



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

Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023

(Expressed in Canadian Dollars – Unaudited)

ZOGLO'S FOOD CORP.

(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP.)

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NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

May 30, 2023

ZOGLO'S FOOD CORP.

(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars - Unaudited)

	Notes	March 31, 2023	December 31, 2022
ASSETS			
Current assets			
Cash	5	\$ 149,437	\$ -
Trade and other receivables	6,11(iii)	73,630	252,752
Inventories	7	-	41,104
Prepaid Expenses	11(xi)	22,500	7,301
		245,567	301,157
Equipment	8	55,522	58,402
		\$ 301,089	\$ 359,559
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	11(ii)	\$ 677,471	\$ 761,750
Deferred revenue		-	41,104
Bank indebtedness	5	-	3,403
Due to related parties	11(vii), (viii)	423,518	123,499
		1,100,989	929,756
SHAREHOLDERS' (DEFICIENCY) EQUITY			
Share Capital	10	11,232,705	11,232,705
Reserves	10	1,920,281	1,887,669
Deficit		(13,952,886)	(13,690,571)
		(799,900)	(570,197)
		\$ 301,089	\$ 359,559

Nature and continuance of business (Note 1)

Contingent liabilities (Note 14)

Subsequent events (Note 15)

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

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

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
For the three months ended March 31, 2023 and 2022
(Expressed in Canadian Dollars - Unaudited)

	Notes	Three months ended March 31,	
		2023	2022
Revenues	11	\$ 41,104	\$ 597,922
Cost of revenue	7	(41,104)	(533,053)
GROSS PROFIT		-	64,869
OPERATING EXPENSES			
Accretion expense	9	-	80,882
Consulting	11	53,367	98,241
Depreciation and amortization	8	2,880	120,081
Foreign exchange (gain) loss		-	(4,270)
Investor relations (recovery)		(2,824)	54,471
Marketing		6,600	102,393
Office and miscellaneous	11	86,048	83,749
Professional fees	11	47,104	23,541
Regulatory and transfer agent fees		5,859	7,111
Rent	11	6,000	9,000
Share-based compensation	10	32,612	255,084
Travel		515	7,050
Wages and benefits	11	24,693	155,877
Total operating expenses		(262,854)	(993,210)
NET LOSS BEFORE OTHER ITEMS		(262,854)	(928,341)
OTHER ITEMS			
Interest income		539	153
		539	153
Net and comprehensive loss for the period	12	\$ (262,315)	\$ (928,188)
Loss per share			
- basic and diluted		\$ (0.00)	\$ (0.01)
Weighted average number of shares outstanding			
- basic and diluted		106,191,360	104,220,433

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

ZOGLO'S FOOD CORP.

(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Condensed Consolidated Interim Statement of Changes in Equity
(Expressed in Canadian Dollars - Unaudited)

	Note	Share Capital		Reserves (Note 11)	Deficit	Total Equity / (Deficiency)
		Number of Shares	Amount			
Balance, December 31, 2021		104,187,100	\$ 11,152,189	\$ 1,356,952	(7,983,837)	4,525,304
Exercise of options	10(b)	75,000	20,516	(16,766)	-	3,750
Warrants issued for consulting services	10(f)	-	-	8,615	-	8,615
Share-based compensation	10(e)	-	-	246,470	-	246,470
Net loss for the period		-	-	-	(928,188)	(928,188)
Balance, March 31, 2022		104,262,100	11,172,705	1,595,271	(8,912,025)	3,855,951
Common shares issued for cash	10(b)	1,929,260	60,000	-	-	60,000
Share-based compensation	10(e)	-	-	292,398	-	292,398
Net loss for the period		-	-	-	(4,778,546)	(4,778,546)
Balance, December 31, 2022		106,191,360	11,232,705	1,887,669	(13,690,571)	(570,197)
Share-based compensation	10(e)	-	-	32,612	-	32,612
Net loss for the period		-	-	-	(262,315)	(262,315)
Balance, March 31, 2023		106,191,360	\$ 11,232,705	\$ 1,920,281	\$ (13,952,886)	\$ (799,900)

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

ZOGLO'S FOOD CORP.

