amount, such as revenue forecast, discount rate, and terminal growth.</p>	<p>We determined this as a key audit matter as it represented an area of significant risk of material misstatement given the magnitude of the intangible asset and the high degree of estimation uncertainty in determining the recoverable amount. In addition, significant auditor judgement and knowledge were required in evaluating the results of our audit procedures due to the sensitivity of the Company’s determination of recoverable amount to minor changes to significant assumptions. We considered this a key audit matter due to the judgments made by management in assessing the indications of impairment and developing the assumptions to determine the recoverable amounts.</p> <p>We performed the following procedures:</p> <ul style="list-style-type: none"> <li>▪ Evaluated management’s process and methodology;</li> <li>▪ Tested the completeness and accuracy of data and, reasonableness of assumptions used in the Company’s impairment assessment;</li> <li>▪ Evaluated the reasonableness of management’s inputs and assumptions with respect to the fair value of the intangible assets;</li> <li>▪ Engaged our professional with specialized skills and knowledge in the field of valuation to evaluate the methodology and assumptions used; and</li> <li>▪ Assessed the overall presentation and disclosure in the consolidated financial statements.</li> </ul>

**Other Matter**

The consolidated financial statements of the Company for the year ended December 31, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on June 16, 2022.

(continues)



**Independent Auditor's Report to the Shareholders of Zolgo's Food Corp. (formerly Zoglo's Incredible Food Corp.) (continued)**

***Other Information***

Management is responsible for the other information. The other information comprises 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.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements.

*(continues)*



**Independent Auditor's Report to the Shareholders of Zolgo's Food Corp. (formerly Zoglo's Incredible Food Corp.) (continued)**

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)***

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 Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the 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.

*(continues)*



**Independent Auditor's Report to the Shareholders of Zolgo's Food Corp. (formerly Zoglo's Incredible Food Corp.) (continued)**

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)***

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

The engagement partner on the audit resulting in this independent auditor's report is Sameer Parekh.

Richmond Hill, Canada  
May 1, 2023

*SRCO Professional Corporation*  
CHARTERED PROFESSIONAL ACCOUNTANTS  
Authorized to practice public accounting by the  
Chartered Professional Accountants of Ontario

**ZOGLO'S FOOD CORP.**  
(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Consolidated Statements of Financial Position  
(Expressed in Canadian dollars)

	Notes	As at December 31,	
		2022	2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	\$ -	\$ 2,502,910
Trade and other receivables	7,13 (iii)	252,752	400,979
Inventories	8	41,104	2,279,899
Advance to supplier		-	215,010
Prepaid Expenses	9	7,301	68,915
<b>Total current assets</b>		<b>301,157</b>	<b>5,467,713</b>
Intangible asset	10	-	4,147,564
Equipment	10	58,402	91,464
<b>Total assets</b>		<b>\$ 359,559</b>	<b>\$ 9,706,741</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	13 (ii)	\$ 761,750	\$ 1,421,574
Deferred revenue		41,104	1,231,902
Bank indebtedness	6	3,403	-
Due to related parties	13 (viii), (ix)	123,499	-
Note payable, current	11	-	722,956
<b>Total current liabilities</b>		<b>929,756</b>	<b>3,376,432</b>
Note payable	11	-	1,805,005
<b>Total liabilities</b>		<b>929,756</b>	<b>5,181,437</b>
<b>SHAREHOLDERS' (DEFICIENCY) EQUITY</b>			
Share Capital	12	11,232,705	11,152,189
Reserves	12	1,887,669	1,356,952
Deficit		(13,690,571)	(7,983,837)
<b>Total shareholders' (deficiency) equity</b>		<b>(570,197)</b>	<b>4,525,304</b>
<b>Total liabilities and shareholders' (deficiency) equity</b>		<b>\$ 359,559</b>	<b>\$ 9,706,741</b>

Nature and continuance of business (Note 1)

Contingent liabilities (Note 17)

Subsequent events (Note 18)

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

"Val Jedras"  
Director

"Henry Ender"  
Director



**ZOGLO'S FOOD CORP.**  
(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Consolidated Statements of Loss and Comprehensive Loss  
(Expressed in Canadian dollars, unless otherwise stated)

		<b>For the year ended December 31,</b>	
	Notes	<b>2022</b>	<b>2021</b>
Revenues	13	<b>\$ 1,879,393</b>	\$ 796,468
Cost of revenue	8	<b>(3,133,145)</b>	(945,072)
<b>GROSS LOSS</b>		<b>(1,253,752)</b>	(148,604)
<b>OPERATING EXPENSES</b>			
Accretion expense	11	-	162,105
Consulting	13	<b>228,656</b>	337,882
Depreciation and amortization	10	<b>460,177</b>	229,672
Foreign exchange loss		<b>9,549</b>	16,038
Investor relations		-	735,240
Marketing		<b>334,037</b>	642,548
Office and miscellaneous	13	<b>381,525</b>	153,874
Professional fees	13	<b>227,316</b>	277,215
Regulatory and transfer agent fees		<b>38,749</b>	41,175
Rent	13	<b>25,000</b>	44,400
Share-based compensation	12	<b>547,483</b>	2,376,937
Travel		<b>5,844</b>	32,166
Wages and benefits	13	<b>485,130</b>	300,631
<b>Total operating expenses</b>		<b>(2,743,466)</b>	(5,349,883)
<b>NET LOSS BEFORE OTHER ITEMS</b>		<b>(3,997,218)</b>	(5,498,487)
<b>OTHER ITEMS</b>			
Interest income		<b>245</b>	4,992
Listing expense	5	-	(2,480,193)
Loss on asset write-down	10	<b>(26,744)</b>	-
Impairment on intangible asset	10	<b>(3,710,978)</b>	-
Gain on debt settlement	10 & 11	<b>2,027,961</b>	-
		<b>(1,709,516)</b>	(2,475,201)
<b>Net and comprehensive loss for the year before and after income taxes</b>	14	<b>\$ (5,706,734)</b>	\$ (7,973,688)
<b>Loss per share</b>			
- basic and diluted		<b>\$ (0.05)</b>	\$ (0.09)
<b>Weighted average number of shares outstanding</b>			
- basic and diluted		<b>104,306,943</b>	84,747,275

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

**ZOGLO'S FOOD CORP.**

(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

## Consolidated Statements of Changes in Shareholders' Equity / (Deficiency)

(Expressed in Canadian dollars, unless otherwise stated)

	Note	Share Capital		Reserves (Note 13)	Subscriptions	Special Warrants	Deficit	Total equity / (Deficiency)
		Number of Shares	Amount					
<b>Balance, December 31, 2020</b>		<b>59,000,000</b>	<b>\$ 800,064</b>	<b>\$ -</b>	<b>\$ 50,000</b>	<b>\$ -</b>	<b>\$ (10,149)</b>	<b>\$ 839,915</b>
Subscription receipts issued		-	-	-	6,700,000	-	-	6,700,000
Common shares issued for cash	12(b)(i)(iii)	32,000,000	7,250,000	-	(6,750,000)	-	-	500,000
Share issuance costs	12(b)(i)(iv)	-	(372,201)	-	-	-	-	(372,201)
Common shares and special warrants issued on RTO	5	7,500,000	1,875,000	125,066	-	250,000	-	2,250,066
Warrants issued for consulting services	12(f)	-	-	232,914	-	-	-	232,914
Share-based compensation	12	-	-	1,898,937	-	-	-	1,898,937
Share-based compensation on RSUs	12(g)	-	-	245,086	-	-	-	245,086
Special warrants conversion	12(b)(ii)	1,000,000	250,000	-	-	(250,000)	-	-
Exercise of stock options	12(b)(v)	3,400,000	1,004,835	(834,835)	-	-	-	170,000
Exercise of warrants	12(b)(v)	287,100	99,405	(65,130)	-	-	-	34,275
Exercise of restricted share units	12(b)(vi)	1,000,000	245,086	(245,086)	-	-	-	-
Net loss for the year		-	-	-	-	-	(7,973,688)	(7,973,688)
<b>Balance, December 31, 2021</b>		<b>104,187,100</b>	<b>11,152,189</b>	<b>1,356,952</b>	<b>-</b>	<b>-</b>	<b>(7,983,837)</b>	<b>4,525,304</b>
Exercise of options	12(b)	75,000	20,516	(16,766)	-	-	-	3,750
Warrants issued for consulting services	12(f)	-	-	8,615	-	-	-	8,615
Common shares issued for cash	12(b)	1,929,260	60,000	-	-	-	-	60,000
Share-based compensation	12(e)	-	-	538,868	-	-	-	538,868
Net loss for the year		-	-	-	-	-	(5,706,734)	(5,706,734)
<b>Balance, December 31, 2022</b>		<b>106,191,360</b>	<b>\$ 11,232,705</b>	<b>\$ 1,887,669</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (13,690,571)</b>	<b>\$ (570,197)</b>

