

VEGANO FOODS INC.

Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022

(Stated in Canadian dollars)

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements of Vegano Foods Inc. (the "Company") have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). These condensed consolidated interim financial statements, which are the responsibility of management, are unaudited and have not been reviewed by the Company's auditors. The Company's Audit Committee and Board of Directors have reviewed and approved these condensed consolidated interim financial statements. In accordance with the disclosure requirements of National Instrument 51-102 released by the Canadian Securities Administrators, the Company's independent auditors have not performed a review of these condensed consolidated interim financial statements.

VEGANO FOODS INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Stated in Canadian dollars)

As at	Notes	March 31, 2022	December 31, 2021
		(Unaudited)	
ASSETS			
Current assets			
Cash and cash equivalents	4	\$ 555,562	\$ 1,439,582
Other receivables	5	99,402	84,650
Prepaid expenses	6	27,356	20,229
Inventory	7	82,746	73,604
Total current assets		765,066	1,618,065
Investment	8	1	1
Equipment	9	114,422	58,233
Total assets		\$ 879,489	\$ 1,676,299
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and other liabilities	11,18, 22	\$ 392,406	\$ 311,567
Gift card liability	12	34,035	33,687
Deferred revenue	12	7,119	19,606
Loans payable	14	31,171	31,171
Total liabilities		464,731	396,031
Shareholders' equity			
Share capital	15	5,981,667	5,957,617
Obligation to issue shares	15	10,500	-
Reserves	15,16,17	592,101	442,703
Deficit		(6,169,510)	(5,120,052)
Total shareholders' equity		414,758	1,280,268
Total liabilities and shareholders' equity		\$ 879,489	\$ 1,676,299
Nature of operations and going concern	1		
Commitments	22		
Subsequent events	24		

Approved and authorized by the Board of Directors on June 15, 2022:

"Conor Power"

Director

"Julie Daley"

Director

VEGANO FOODS INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Stated in Canadian dollars)

(Unaudited)

	Notes		Three months ended March 31, 2022		Three months ended March 31, 2021
Revenue	12	\$	143,610	\$	50,074
Cost of goods sold	19		272,159		57,467
Gross loss			(128,549)		(7,393)
Operating expenses					
Advertising and promotion			104,094		137,223
Amortization of intangible asset	10		-		19,366
Consulting fees	18		190,833		95,828
Depreciation of equipment	9		6,312		3,198
General and administrative	20		126,878		105,117
Professional fees	18		158,715		109,743
Salaries and benefits	18		139,093		185,409
Share-based compensation	16,18		149,398		68,002
Travel expenses			43,472		112,307
			918,795		836,193
Other expenses					
Accretion expense on convertible note	13		-		6,178
Foreign exchange loss			1,068		1,084
Loss on disposal of equipment	9		1,046		-
Finance costs	13		-		12,328
Net loss and comprehensive loss		\$	(1,049,458)	\$	(863,176)
Weighted average number of common shares outstanding			56,153,896		29,737,328
Basic and diluted loss per common share		\$	(0.02)	\$	(0.03)

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

VEGANO FOODS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF SHAREHOLDERS' EQUITY
(Stated in Canadian dollars)
(Unaudited)