(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Condensed Consolidated Interim Statement of Cash Flows

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian Dollars - Unaudited)

	Note	For the three months ended March 31,	
		2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period		\$ (262,315)	\$ (928,188)
Items not affecting cash:			
Depreciation and amortization	8	2,880	120,081
Accretion on note payable	9	-	80,882
Share-based compensation	10	32,612	255,084
		(226,823)	(472,141)
Changes in non-cash working capital items:			
Trade and other receivables		179,122	118,489
Inventories	7	41,104	209,266
Prepaid expenses		(15,199)	(38,487)
Trades payable and accrued liabilities		(84,279)	(913,884)
Advances made to supplier		-	(1,022)
Bank indebtedness		(3,403)	-
Deferred revenue		(41,104)	(352,254)
Due to related parties		300,019	-
Net cash used in operating activities		149,437	(1,450,033)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment	8	-	(17,273)
Net cash used in investing activities		-	(17,273)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of stock options	10	-	3,750
Repayment of note payable	9	-	(500,000)
Net cash used in financing activities		-	(496,250)
Change in cash		149,437	(1,963,556)
Cash, beginning of period		-	2,502,910
Cash, end of period		\$ 149,437	\$ 539,354
Cash paid for interest		\$ -	\$ -
Cash paid for taxes		\$ -	\$ -

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ZOGLO'S FOOD CORP.

(FORMERLY ZOGLO'S INCREDIBLE FOOD CORP)

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023

(Expressed in Canadian Dollars - Unaudited)

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.

The Company's common shares are listing on the Canadian Securities Exchange ("CSE") trading 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". On May 5, 2023, the Company changed its trading symbol to "KX9" on the Frankfurt Stock Exchange.

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.

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 financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assume the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company's continuation as a going concern is dependent upon its ability to raise equity capital, debt financing, and to attain profitable operations to generate funds and meet current and future obligations.

The Company reported a consolidated net loss of \$262,315 for the period ended March 31, 2023 (March 31, 2022 - \$928,188). As at March 31, 2023, the Company had working capital deficit of \$855,422 (December 31, 2022 - \$628,599) and an accumulated deficit of \$13,952,886 (December 31, 2022 - \$13,690,571).

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.

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Notes to Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2023
(Expressed in Canadian Dollars - Unaudited)

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

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 condensed consolidated interim financial statements were authorized for issue on May 30, 2023 by the directors of the Company.

Statement of compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC").

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with those used in the Company's December 31, 2022 audited financial statements. It is therefore recommended that these condensed consolidated interim financial statements be read in conjunction with the Company's December 31, 2022 audited financial statements.

Functional and presentation currencies

These condensed consolidated interim financial statements are presented in Canadian dollars, which is also the functional currency of the Company and its 100% owned subsidiary, Zoglo's Food Inc. (formerly 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.
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Notes to Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2023
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2. BASIS OF PRESENTATION (cont'd)

Basis of presentation and consolidation

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

These condensed consolidated interim financial statements include accounts of the Company and its wholly owned subsidiary, 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.

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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.

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

Deferred tax assets and liabilities (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.

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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

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.

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.

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.

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.

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Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023

(Expressed in Canadian Dollars - Unaudited)

5. CASH

	March 31, 2023	December 31, 2022
Cash	\$ 149,437	\$ -
	\$ 149,437	\$ -

During the period ended March 31, 2023, the Company has bank indebtedness of \$nil (December 31, 2022- \$3,403).

6. TRADE AND OTHER RECEIVABLES

	March 31, 2023	December 31, 2022
Government sales tax credits	\$ 59,166	\$ 194,920
Trade receivables (Note 11(iii))	14,464	57,832
	\$ 73,630	\$ 252,752

7. INVENTORIES

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

	March 31, 2023	December 31, 2022
Opening inventory	\$ 41,104	\$ 2,279,899
Purchases (Note 11(vii))	-	894,350
Cost of revenue	(41,104)	(3,133,145)
Closing inventory	\$ -	\$ 41,104

During the period ended March 31, 2023, there were \$nil (December 31, 2022 - \$1,270,763) inventory write downs to net realizable value and recorded in cost of revenue.