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

**ZOGLO'S FOOD CORP.**  
(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Consolidated Statements of Cash Flows  
(Expressed in Canadian dollars, unless otherwise stated)

	Note	For the year ended December 31,	
		2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss for the year		\$ (5,706,734)	\$ (7,973,688)
Items not affecting cash:			
Depreciation and amortization	10	460,177	229,672
Accretion on note payable	11	-	162,105
Share-based compensation	12(e),(f)	547,483	2,376,937
Listing expense	5	-	2,480,193
Loss on write-down of asset	10	26,744	-
Impairment on intangible asset	10	3,710,978	-
Gain on debt settlement	10 & 11	(2,027,961)	-
		<b>(2,989,313)</b>	<b>(2,724,781)</b>
Changes in non-cash working capital items:			
Trade and other receivables		148,227	(390,572)
Inventories	8	2,238,795	(2,193,658)
Prepaid expenses		61,614	(68,915)
Advances made to supplier		215,010	(215,010)
Bank indebtedness		3,403	-
Deferred revenue		(1,190,798)	1,231,902
Due to related parties		123,499	-
Net cash used in operating activities		<b>(2,049,387)</b>	<b>(3,058,818)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Intangible asset		-	(2,000,000)
Purchase of equipment	10	(17,273)	(102,844)
Net cash used in investing activities		<b>(17,273)</b>	<b>(2,102,844)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds from issuance of private placement	12	60,000	3,107,865
Proceeds from exercise of stock options	12	3,750	170,000
Proceeds from exercise of warrants	12	-	34,275
Repayment of note payable	11	(500,000)	-
Net cash acquired on reverse takeover	5	-	3,965,960
Cash listing expenses	5	-	(453,185)
Net cash from (used in) financing activities		<b>(436,250)</b>	<b>6,824,915</b>
<b>Change in cash</b>		<b>(2,502,910)</b>	<b>1,663,253</b>
<b>Cash, beginning of year</b>		<b>2,502,910</b>	<b>839,657</b>
<b>Cash, end of year</b>		<b>\$ -</b>	<b>\$ 2,502,910</b>
<b>Cash paid for interest</b>		<b>\$ -</b>	<b>\$ -</b>
<b>Cash paid for taxes</b>		<b>\$ -</b>	<b>\$ -</b>

**ZOGLO'S FOOD CORP.**

(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Consolidated Statements of Cash Flows (cont'd)

(Expressed in Canadian dollars, unless otherwise stated)

		<b>For the year ended December 31,</b>	
	Note	<b>2022</b>	<b>2021</b>
<b>Supplemental cash flow information:</b>			
Conversion of special warrants to common shares	12(b)(ii)	\$ -	250,000
Conversion of subscription receipts to common shares	12(b)	\$ -	50,000
Fair value of agent warrants issued on RTO	5,12(b)(iv)	\$ -	125,066
Purchase of intangible asset financed through note payable	10,11	\$ -	2,365,856
Reclassification of fair value on exercised restricted share units	12(b)(vi)	\$ -	245,086
Reclassification of fair value on exercised stock options and warrants	12(b)(i)	\$ <b>16,766</b>	899,459

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

## **ZOGLO'S FOOD CORP.**

(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars, unless otherwise stated)

---

### **1. NATURE AND CONTINUANCE OF BUSINESS**

#### ***Reporting entity***

Zoglo's Food Corp. (the "Company") was incorporated and registered as 1258481 B.C. Ltd 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 February 28, 2023, the Company changed its name to "Zoglo's Food Corp" to avoid any potential confusion with another operational company in the same industry.

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. Upon completion of the Transaction, the securities holders of Zoglo became shareholders of the combined entity (the "Resulting Issuer") (Note 5).

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".

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

On October 28, 2021, the Company entered into a binding memorandum of understanding ("MOU") with Monday Swiss UK Ltd ("Monday Swiss"), a leading European-based developer and manufacturer of innovative plant-based food alternatives, to acquire 51% interest of Monday Swiss. However, the MOU was terminated as the Company and Monday Swiss did not enter into a definitive agreement by November 26, 2021.

The Company's head office and principal address is 8953 Woodbine Ave., Markham, ON L3R 0J9. The registered and records office is Suite 1500-1055 West Georgia Street, Vancouver, BC, V6E 4N7.

#### ***Going concern***

These consolidated financial statements have been prepared on a going concern basis, which assumes that the future operations will allow for the realization of assets and the discharge of liabilities in the normal course of business. These consolidated financial statements do not include any adjustments to the carrying value and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern, and such adjustments could be material.

**ZOGLO'S FOOD CORP.**  
(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021  
(Expressed in Canadian dollars, unless otherwise stated)

---

**1. NATURE AND CONTINUANCE OF BUSINESS** (cont'd)

***Going concern (cont'd)***

The Company reported a consolidated net loss of \$5,706,734 for the year ended December 31, 2022 (December 31, 2021 - \$7,973,688). As at December 31, 2022, the Company had working capital deficit of \$628,599 (December 31, 2021 – working capital of \$2,091,281) and an accumulated deficit of \$13,690,571 (December 31, 2021 - \$7,983,837).

These circumstances create material uncertainties that cast significant doubt as to the ability of the Company to continue as a going concern and, hence, as to the appropriateness of the use of accounting principles applicable to a going concern. The Company is actively pursuing additional financing (refer Notes 18) but there is no assurance these initiatives will be successful, timely or sufficient.

***Covid-19***

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.

**2. BASIS OF PRESENTATION**

These consolidated financial statements were authorized for issue on May 1, 2023 by the directors of the Company.

***Statement of compliance***

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

***Functional and presentation currencies***

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company and its 100% owned subsidiary, Zoglo's Incredible Food Inc. (“Zoglo”). Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are charged to the consolidated statements of loss and comprehensive loss.

**ZOGLO'S FOOD CORP.**  
(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021  
(Expressed in Canadian dollars, unless otherwise stated)

---

**2. BASIS OF PRESENTATION** (cont'd)

***Basis of presentation and consolidation***

These consolidated financial statements have been prepared on a historical cost basis, as explained in the accounting policies set out in Note 4.

These consolidated financial statements include accounts of the Company and its wholly owned subsidiary, Zoglo. Amounts reflected prior to March 23, 2021, the RTO completion date, include only the accounts of Zoglo. Inter-company transactions and balances are eliminated upon consolidation.

Subsidiaries are corporations in which the Company is able to control the operating, investing and financing activities and policies, which is the authority usually connected with holding majority voting rights. The consolidated financial statements include the accounts of the Company and its controlled entity from the date on which control was acquired. The subsidiary uses the same reporting period and the same accounting policies as the Company.

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amount of expenses during the reporting period.

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

*Going concern*

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures and to meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

## ZOGLO'S FOOD CORP.

(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars, unless otherwise stated)

---

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

#### *Share-based payments*

The Company uses the Black-Scholes Option Pricing Model to determine the fair value of options and warrants in order to calculate share-based payments expense and the fair value of agent warrants. The Black-Scholes Option Pricing Model involves six key inputs to determine fair value of an option: risk-free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control.

The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of share-based payments expense.

#### *Revenue recognition*

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control over a product to a customer. The transfer of control is considered to have occurred when the Company has transferred physical possession of the asset and the Company has a present right to payment for the asset.

#### *Impairment testing and recoverability of long-lived assets*

Long-lived assets are reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred, by comparing the carrying value to their recoverable amounts. The recoverable amounts of the CGU were estimated based on an assessment of value in use using a discounted cash flow approach and fair value less costs to sell. The approach uses cash flow projections based upon a financial forecast approved by management, covering a two to three-year period. Cash flows for the years thereafter are extrapolated using the estimated terminal growth rate for value in use for impairment analysis. Cash flows for the terminal period for fair value less costs to sell impairment analysis is determined using an existing multiple. The risk premiums expected by market participants related to uncertainties about the industry and assumptions relating to future cash flows may differ or change quickly, depending on economic conditions and other events. The determination of a CGU is based on management's judgment and is an assessment of the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

#### *Deferred tax assets and liabilities*

The measurement of deferred income tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful operations of the Company.



**ZOGLO'S FOOD CORP.**  
(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021  
(Expressed in Canadian dollars, unless otherwise stated)

---

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)**

To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred tax provisions or recoveries could be affected.

*Useful life of equipment and intangible asset*

The intangible asset and equipment are recorded at cost less accumulated depreciation and impairment charges. Such cost consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use.

Depreciation and amortization are calculated over the estimated useful lives as follows:

Computer equipment	30%	Declining balance method
Freezer equipment	20%	Declining balance method
Other equipment	20%	Declining balance method
Brands	10 years	Straight-line method

*Inventory obsolescence*

Inventories are stated at the lower of cost and estimated net realizable value. The Company estimates net realizable value as the amount at which inventories are expected to be sold, taking into consideration fluctuations in retail prices less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, or declining selling prices.

*Provisions*

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a previous event, if it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the obligation. The amount recognized is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligations. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate of the expected future cash flows.

*Contingencies*

Contingencies can be either possible assets or possible liabilities arising from past events, which, by their nature, will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential impact of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

**ZOGLO'S FOOD CORP.**  
(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021  
(Expressed in Canadian dollars, unless otherwise stated)

---

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)**

*Functional currency*

Determining the appropriate functional currencies for entities in the Company requires analysis of various factors, including the currencies and country-specific factors that mainly influence sales prices, and the currencies that mainly influence materials, and other costs of providing goods or services.

**4. SIGNIFICANT ACCOUNTING POLICIES**

**Financial instruments**

The following table shows the classification of the Company's financial instruments under IFRS 9:

---

<b>Financial assets</b>	
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
<b>Financial liabilities</b>	
Accounts payable and accrued liabilities	Amortized cost
Note payable	Amortized cost
Due to related parties	Amortized cost

---

The Company classifies its financial assets in one of the following categories:

(1) at fair value through profit or loss ("FVTPL") (2) at amortized cost or (3) at fair value through other comprehensive income ("FVTOCI"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

*Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of (loss) income in the period in which they arise.

*Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current or non-current based on their maturity date.

*Financial assets at FVTOCI*

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment.

**ZOGLO'S FOOD CORP.**  
(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021  
(Expressed in Canadian dollars, unless otherwise stated)

---

**4. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**Financial instruments** (cont'd)

*Impairment of financial assets*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost and FVTOCI. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of (loss) income, as an impairment loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

*Derecognition*

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

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 the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

*Fair value hierarchy*

The Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- i) Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- ii) Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
- iii) Level 3 – Applies to assets or liabilities for which there are unobservable market data.

**Cash and cash equivalents**

Cash and cash equivalents Cash and cash equivalents in the consolidated statements of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

**ZOGLO'S FOOD CORP.**  
(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021  
(Expressed in Canadian dollars, unless otherwise stated)

---

**4. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

***Inventories***

Inventories consist of finished goods, which are stated at the lower of cost and net realizable value. Cost comprises direct materials, and where applicable, and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in selling and distribution.

***Equipment***

Equipment is recorded at cost less accumulated depreciation and impairment charges. Such cost consists of the purchase price, any costs directly attributable to bringing the equipment to the location and condition necessary for its intended use. Computer equipment is amortized on the 30% declining balance basis.

Where an item of equipment comprises significant components with different useful lives, the components are accounted for as separate items of equipment. The cost of replacing part of an item within equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the group and the cost of the item can be measured reliably. The carrying amount of the part that has been replaced is expensed. All other costs are recognized as an expense as incurred.

***Intangible asset***

Intangible asset acquired outside of a business combination are measured at cost on initial recognition.

Intangible asset with finite useful lives are amortized over the useful economic life and assessed for impairment whenever there are any indicators that the intangible asset may be impaired. The amortization method and amortization period of an intangible asset with a finite useful life are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense related to intangible asset with finite lives is recognized in the consolidated statements of loss and comprehensive loss.

***Impairment of equipment and intangible asset***

At each reporting date, the Company reviews the carrying amounts of its equipment and intangible asset to determine whether there are any indicators that those assets have suffered an impairment loss. If any such indicators exist, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

**ZOGLO'S FOOD CORP.**  
(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021  
(Expressed in Canadian dollars, unless otherwise stated)

---

**4. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

***Impairment of equipment and intangible asset*** (cont'd)

An impairment loss is recognized when the carrying amount of an asset, or its CGU, exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGU and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there are indicators that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

***Share capital***

Common shares issued for non-monetary consideration are recorded at their fair value on the measurement date and classified as equity. The measurement date is defined as the earliest of the date at which the commitment for performance by the counterparty to earn the common shares is reached or the date at which the counterparty's performance is complete.

Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

Equity financing transactions may involve the issuance of units. Units comprise common shares and share purchase warrants. The Company accounts for unit offering proceeds between common shares and share purchase warrants using the residual value method, wherein the fair value of the common shares is based on the fair value ascribed to the shares issued and the balance, if any, is allocated to the attached warrants.

Under the Company's restricted share unit ("RSU") plan, RSUs may be granted to directors, officers, employees or consultants of the Company. Compensation expense for each grant is recorded in the statement of loss and comprehensive loss with a corresponding increase in reserves on the statement of financial position. The expense is based on the fair values at the time of grant and is recognized over the vesting period of the RSU. The Company settles RSUs by issuing shares, though upon a change of control, the Company, at its discretion, may issue cash or a combination of cash and shares.

**ZOGLO'S FOOD CORP.**  
(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021  
(Expressed in Canadian dollars, unless otherwise stated)

---

**4. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

***Share capital*** (cont'd)

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

***Income taxes***

Income tax expense is comprised of current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the asset and liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

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

***(Loss) per share***

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

## ZOGLO'S FOOD CORP.

(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars, unless otherwise stated)

---

### 4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### *Revenue recognition*

##### *Direct Sales to Distributors*

The Company generates revenues through the wholesale of plant-based meat alternative products. Revenues from sale of goods to customers have a single performance obligation and are recognized at the point in time when control transfers and the obligation has been fulfilled, which is upon shipment of goods to the customers. The amount of revenue recognized is based on a contractual price and is recorded net of sales discounts, if any.

The Company follows a five-step recognition and measurement approach for revenue arising from contracts with customers:

1. Identify the contracts with customers
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when the entity satisfies a performance obligation

##### *Dropship Sales (Principal vs. Agent)*

The Company has drop-ship arrangements with licensed distributors (LDs) whereby it acts as a logistics partner to the LDs.

When determining the most appropriate basis for presenting revenue on either a gross or net basis, both the legal form and substance of the agreements between the Company and LDs are reviewed to determine each party's respective role in the transaction. Where the Company's role in a transaction is that of a principal, revenue is recognized on a gross basis, where the gross value of the transaction billed to the customer is recognized as revenue and the costs incurred in the transaction are recognized as direct cost of revenue. When the Company's role in a transaction is that of an agent, revenue is recognized on a net basis with revenue approximating the margin earned and is recorded in the consolidated statements of loss. This determination of whether the Company is acting as principal or agent requires the exercise of judgement. In making this assessment, Management considers whether the Company:

- acts on behalf of the LDs in identifying the customer in certain arrangements
- controls the good or service being provided, prior to it being transferred to the customer
- has primary responsibility for providing the goods and service to the customer
- has inventory risk before or after the customer order; and
- has discretion in establishing prices for the specified goods and services.

**ZOGLO'S FOOD CORP.**  
(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021  
(Expressed in Canadian dollars, unless otherwise stated)

---

**4. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

***Share-based payment transactions of the acquiree in the reverse takeover transaction***

When the share-based payment awards held by the employees of an acquiree (acquiree awards) are replaced by the Group's share-based payment awards (replacement awards), both the acquiree awards and the replacement awards are measured in accordance with IFRS 2 ("market-based measure") at the acquisition date. The portion of the replacement awards that is included in measuring the consideration transferred in a business combination equals the market-based measure of the acquiree awards multiplied by the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the acquiree award.