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Notes to Condensed Consolidated Interim Financial Statements
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8. EQUIPMENT AND INTANGIBLE ASSET

	Other Equipment	Freezer Equipment	Computer Equipment	Total Equipment	Intangible Asset (Brands)	Total Equipment and Intangible Asset
Acquisition cost:						
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 and March 31, 2023	17,273	81,125	21,719	102,117	4,365,856	4,485,973
Accumulated depreciation/ amortization and impairment:						
At December 31, 2021	\$ –	\$ 8,123	\$ 3,257	\$ 11,380	\$ 218,292	\$ 229,672
Charge for the period	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	21,719	61,715	4,365,856	4,427,571
Charge for the period	–	2,880	–	2,880	–	2,880
At March 31, 2023	\$ 17,273	\$ 25,603	\$ 21,719	\$ 64,595	\$ 4,365,856	\$4,430,451
Balance						
As December 31, 2022	\$ –	\$ 58,402	\$ –	\$ 58,402	\$ –	\$58,402
As March 31, 2023	\$ –	\$ 55,522	\$ –	\$ 55,522	\$ –	\$55,522

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".

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;

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8. EQUIPMENT AND INTANGIBLE ASSET (cont'd)

- 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 during the year ended December 31, 2022. As At March 31, 2023, there were no product sold under Naknik's brand name and therefore, no royalties payable was recorded and accrued.

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
<hr/>		
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.

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.

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Notes to Condensed Consolidated Interim Financial Statements
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9. NOTE PAYABLE

	March 31, 2023	December 31, 2022
Opening balance for the period	\$ -	\$ 2,527,961
Payments	-	(500,000)
*Gain on debt settlement	-	(2,027,961)
Ending balance for the period	\$ -	\$ -
Current portion	\$ -	\$ -
Long-term portion	\$ -	\$ -

*During the year ended December 31, 2022, the Company recognized and recorded \$2,027,961 for the gain on debt settlement (Note 8).

10. SHARE CAPITAL

a. Authorized

Unlimited number of common shares without par value.

b. Issued and outstanding

There were no transactions affecting share capital during the three months ended March 31, 2023.

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.

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 March 31, 2023, 6,900,000 common shares (December 31, 2022 – 27,600,000) were subject to escrow.

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10. 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 three months ended March 31, 2023, 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, December 31, 2021	6,400,000	\$ 0.15
Granted	2,350,000	0.15
Forfeited/cancelled	(4,875,000)	0.21
Exercised (Note 10(b)(i))	(75,000)	0.05
Outstanding, December 31, 2022	3,800,000	0.14
Granted	3,500,000	0.05
Forfeited/cancelled	(750,000)	0.11
Outstanding, March 31, 2023	6,550,000	\$ 0.10

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10. SHARE CAPITAL (cont'd)

e. Stock options (cont'd)

During the three months ended March 31, 2023, the Company:

- (i) Granted 2,000,000 stock options to an officer of the Company at an exercise price of \$0.05 per share expiring January 16, 2025. The stock options are subject to vesting over a period of 6 months.
- (ii) Granted 1,000,000 stock options to another officer of the Company at an exercise price of \$0.05 per share expiring on February 13, 2025. These stock options are subject to vesting over a period of 6 months.
- (iii) Granted 500,000 stock options to a director of the Company at an exercise price of \$0.05 per share expiring on February 13, 2025. These stock options are subject to vesting over a period of 12 months.
- (iv) Forfeited/cancelled an aggregate of 750,000 stock options granted to various former officers, directors and consultants of the Company.

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

- (v) 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.
- (vi) 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.
- (vii) 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.
- (viii) 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.
- (ix) 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 10(e)(v&vi); and
- (x) Exercised an aggregate of 75,000 stock options for total gross proceeds of \$3,750 (Note 10(b)(i)).