The excess of the market-based measure of the replacement awards over the market-based measure of the acquiree awards included in measuring the consideration transferred is recognised as remuneration cost for post combination service.

Certain employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of stock-based payment transactions, whereby employees render services as consideration for equity instruments ("equity settled transactions").

Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued. In situations where equity instruments are issued to non-employees and some or all of the fair value of the good or service received by the Company as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

The costs of equity-settled transactions with employees are measured by reference to the fair value of the share price at the date on which they are granted, using an appropriate valuation model. The value of the transaction is expensed through the vesting period. The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date").

***Foreign currency transactions and foreign translation***

Foreign currency transactions are translated into Canadian dollars using exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using the exchange rate in effect at the measurement date. Non-monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using the historical exchange rate or the exchange rate in effect at the measurement date for items recognized at fair value through foreign exchange gain or loss. Gains and losses arising from foreign exchange are included in the consolidated statements of loss. The Company translates the financial statements of foreign operation to the presentation currency. Items in the statement of loss of foreign operation are translated into the presentation currency using the average exchange rate for the year, and assets and liabilities are translated using the year-end rate; all resulting exchange differences are included into other comprehensive income.



**ZOGLO'S FOOD CORP.**  
(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021  
(Expressed in Canadian dollars, unless otherwise stated)

---

**4. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

***Segments***

In measuring its performance, the Company does not distinguish or group its operations on a geographical or any other basis and accordingly has a single reportable operating segment. Management has applied judgment by aggregating its operating segments into one single reportable segment for disclosure purposes. Such judgment considers the nature of the operations and an expectation of operating segments within a reportable segment with similar long-term economic characteristics.

The Company's Chief Executive Officer is the chief operating decision-maker and regularly reviews the Company's operations and performance on an aggregate basis. The operating results are regularly reviewed by the chief operating decision makers to determine decisions about resources and how they will be allocated to determine performance. At this time, management does not make decisions by revenue stream, but rather as an organization as a whole on a consolidated basis.

***Provisions***

Provisions are recorded when a present legal or constructive obligation exists as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is management's best estimate of the consideration required to settle the present obligation at the dates of the consolidated statements of financial position, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using an estimate of the cash flows required to settle the present obligation and the effect is material, its carrying amount is calculated from the present value of those cash flows.

***Other comprehensive income (loss)***

Other 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 would not normally be included in the consolidated statements of loss and comprehensive loss.

***Recent accounting pronouncements***

The adoption of the following standards and interpretations are not expected to have a material effect on the Company's future results and financial position:

**Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)**

The amendments to IAS 37 specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of equipment used in fulfilling the contract). These amendments are effective for reporting periods beginning on or after January 1, 2022. The Company has concluded that the impact is not material.

**ZOGLO'S FOOD CORP.**  
(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021  
(Expressed in Canadian dollars, unless otherwise stated)

---

**4. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

***Accounting standard issued but not yet effective***

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. These amendments are effective for reporting periods beginning on or after January 1, 2024.

Accounting Policies, Changes in Accounting Estimates and Errors (Amendments to IAS 8)

The amendments to IAS 8 clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy and clarifying that accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments are required to be applied for annual reports commencing on or after January 1, 2023 with early application permitted. We are currently assessing the impact of these amendments on the disclosure of our accounting policies.

Certain other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

**5. REVERSE TAKEOVER OF ZOGLO'S INCREDIBLE FOOD INC.**

On March 23, 2021, the Company completed a reverse takeover transaction with Zoglo (Note 1), whereby the Company acquired 100% of the issued and outstanding common shares of Zoglo.

As part of the reverse takeover transaction, the Company entered into a share exchange transaction with Zoglo whereby each shareholder of Zoglo exchanged its common shares in Zoglo for common shares of the Company. Upon closing of the Transaction, the shareholders of Zoglo owned 89.5% of the common shares of the Company and, as a result, the Transaction is considered a reverse acquisition of the Company by Zoglo.

In addition, on completion of the Transaction:

- i) Zoglo's option holders exchanged their Zoglo's options for a total of 6,800,000 replacement securities of the Company with an exercise price of \$0.05 per share expiring on March 23, 2026 (the "Replacement Options"). Please see Note 12(e).
- ii) Zoglo's warrant holders exchanged their Zoglo's warrants for a total of 1,000,000 replacement securities of the Company with an exercise price of \$0.10 expiring on March 23, 2026 (the "Replacement Warrants"). The Replacement Warrants are subject to vesting provisions of 250,000 warrants exercisable immediately, 250,000 warrant exercisable upon the Company listing on a stock exchange, and 500,000 warrants exercisable six months following the date of the Company's listing. Please see Note 12(f).

**ZOGLO'S FOOD CORP.**

(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars, unless otherwise stated)

**5. REVERSE TAKEOVER OF ZOGLO'S INCREDIBLE FOOD INC. (cont'd)**

- iii) As part of the share exchange agreement, upon the completion of the Transaction, the Company has issued 3,000,000 restricted stock units to the former chairman of the Company. Please see Note 12(g).

For accounting purposes, the acquisition was considered to be a reverse acquisition under *IFRS 3 Business Combinations* ("IFRS 3") as the shareholders of Zoglo obtained control of the Company. However, as the Company does not meet the definition of a business as defined by IFRS 3, it has been accounted for as a share-based payment transaction in accordance with IFRS 2. The accounting for this transaction resulted in the following:

- a. The consolidated financial statements of the combined entity are issued under the legal parent, the Company, but are considered a continuation of the financial statements of the legal subsidiary, Zoglo.
- b. As Zoglo is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.
- c. In connection to the RTO, the Company completed a concurrent financing of 27,000,000 subscription receipts ("Subscription Receipt") (Note 12(b)) of the Company at a price of \$0.25 per Subscription Receipt for gross proceeds of \$6,750,000 which was deposited with the Company and held in escrow ("Escrow Funds"). Each Subscription Receipt entitled the holder to receive, without additional consideration, one common share of the Company upon receiving conditional approval of the CSE for the CSE Listing and the release of the Escrow Funds. On July 11, 2021, the Company received conditional approval and Escrow Funds were released.

In connection with the concurrent financing, the Company issued an aggregate of 848,400 agents' warrants (Note 12(f)) to eligible finders at an exercise price of \$0.25 per common share expiring March 22, 2022.

The Company recorded a fair value of \$125,066 for these agents' warrants. Upon receiving conditional approval of the CSE, the Company paid cash finders' fee of \$212,100 to the eligible finders.

These agent warrants are a part of the consideration for the reverse takeover Transaction. These agent warrants vested immediately on grant date. The valuation of these agent warrants is disclosed below:

	Agent Warrants
Risk free interest rate (based on government bonds)	0.27%
Expected dividend yield	0%
Expected volatility*	164%
Expected life	1 year
Exercise price	\$0.25
Share price at grant date**	\$0.25
Fair value at grant date	\$0.15

\*Expected volatility has been based on similar publicly traded companies

\*\*Share price based on last share raise prior to grant date

**ZOGLO'S FOOD CORP.**

(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars, unless otherwise stated)

**5. REVERSE TAKEOVER OF ZOGLO'S INCREDIBLE FOOD INC. (cont'd)**

- d. Since the shares allocated to the former shareholders of Zoglo on closing the Transaction is considered within the scope of IFRS 2, and the Company cannot identify specifically some or all of the goods or service received in return for the allocation of the shares, the value in excess of the net identifiable assets or obligations of Zoglo acquired on closing was expensed in the consolidated statement of loss and comprehensive loss as a listing expense.
- e. The fair value of the 7,500,000 common shares was determined to be \$1,875,000 or \$0.25 per common share.
- f. On December 11, 2020, the accounting acquiree issued 1,000,000 special warrants ("Special Warrant"). These special warrants are a part of the consideration for the reverse takeover Transaction that occurred on March 23, 2021. Please See Note 12(d).
- g. The fair value of all the consideration given and charged to listing expense was comprised of:

Consideration		
7,500,000 Common shares issued	\$	1,875,000
Agent's warrants issued		125,066
Special warrants issued		250,000
	\$	2,250,066
Identifiable assets acquired – At March 22, 2021		
Cash	\$	3,965,960
Prepaid agent fees		125,066
Accounts payable		(22,968)
Subscription receipts		(3,845,000)
		223,058
Unidentified assets acquired		
Listing expense (See Note 5(h))		2,027,008
<b>Total net identifiable assets and transaction costs</b>	<b>\$</b>	<b>2,250,066</b>

- h. The Company incurred additional expenses related to the Transaction of \$453,185 for total listing expense of \$2,480,193.