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10. SHARE CAPITAL (cont'd)**e. Stock options** (cont'd)

During the period ended March 31, 2023, the Company recorded share-based compensation of \$36,612 (December 31, 2022 - \$538,868) on the vested portion of the stock options.

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:

	March 31, 2023	December 31, 2022
Risk free interest rate (based on government bonds)	1.73% - 1.88%	1.35% - 1.73%
Expected dividend yield	0%	0%
Stock price volatility*	230% - 231%	149% - 210%
Expected life	2 years	4.93 years
Exercise price	\$0.05	\$0.05 - \$0.25
Share price	\$0.025	\$0.035 - \$0.20
Fair value	\$ 0.021	\$ 0.034 - \$0.179

*Expected volatility has been based on similar publicly traded companies

Share options outstanding and exercisable at March 31, 2023 are summarized as follows:

Number of Options	Exercise Price	Expiry Date	Remaining Life of Options (Years)	Number of Options Exercisable
950,000	\$ 0.050	March 23, 2026	2.99	950,000
100,000	\$ 0.200	December 1, 2026	3.67	100,000
2,000,000	\$ 0.050	November 4, 2027	4.60	2,000,000
2,000,000	\$ 0.050	January 16, 2025	1.80	-
500,000	\$ 0.050	February 13, 2025	1.88	125,000
1,000,000	\$ 0.050	February 13, 2025	1.88	-
6,550,000	\$ 0.052		2.88	3,175,000

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10. SHARE CAPITAL (cont'd)**f. Warrants**

Warrant transactions are summarized as follows:

	Warrants Outstanding	Weighted Average Exercise Price
Outstanding, December 31, 2021	1,561,300	\$ 0.18
Granted (Note 10(b)(ii))	1,929,260	0.05
Expired	(811,300)	0.25
Outstanding, December 31, 2022 and March 31, 2023	2,679,260	\$ 0.06

During the period ended March 31, 2023, the Company recorded share-based compensation of \$nil (December 31, 2022 - \$8,615) on the vested portion of the warrants issued for consulting services.

As at March 31, 2023, 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	2.90 years
Warrants	December 22, 2024	1,929,260	\$0.05	1.73 years

The fair value of the warrants granted were calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	March 31, 2023	December 31, 2022
Risk free rate (based on government bonds)	-	1.59%
Expected dividend yield	-	0%
Stock price volatility*	-	144.88%
Expected life	-	4.08 years
Exercise price	-	\$ 0.10
Share price	-	\$ 0.25
Fair value	-	\$ 0.21

*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.

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10. SHARE CAPITAL (cont'd)

g. Restricted Share Units (cont'd)

During the period ended March 31, 2023 and December 31, 2022, there were no RSUs transactions nor share-based compensation recorded.

11. 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.

The remuneration of the key management personnel during the period ended March 31, 2023 and 2022 were as follows:

	March 31, 2023		March 31, 2022	
Officers' remuneration (i)	\$	44,867	\$	137,155
Consulting fees (ii)		8,500		-
Director's fees (iii)		1,250		9,233
Share-based compensation (iv)		32,468		198,392
Total	\$	87,085	\$	344,780

During the three months ended March 31, 2023, transactions with key management and other related party transactions as follows:

- (i) During the three months ended March 31, 2023, the Company paid or accrued salaries, management fees, health benefits and vehicle allowances totaling \$44,867 (March 31, 2022 - \$137,155) to two directors and officers and a former officer of the Company.
- (ii) The Company entered into an advisory agreement with Professional Retailing Inc., a company controlled by a 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. As at March 31, 2023, the agreement was terminated.

During the three months ended March 31, 2023, the Company paid or accrued \$8,500 (2022 - \$Nil) in consulting fees pursuant to this agreement.

As at March 31, 2023, \$55,525 (December 31, 2022 - \$42,500) was owed to the former CEO's company for consulting services.