**ZOGLO'S FOOD CORP.**  
(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021  
(Expressed in Canadian dollars, unless otherwise stated)

**6. CASH AND CASH EQUIVALENTS**

	December 31, 2022	December 31, 2021
Cash	\$ -	\$ 2,257,474
Short term investment	-	245,436
	\$ -	\$ 2,502,910

The short-term investment consists of highly liquid Canadian dollar denominated redeemable guaranteed investment certificate ("GIC") yielding a variable interest rate per annum with a short-term maturity. The counter-party is a financial institution. As at December 31, 2022, the Company held \$Nil (2021 - \$245,436) in the GIC investment including accrued interest of \$Nil (2021 - \$436).

During the year ended December 31, 2022, the Company has bank indebtedness of \$3,403 (2021- \$nil).

**7. TRADE AND OTHER RECEIVABLES**

	December 31, 2022	December 31, 2021
Government sales tax credits	\$ 194,920	\$ 206,814
Trade receivables (Note 13(iii))	57,832	194,165
	\$ 252,752	\$ 400,979

**8. INVENTORIES**

Inventory consists of finished goods at the lower of cost and net realizable value.

	December 31, 2022	December 31, 2021
Opening inventory	\$ 2,279,899	\$ 86,241
Purchases (Note 13 vii)	894,350	3,138,730
Cost of revenue	(3,133,145)	(945,072)
Closing inventory	\$ 41,104	\$ 2,279,899

During the year ended December 31, 2022, there were \$1,270,763 inventory write downs to net realizable value (2021 - \$Nil) and recorded in cost of revenue.

**9. PREPAID EXPENSES**

	December 31, 2022	December 31, 2021
Prepaid services	\$ 7,301	\$ 51,915
Prepaid insurance	-	17,000
	\$ 7,301	\$ 68,915

**ZOGLO'S FOOD CORP.**  
(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021  
(Expressed in Canadian dollars, unless otherwise stated)

**10. EQUIPMENT AND INTANGIBLE ASSET**

	Other Equipment	Freezer Equipment	Computer Equipment	Total Equipment	Intangible Asset (Brands)	Total Equipment and Intangible Asset
<b>Acquisition cost:</b>						
At December 31, 2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	-	81,125	21,719	102,844	4,365,856	4,468,700
At December 31, 2021	-	81,125	21,719	102,844	4,365,856	4,468,700
Additions	17,273	-	-	17,273	-	17,273
At December 31, 2022	\$ 17,273	\$ 81,125	\$ 21,719	\$ 120,117	\$ 4,365,856	\$ 4,485,973
<b>Accumulated depreciation/ amortization and impairment:</b>						
At December 31, 2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charge for the year	-	8,123	3,257	11,380	218,292	229,672
At December 31, 2021	-	8,123	3,257	11,380	218,292	229,672
Charge for the year	3,455	14,600	5,536	23,591	436,586	460,177
Write-down/ impairment	13,818	-	12,926	26,744	3,710,978	3,737,722
At December 31, 2022	\$ 17,273	\$ 22,723	\$ 21,720	\$ 61,715	\$ 4,365,856	\$ 4,427,571
<b>Balance</b>						
As December 31, 2021	\$ -	\$ 73,002	\$ 18,462	\$ 91,464	\$ 4,147,564	\$ 4,239,028
As December 31, 2022	\$ -	\$ 58,402	\$ -	\$ 58,402	\$ -	\$ 58,402

On October 19, 2020, the Company entered into an option agreement to acquire the rights to sell Zoglo's brands in North America for a cash consideration of \$5,000,000 in connection with Naknik Mahariya Kasher Soglowek's ("Naknik"), a related party (Note 13) business of packaging, marketing, and selling meat substitute food products marketed under the brand "Zoglo's".

## ZOGLO'S FOOD CORP.

(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars, unless otherwise stated)

### 10. EQUIPMENT AND INTANGIBLE ASSET (cont'd)

On February 9, 2021, the agreement was amended such that \$3,000,000 of the \$5,000,000 purchase price could be paid by way of a promissory note with remainder paid in cash. The note shall be non-interest bearing and be repaid by the Company in equal instalments of \$500,000 every six months until the note is repaid in full. On June 30, 2022, Naknik agreed to defer the instalment payment of \$500,000 due on July 15, 2022 by six months and will be added to the next instalment payment for a total of \$1,000,000 due on January 15, 2023. On November 14, 2022, the Company entered into a debt settlement agreement with Naknik in connection with the forgiveness of the promissory note at a book value of \$2,500,000 and transferring all the trademarks concerns into the following conditions:

- The Company will pay 3% in royalties from any product sold the Company's brand in perpetuity;
- The Company will send every 3 months an account of the related brand sales;
- The payment of the royalties will be paid every 30 days;
- Naknik will have a right to review the sale reports;
- The Company will have the right to use the intellectual property ("IP"), as long as the royalties are paid on time;
- The ownership of the IP will remain with Naknik;
- In a case that if two payments are not paid, the Company will stop using the IP and the trademarks will be returned to Naknik; and
- If any future lawsuit may occur, or any other company in the future in regards to the trademarks, the responsibility and liability of that lawsuit will be sole responsibility of the Company. And the Company will pay all the related payments and expenses including the legal counseling fees that will be the direct outcome of such lawsuit.

As a result of the above settlement, the Company recorded and recognized a gain on debt settlement \$2,027,961 (2021- \$nil).

This transaction was accounted for as an asset acquisition as the asset acquired does not meet the definition of a business. The purchase price of the net assets acquired was allocated to brands (intangible asset).

On July 15, 2021, the Company exercised its option for total consideration of \$4,365,856, which has been recorded as an intangible asset under brands. The total consideration is consisting of a cash payment of \$2,000,000 and the issue of a note payable in the amount of \$3,000,000.

Consideration provided cash	\$	2,000,000
Fair value of promissory notes		2,365,856
Allocated to intangible asset (brands)	\$	4,365,856

In accordance with IFRS 9 *Financial Instruments*, the benefit of below-market rate shall be measured as the difference between initial carrying value of the loan (being the present value of a similar loan at market rates) and the proceeds received. The Company has estimated the initial carrying value of the note payable at \$2,365,856, using a discount rate of 15%, which was the estimated rate for a similar loan without interest-free component. The difference of \$634,144 will be accredited to the loan liability over the term of the note payable and recorded to accretion expenses on the consolidated statements of loss and comprehensive loss (See Note 11 for accretion expenses).

**ZOGLO'S FOOD CORP.**

(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars, unless otherwise stated)

**10. EQUIPMENT AND INTANGIBLE ASSET (cont'd)**

During the year ended December 31, 2022, the Company conducted impairment tests on its intangible asset as there were indicators of impairment. The Company tested intangible asset for impairment which is allocated to its only cash generating unit. The recoverable amount of CGU was determined based on value in use which require the use of assumptions. The calculation of the recoverable amount of CGU was \$nil. As a result, the Company recorded an impairment of \$3,710,978 to the intangible asset primarily due to inability of the business to meet its initial projections.

**11. NOTE PAYABLE**

	December 31, 2022	December 31, 2021
Opening balance for the year	\$ 2,527,961	\$ -
Issued on July 15, 2021	-	2,365,856
Payments	(500,000)	-
Accretion	-	162,105
*Gain on debt settlement	(2,027,961)	-
Ending balance for the year	\$ -	\$ 2,527,961
Current portion	\$ -	\$ 722,956
Long-term portion	\$ -	\$ 1,805,005

\*The Company recognized and recorded \$2,027,961 for the gain on debt settlement (Refer Note 10).

**12. SHARE CAPITAL****a. Authorized**

Unlimited number of common shares without par value.