- (iii) During the three months ended March 31, 2023, the Company earned revenues totalling \$Nil (March 31, 2022 - \$134,742) from, and paid rent and office costs totalling \$Nil and \$Nil (March 31, 2022 - \$9,000 and \$6,000), respectively, to Foodfest International 2000 Inc. ("Foodfest"), a company whose former CEO is a director and significant shareholder of the Company.

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11. RELATED PARTY TRANSACTIONS (cont'd)

- (iii) As at March 31, 2023, \$608 (December 31, 2022 - \$Nil) was owed to Foodfest for outstanding office costs.

As at March 31, 2023, \$Nil (December 31, 2022 - \$15,088) was included in trade and other receivables for the sale of food products to Foodfest.

- (iv) During the three months ended March 31, 2023, the Company paid \$1,250 (March 31, 2022 - \$9,233) to a company controlled by the former chairman of the board and former director of the Company for director fees.

- (v) During the three months ended March 31, 2023, share-based compensation expense of \$32,468 (March 31, 2022 - \$198,392) was recorded on the vested portion of the stock options granted to directors and officers of the Company (Note 10(e)).

- (vi) During the three months ended March 31, 2023, the Company paid \$15,636 (March 31, 2022 - \$7,500) in accounting and bookkeeping fees to a company partially owned by the former CFO.

- (vii) As at March 31, 2023, \$7,625 (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 three months ended March 31, 2023, the Company purchased inventory totalling \$nil (March 31, 2022 - \$186,878) 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 March 31, 2023, a balance of \$11,842 (December 31, 2022 - \$11,842) was outstanding on this loan.

- (ix) During the three months ended March 31, 2023, the Company entered into a secured loan agreement with the same 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 the following terms:

Upon the earlier to occur of:

- 1) *a change of control of the Company;*
- 2) *the sale of all or substantially all of the assets of the Company;*
- 3) *the closing of a financing of the Company for gross proceeds of not less than \$2,000,000; and*
- 4) *the Maturity Date; (each a "Trigger Event") the Lender shall have the option, at its sole discretion, to:*
 - *Require the Company to repay in whole the Outstanding Balance;*
 - *Convert the Advances into shares of the Company with the subscription price payable by the Lender equal to the greater of: (1) \$0.10 per share; and (2) the lowest permitted price according to the policies of the Exchange; and to require the Company to repay all remaining amounts of the Outstanding Balance within 60 days of the occurrence of the Trigger Event; or*
 - *Require the Outstanding Balance to be repaid to the Lender on the Maturity Date.*

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11. RELATED PARTY TRANSACTIONS (cont'd)

- (ix) As at March 31, 2023, the Company received and accrued a total of \$300,019 (December 31, 2022 - \$Nil) which consists of the principal of \$298,474 and accrued interest of \$1,545.
- (x) 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 former director of the Company. The loan is unsecured with a maturity date of November 23, 2022. On maturity date, the Company would repay the principal amount plus interest of \$5,000. Subsequent to March 31, 2023, the Company entered into a settlement arrangement on this loan to pay a total of \$111,658, inclusive of interest (the "Settlement Amount") by monthly installments of \$11,166 from April 2023 to August 2023 and \$27,914 from September 2023 to October 2023. In addition to the Settlement amount, the Company would pay \$5,000, as partial payment for the related legal fee on or before October 15, 2023. In the event of a change of control or capital raise before the final instalment date, the balance of the Settlement Amount will be due upon closing of any such transaction.
- (xi) During the period ended March 31, 2023, the Company prepaid a total of \$17,500 (December 31, 2022 - \$Nil) in management fees to the Company's CEO and CFO.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company believes it has 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.

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

(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 2023, the Company's exposure to foreign currency changes for all other currencies was not material.

13. 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 \$799,900 at March 31, 2023 (December 31, 2022 - \$570,197).

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.

14. 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 Company and IFI reached an agreement on the matter. During the period ended March 31, 2023, 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.

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15. SUBSEQUENT EVENTS

On April 25, 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").

On May 15, 2023, the LOI expired with no further renewal of terms.