**b. Issued and outstanding**

During the year ended December 31, 2022, the Company completed the following transactions:

- I. Issued 75,000 common shares on the exercise of 75,000 stock options at an exercise price of \$0.05 per share for gross proceeds of \$3,750. The Company reclassified \$16,766 from reserves to share capital on the exercise of these options; and
- II. Issued 1,929,260 units at a price of \$0.0311 per units for total gross proceeds of \$60,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant will entitle the holder to acquire one common share at an exercise price of \$0.05 per common share for a period of 24 months from the date of issuance.



**ZOGLO'S FOOD CORP.**  
(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021  
(Expressed in Canadian dollars, unless otherwise stated)

---

**12. SHARE CAPITAL** (cont'd)

**b. Issued and outstanding** (cont'd)

During the year ended December 31, 2021, the Company completed the following transactions:

- i) Issued 5,000,000 common shares at a price of \$0.10 per share for total gross proceeds of \$500,000. The Company also recorded \$33,200 in share issuance costs related to this private placement; and
- ii) Issued 1,000,000 common shares for the conversion of 1,000,000 special warrants (Note 12(d)).
- iii) Issued a total of 27,000,000 common shares on the conversion of 27,000,000 subscription receipts (Note 5(c)) and the Escrow Funds were released;
- iv) Paid cash commission of \$212,100 or 7% of gross proceeds to Agents in connection to the private placement of subscription receipts upon release of the Escrow Funds (Note 5(c)). This amount was included in share issuance costs. The Company also recognized a fair value of \$125,066 on 848,000 agent's warrants exercisable at \$0.25 per share expiring March 22, 2022 (Note 5(c)) and legal fees of \$1,835 in share issuance costs in connection to this financing;
- v) issued a total of 3,687,100 common shares on the exercise of:
  - a. 3,400,000 stock options at an exercise price of \$0.05 for gross proceeds of \$170,000. The weighted average fair value of the options exercised is \$0.25. The Company reclassified \$834,835 from reserves to share capital on the exercise of these options
  - b. 250,000 warrants at a price of \$0.10 for gross proceeds of \$25,000. The fair value of the warrants exercised is \$0.24. The Company reclassified \$60,800 from reserves to share capital on the exercise of these warrants
  - c. 37,100 warrants at a price of \$0.25 for gross proceeds of \$9,275. The fair value of the warrants exercised is \$0.15. The Company reclassified \$4,330 from reserves to share capital on the exercise of these warrants.
- vi) Issued 1,000,000 common shares on the exercise of 1,000,000 restricted share units ("RSUs"). The Company reclassified \$245,086 from reserves to share capital on the exercise of these RSUs.

**c. Escrow**

46,000,000 common shares issued to a director of the Company prior to the RTO are subject to escrow conditions required by applicable securities laws and the CSE requirements.

Pursuant to the Escrow Agreement dated July 20, 2021, 10% of the escrowed common shares will be released on the Company's listing date, and 15% of the escrowed shares will be released every 6 months thereafter over a period of 36 months for the remaining 90% of the escrow. As at December 31, 2022, 27,600,000 common shares (2021 – 41,400,000) were subject to escrow.

**ZOGLO'S FOOD CORP.**  
(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021  
(Expressed in Canadian dollars, unless otherwise stated)

**12. SHARE CAPITAL** (cont'd)

**d. Special Warrants**

On December 11, 2020, the accounting acquiree issued 1,000,000 special warrants ("Special Warrant") at a price of \$0.05 for a gross proceed of \$50,000. Each special warrant entitled the holder thereof to automatically receive, without payment of additional consideration and without further action on the part of the holder, one common share of the Company. Each Special Warrant will entitle the holder to receive one common share of the Company (each a "Share") on the date ("Conversion Date") that is earlier of (i) the third business day after a receipt for a final prospectus (the "Prospectus") qualifying the distribution of the Shares issuable upon the conversion of the Special warrants, and (ii) 4 months and one day after the issue date of the Special Warrants. No Special Warrant may be exercised prior to the Conversion Date, and the Special Warrants will automatically convert on Conversion Date. These special warrants are a part of the consideration for the reverse takeover Transaction that occurred on March 23, 2021. The fair value of the special warrants was estimated to be \$250,000 based on the fair market value of \$0.25 per share.

On April 12, 2021, the 1,000,000 special warrants were exercised into 1,000,000 common shares of the Company. The Company reclassified \$250,000 from reserves to share capital on the exercise of these warrants

During the year ended December 31, 2022, there were no special warrants issued.

**e. Stock Options**

The Company adopted a rolling 10% stock option plan (the "Plan") that enables the Company to grant options to directors, officers, employees, and consultants of the Company or a subsidiary of the Company. The Company reserved 10% of issued and outstanding common shares for issuance pursuant to options under the Plan. Each option agreement with the grantee sets forth, among other things, the number of options granted, the exercise price, expiry date, and the vesting conditions of the options as determined by the Board of Directors.

Stock option transactions are summarized as follows:

	Stock Options Outstanding	Weighted Average Exercise Price
Outstanding, July 23, 2020 and December 31, 2020	–	\$ –
Granted	10,400,000	0.11
Forfeited/cancelled	(600,000)	0.10
Exercised (Note 12(b)(v))	(3,400,000)	0.05
Outstanding, December 31, 2021	6,400,000	0.15
Granted	2,350,000	0.15
Forfeited/cancelled	(4,875,000)	0.21
Exercised (Note 12(b) (i))	(75,000)	0.05
Outstanding, December 31, 2022	3,800,000	\$ 0.14

**ZOGLO'S FOOD CORP.**  
(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021  
(Expressed in Canadian dollars, unless otherwise stated)

---

**12. SHARE CAPITAL** (cont'd)

**e. Stock options** (cont'd)

During the year ended December 31, 2022, the Company:

- (i) Granted 150,000 stock options to a consultant of the Company at an exercise price of \$0.25 per share expiring January 1, 2027, subject to vesting provisions, in connection to an advisory service agreement. The stock options are subject to vesting over a period of 9 months. On March 20, 2022, the advisory services were terminated and 100,000 unvested stock options were cancelled. The remaining 50,000 vested stock options expired on April 19, 2022.
- (ii) Granted 50,000 stock options to a consultant of the Company at an exercise price of \$0.20 per share expiring February 23, 2025. The stock options are subject to vesting over a period of 12 months. During the year ended December 31, 2022, the consulting services were terminated and 50,000 stock option were cancelled accordingly.
- (iii) Granted 150,000 stock options to a former officer of the Company at an exercise price of \$0.08 per share expiring October 1, 2026. The stock options are subject to vesting over a period of 9 months. Subsequent to the year ended December 31, 2022, the former officer resigned and 150,000 unvested stock options were cancelled 30 days after his resignation.
- (iv) Granted 2,000,000 stock options to a consultant of the Company at an exercise price of \$0.05 per share expiring November 4, 2027. The stock options are subject to vesting immediately.
- (v) Forfeited/ Cancelled an aggregate of 4,875,000 stock options granted to several former officers, directors and consultants of the Company, which also included the options granted during the year mentioned in Note 12 (e) (i & ii); and
- (vi) Exercised an aggregate of 75,000 stock options for total gross proceeds of \$3,750 (Note 12(b)(i)).

During the year ended December 31, 2022, the Company recorded share-based compensation of \$538,868 (2021 - \$2,376,937) on the vested portion of the stock options.

During the year ended December 31, 2021, the Company:

- (i) Granted an aggregate of 6,800,000 Replacement Options (Note 5) to certain directors, officers, and consultants of the Company at an exercise price of \$0.05 per share expiring on March 23, 2026. The Replacement Options are subject to vesting over a period of two year. The replacement options are treated as a modification of the share-based payment. As fair value of the options at the date of the modification was determined to be similar to the grant date fair value, there was no material incremental fair value recognized as an expense over the period from the modification date to the end of the extended vesting period. The expense for the original option grant will continue to be recognized as if the terms had not been modified.

**ZOGLO'S FOOD CORP.**  
(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021  
(Expressed in Canadian dollars, unless otherwise stated)

---

**12. SHARE CAPITAL** (cont'd)

**e. Stock options** (cont'd)

- (ii) Granted 150,000 stock options to an officer of the Company at an exercise price of \$0.05 per share expiring on July 26, 2026. These stock options are subject to vesting over a period of six months;
- (iii) Granted 2,300,000 stock options to three directors of the Company at an exercise price of \$0.265 per share expiring on November 12, 2026. These stock options are subject to vesting over a period of 12 months;
- (iv) Granted 1,150,000 stock options to directors, officers and employees of the Company at an exercise price of \$0.20 per share expiring on December 1, 2026. These stock options are subject to vesting over a period of 12 months;
- (v) Forfeited 550,000 stock options and cancelled 50,000 stock options granted to two former directors of the Company; and
- (vi) Exercised an aggregate of 3,400,000 stock options for total gross proceeds of \$170,000 (Note 12(b)(v)).

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options granted. The model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

The following weighted average assumptions were used to estimate the following weighted average grant date fair values:

---

	December 31, 2022	December 31, 2021
Risk free interest rate (based on government bonds)	1.35% - 1.73%	0.73% - 1.35%
Expected dividend yield	0%	0%
Stock price volatility*	149% - 210%	148% - 177%
Expected life	4.93 years	4.77 years
Exercise price	\$0.05 - \$0.25	\$ 0.05-0.26
Share price	\$0.035 - \$0.20	\$ 0.18- \$ 0.44
Fair value	\$ 0.034 - \$0.179	\$ 0.25

---

\*Expected volatility has been based on similar publicly traded companies

**ZOGLO'S FOOD CORP.**  
(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021  
(Expressed in Canadian dollars, unless otherwise stated)

**12. SHARE CAPITAL** (cont'd)

**e. Stock options** (cont'd)

Share options outstanding and exercisable at December 31, 2022 are summarized as follows:

Number of Options	Exercise Price	Expiry Date	Remaining Life of Options (Years)	Number of Options Exercisable
1,250,000	\$ 0.050	March 23, 2026	3.23	1,250,000
400,000	\$ 0.200	December 1, 2026	3.92	400,000
150,000	\$ 0.080	October 1, 2026	3.75	-
2,000,000	\$ 0.050	November 4, 2027	4.85	2,000,000
3,800,000	\$ 0.130		4.17	3,650,000

**f. Warrants**

Warrant transactions are summarized as follows:

	Warrants Outstanding	Weighted Average Exercise Price
Outstanding, July 23, 2020 and December 31, 2020	-	\$ -
Granted	1,848,400	0.17
Exercised (Note 12(b)(v))	(287,100)	0.12
Outstanding, December 31, 2021	1,561,300	0.18
Granted (Note 12(b)(ii))	1,929,260	0.05
Expired	(811,300)	0.25
Outstanding, December 31, 2022	2,679,260	\$ 0.06

During the year ended December 31, 2022, the Company recorded share-based compensation of \$8,615 (2021 - \$232,914) on the vested portion of the warrants issued for consulting services.

During the year ended December 31, 2021, the Company issued the following warrants:

- i) 848,000 non-transferable agents' warrants at an exercise price of \$0.25 per common share until March 22, 2022 in conjunction with the concurrent private placement (Note 5(c)). The Company recorded a fair value of \$125,066 in reserves and share issuance costs.

**ZOGLO'S FOOD CORP.**  
(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021  
(Expressed in Canadian dollars, unless otherwise stated)

**12. SHARE CAPITAL** (cont'd)

**f. Warrants** (cont'd)

- ii) 1,000,000 Replacement Warrants at an exercise price of \$0.10 until February 23, 2026 to a consultant for consulting services. The Replacement Warrants are subject to vesting provisions over a period of one year. The Company recorded share-based compensation of \$232,914 on the vested portion of the Replacement Warrants. The replacement warrants are treated as a modification of the share-based payment. As fair value of the options at the date of the modification was determined to be similar to the grant date fair value, there was no material incremental fair value recognized as an expense over the period from the modification date to the end of the extended vesting period. The expense for the original warrant grant will continue to be recognized as if the terms had not been modified.

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

	Expiry Date	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life
Warrants	February 23, 2026	750,000	\$0.10	3.15 years
Warrants	December 22, 2024	1,929,260	\$0.05	1.98 years

The fair value of the warrants granted were calculated using the Black-Scholes option pricing model with the following weighted average assumptions (excluding the agent warrants – please see Note 5 for Black-Scholes option pricing model inputs):

	December 31, 2022	December 31, 2021
Risk free rate (based on government bonds)	1.59%	1.23%
Expected dividend yield	0%	0%
Stock price volatility*	144.88%	178.91%
Expected life	4.08 years	3.32 years
Exercise price	\$ 0.10	\$ 0.10
Share price	\$ 0.25	\$ 0.25
Fair value	\$ 0.21	\$ 0.18

\*Expected volatility has been based on similar publicly traded companies

**g. Restricted Share Units**

The Company adopted a rolling restricted stock plan ("RSU Plan") on February 12, 2021. The aggregate number of Common Shares that may be issued pursuant to the RSU Plan, when combined with the common shares reserved for issuance pursuant to other share compensation arrangements (including the stock option plan), may not exceed 25% of the Common Shares issued and outstanding at the time of the grant.

**ZOGLO'S FOOD CORP.**  
(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021  
(Expressed in Canadian dollars, unless otherwise stated)

**12. SHARE CAPITAL** (cont'd)

**g. Restricted Share Units** (cont'd)

RSU transactions are summarized as follows:

	RSUs Outstanding
Outstanding, July 23, 2020 and December 31, 2020	–
Granted in 2021	3,000,000
Forfeited in 2021	(2,000,000)
Exercised in 2021 (Note 12(b)(vi))	(1,000,000)
Outstanding, December 31, 2021 and 2022	–

During the year ended December 31, 2022, there were no RSUs granted nor share-based compensation recorded.

During the year ended December 31, 2021, the Company issued 3,000,000 RSUs which convert into a common share to the former Chairman of the Company in connection to the RTO (Note 5). The RSUs are subject to vesting based on the following vesting terms:

- 1,000,000 RSUs vest on the date the shares of the Company are listed on a national Canadian securities exchange (the "Listing Date")
- 1,000,000 RSUs vest on the date which is six months after the Listing Date
- 1,000,000 RSUs vest on the date which is one year after the Listing Date

The RSUs have any expiry of March 23, 2026. On September 14, 2021, 2,000,000 unvested RSUs were forfeited on the resignation of the former Chairman and the vested portion of the RSUs expired on December 13, 2021. During 2021, the Company recorded \$245,086 in share-based compensation on the vested portion of the RSUs.

**13. RELATED PARTY TRANSACTIONS**

Key management personnel include 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, officers and the companies controlled by the directors and officers as well as their spouses.

**ZOGLO'S FOOD CORP.**  
(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021  
(Expressed in Canadian dollars, unless otherwise stated)

**13. RELATED PARTY TRANSACTIONS** (cont'd)

The remuneration of the key management personnel during the year ended December 31, 2022 and 2021 were as follows:

	December 31, 2022	December 31, 2021
Officers' remuneration (i)	\$ 493,409	\$ 326,769
Consulting fees (ii)	42,500	127,500
Director's fees (iv)	31,733	10,000
Share-based compensation (v)(vi)	490,287	867,674
Total	\$ 1,057,929	\$ 1,331,943

During the year ended December 31, 2022, transactions with key management and other related party transactions as follows:

- (i) During the year ended December 31, 2022, the Company paid or accrued salaries, management fees, health benefits and vehicle allowances totaling \$514,726 to three former officers of the Company.
- (ii) The Company entered into the 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 year ended December 31, 2022, the Company paid \$Nil in consulting fees related to this agreement.

- 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 year ended December 31, 2022, the Company paid \$Nil in consulting fees pursuant to this agreement.

- c. with Professional Retailing Inc., a company controlled by the former CEO, for consulting services with respect to packaging, marketing and product advisory services in exchange for \$102,000 per year, payable monthly from August 1, 2022. The advisory agreement is for a term of one year and will automatically renew annually unless terminated.

During the year ended December 31, 2022, the Company paid or accrued \$42,500 in consulting fees pursuant to this agreement.



## ZOGLO'S FOOD CORP.

(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars, unless otherwise stated)

---

### 13. RELATED PARTY TRANSACTIONS (cont'd)

(iii) During the year ended December 31, 2022, the Company had the following transactions with Foodfest International 2000 Inc., a company whose former CEO is a director and significant shareholder of the Company:

- a. earned revenues totalling \$266,779;
- b. paid rent and office costs totalling \$9,000 and \$12,316; and
- c. purchased inventory totaling \$Nil.

As at December 31, 2022, \$15,088 was included in trade and other receivables for the sale of food products to Foodfest.

During the year ended December 31, 2022, the Company paid \$31,733 to a company controlled by the chairman of the board of the Company and a director of the Company for director fees.

(iv) During the year ended December 31, 2022, share-based compensation expense of \$490,287 was recorded on the vested portion of the stock options granted to directors and officers of the Company (Note 12 (e)).

(v) During the year ended December 31, 2022, share-based compensation expense of \$Nil was recorded on RSUs granted to the former Chairman of the Company.

(vi) During the year ended December 31, 2022, the Company paid \$31,575 in accounting and bookkeeping fees to a company partially owned by the former CFO.

(vii) As at December 31, 2022, \$7,625 was due to Naknik that was included in accounts payable and accrued liabilities, 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. During the year ended December 31, 2022, the Company purchased inventory totalling \$564,175 from Naknik.

(viii) During the year ended December 31, 2022, the Company received a short-term loan of \$197,029 from a director of the Company in connection with the advanced payment of inventory purchased from Naknik. The amount due was unsecured, non-interest bearing and has no fixed term of repayment. As at December 31, 2022, a balance of \$11,842 was outstanding on this loan. The loan was fully repaid subsequent to the year ended December 31, 2022.

(ix) On August 23, 2022, the Company entered into a 90-day promissory note for an operational loan of \$100,000 from the spouse of a director of the Company. The loan due was unsecured yet on maturity date, the Company would repay the principal amount plus interest of \$5,000. The maturity date of this note, November 23, 2022. Subsequently, the loan was extended to December 31, 2023 with an interest rate of 6% per annum. As at December 31, 2022, this note remained outstanding and the Company recorded accrued interest of \$11,657.

**ZOGLO'S FOOD CORP.**  
(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021  
(Expressed in Canadian dollars, unless otherwise stated)

---

**13. RELATED PARTY TRANSACTIONS** (cont'd)

During the year ended December 31, 2021, transactions with key management and other related party transactions as follows:

- (i) During the year ended December 31, 2021, the Company paid or accrued salaries, management fees, health benefits and vehicle allowances totaling \$326,769 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 year ended December 31, 2021, the Company paid \$90,000 in consulting fees related to this agreement.

- 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 year ended December 31, 2021, the Company paid \$37,500 in consulting fees pursuant to this agreement.

- (iii) During the year ended December 31, 2021, the Company earned revenues totalling \$177,940 from, and paid rent and office costs totalling \$36,000 and \$24,000, to Foodfest International 2000 Inc. ("Foodfest"), is a company whose CEO is a director and significant shareholder of the Company.

As at December 31, 2021, \$124,956 was included in trade and other receivables for the sale of food products and cash advances to Foodfest.

During the year ended December 31, 2021, the Company purchased inventory totalling \$121,438 from Foodfest.

- (iv) During the year ended December 31, 2021, the Company paid \$10,000 to a company controlled by the chairman of the board of the Company for director fees.
- (v) During the year ended December 31, 2021, share-based compensation expense of \$622,588 was recorded on the vested portion of 4,400,000 stock options granted to directors and officers of the Company.
- (vi) During the year ended December 31, 2021, share-based compensation expense of \$245,086 was recorded on 1,000,000 vested RSUs granted to the Chairman of the Company.

**ZOGLO'S FOOD CORP.**

(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars, unless otherwise stated)

**13. RELATED PARTY TRANSACTIONS (cont'd)**

(vii) As at 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 year ended December 31, 2021, the Company purchased inventory totalling \$820,701 from Naknik.

**14. INCOME TAXES**

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

	2022	2021
Loss for the year	\$(5,706,734)	\$ (7,973,688)
Statutory tax rate	26.8%	26.9%
Expected income tax recovery at statutory rate	\$(1,531,394)	\$ (2,144,922)
Permanent differences	607,316	1,251,658
Share issue cost	(66,660)	(66,560)
Expenses not deductible for tax purposes and other	990,738	959,824
Income tax expense recovery	\$ -	\$ -

The components of unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset has been recognized are as follows:

	2022	Expiry Date Range	2021	Expiry Date Range
<b>Temporary Differences</b>				
Equipment	58,000	No expiry date	230,000	No expiry date
Share issue costs	152,000	2023 to 2026	203,000	2022 to 2025
Allowable capital losses	(567,000)	No expiry date	-	No expiry date
Non-capital losses available for future period	11,192,000	2040 to 2041	3,024,000	2040 to 2041

## ZOGLO'S FOOD CORP.

(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars, unless otherwise stated)

---

### 15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, 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's ability to continue as a going concern depends upon its ability to achieve profitable operations and raise additional capital. The Company intend to achieve this by seeking debt and equity financing when needed.

#### *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.

##### (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. There have been no significant impacts on the Company's consolidated statements of loss and comprehensive loss from changes in interest rates.

##### (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. In 2022, the Company's exposure to foreign currency changes for all other currencies was not material.

## **ZOGLO'S FOOD CORP.**

(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars, unless otherwise stated)

---

### **16. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' deficiency of \$570,197 at December 31, 2022 (2021 - shareholder's equity \$4,525,304).

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust its capital structure, the Company may issue new shares. The Company is dependent on the capital markets as its sole source of operating capital. The Company is not subject to any externally imposed capital requirements.

### **17. CONTINGENT LIABILITIES**

From time to time, the Company and/or its subsidiary may become defendants in legal actions and the Company intends to defend itself vigorously against all legal claims. Management is not aware of any claims against the Company that could reasonably be expected to have a materially adverse impact on the Company's consolidated financial position, results of operations or the ability to carry on any of its business activities.

On September 24, 2021, Impossible Foods Inc. ("IFI") alleged that the Company violated IFI's trademark rights. On October 20, 2021, Zoglo's responded to IFI to deny that it had violated any trademark rights. The likelihood that IFI pursues a claim and the value of IFI's possible claim are undetermined. The likelihood of success if IFI pursues a claim is also uncertain. No amounts have been accrued as the outcome is not yet determinable. The Company and IFI reached an agreement on the matter. Subsequent to the year ended December 31, 2022, the Company received a notice of dissolve by indicating this contingency had been dissolved and IFI discontinued to proceed against the Company on a without cost basis.

### **18. SUBSEQUENT EVENTS**

- a. Subsequent to the year ended December 31, 2022, the Company entered into a loan agreement with a director (also the "Lender") of the Company for a loan facility of up to \$600,000. Amounts borrowed under this agreement will bear interest at 6% per annum and mature on February 10, 2024. The loan has a convertibility to be settled by shares under certain circumstances.
- b. Subsequent to December 31, 2022, the Company granted 3,500,000 stock options to officers of the Company at an exercise price of \$0.05 per share expiring two years from respective issuances. These stock options are subject to different vesting conditions. Further, the Company forfeited an aggregate of 850,000 stock options previously granted to several former officers, directors and consultants of the Company.
- c. On February 28, 2023, the Company changed its name to Zoglo's Food Corp.

**ZOGLO'S FOOD CORP.**

(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars, unless otherwise stated)

---

**18. SUBSEQUENT EVENTS** (cont'd)

- d. On April 24, 2023, the Company entered into a non-binding letter of intent ("LOI") with Odd Burger Corporation ("Odd Burger") to acquire 100% of its issued and outstanding common shares and combine the business (the "Proposed Transaction").

Upon completion of the Proposed Transaction, the Company's former shareholders will hold approximately 25% of the Odd Burger Shares, and the Odd Burger shareholders will hold approximately 75% of the Odd Burger Shares (without giving effect to any other issuances).

All Odd Burger shares issued pursuant to the Proposed Transaction will be freely tradable under applicable Canadian securities legislation but may be subject to TSXV-imposed restrictions on resale. In addition, certain Odd Burger Shares issued in the United States to or for the benefit of U.S. Persons (as such term is defined under Regulation S of the United States Securities Act of 1933, as amended (the "U.S. Securities Act") will be "restricted securities" within the meaning of Rule 144(a)(3) of the U.S. Securities Act.

Pursuant to the terms of the LOI, the companies will work to enter into a definitive acquisition agreement. The proposed transaction is subject to the satisfaction of certain conditions precedent and compliance with applicable TSXV policies.