	Number of shares	Share capital	Obligation to issue shares	Reserves	Deficit	Total shareholders' equity
Balance, January 1, 2021	35,795,711	\$ 1,232,110	\$ 1,644,810	\$ 19,919	\$ (1,152,181)	\$ 1,744,658
Shares issued under private placement, net of issuance costs	16,181,708	3,725,751	(1,519,810)	-	-	2,205,941
Share-based compensation	-	-	-	68,002	-	68,002
Share subscription proceeds received in advance	-	-	674,287	-	-	674,287
Warrants issued to agents	-	-	-	25,245	-	25,245
Net loss	-	-	-	-	(863,176)	(863,176)
Balance, March 31, 2021	51,977,419	\$ 4,957,861	\$ 799,287	\$ 113,166	\$ (2,015,357)	\$ 3,854,957
Balance, January 1, 2022	56,158,926	\$ 5,957,617	\$ -	\$ 442,703	\$ (5,120,052)	\$ 1,280,268
Shares repurchased and returned to treasury	(130,000)	(32,500)	-	-	-	(32,500)
Shares issued for services	161,539	21,000	10,500	-	-	31,500
Shares issued for debt settlement	300,000	36,000	-	-	-	36,000
Share issuance costs	-	(450)	-	-	-	(450)
Share-based compensation	-	-	-	149,398	-	149,398
Net loss	-	-	-	-	(1,049,458)	(1,049,458)
Balance, March 31, 2022	56,490,465	\$ 5,981,667	\$ 10,500	\$ 592,101	\$ (6,169,510)	\$ 414,758

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

VEGANO FOODS INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(Stated in Canadian dollars)

(Unaudited)

	Three months ended March 31, 2022		Three months ended March 31, 2021	
Operating activities				
Net loss	\$	(1,049,458)	\$	(863,176)
Items not affecting cash:				
Accretion expense on convertible note		-		6,178
Amortization of intangible asset		-		19,366
Depreciation of equipment		6,312		3,198
Finance costs		-		12,328
Loss on disposal of equipment		1,046		-
Share-based compensation		180,898		93,247
Non-cash working capital items:				
Other receivables		(14,752)		(36,072)
Prepaid expenses		(7,127)		(73,540)
Inventory		(9,142)		(10,322)
Accounts payable and other liabilities		116,839		99,866
Gift card liability		348		(26,243)
Deferred revenue		(12,487)		19,606
Net cash used in operating activities		(787,523)		(756,042)
Investing activities				
Purchase of equipment, net of sales		(63,547)		(13,624)
Acquisition of investment		-		(250,000)
Net cash used in investing activities		(63,547)		(263,624)
Financing activities				
Proceeds from issuance of shares		-		2,263,781
Repurchase of shares		(32,500)		-
Share issuance costs		(450)		(57,840)
Subscription proceeds received for shares to be issued		-		674,287
Proceeds from loans payable		-		6,071
Net cash provided by (used in) financing activities		(32,950)		2,886,299
Change in cash and cash equivalents		(884,020)		1,866,633
Cash and cash equivalents, beginning		1,439,582		2,275,929
Cash and cash equivalents, ending	\$	555,562	\$	4,142,562

Supplementary cash flow information	For the three months ended March 31, 2022		For the three months ended March 31, 2021	
Interest paid	\$	-	\$	-
Income taxes paid	\$	-	\$	-
Shares issued for debt settlement	\$	36,000	\$	-

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

VEGANO FOODS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022
(Stated in Canadian dollars)
(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Vegano Foods Inc. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) (“BCBCA”) on March 19, 2020. 1355441 B.C. Ltd., a wholly-owned subsidiary of the Company, was incorporated under the Business Corporations Act of British Columbia on March 28, 2022. The Company’s principal activities relate to the sales and delivery of vegan meal kits and grocery staples to end customers. The registered office of the Company is 1055 West Georgia Street, Suite 1500, Vancouver BC V6E 4N7, Canada.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and settle its obligations in the normal course of business. As at March 31, 2022, the Company has not generated profits or positive cash flows from operations. These conditions cast significant doubt about the Company’s ability to continue as a going concern. The Company is dependent on its ability to develop profitable operations and to continue to raise adequate financing from external sources to carry out its business objectives. These condensed consolidated interim financial statements do not give effect to the adjustments in the carrying value of assets and liabilities, and in the classifications used in the statements of financial position that would be necessary if the going concern assumption was not appropriate. Such adjustments could be material.

2. BASIS OF PREPARATION

Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the International Accounting Standards (“IAS”) 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The notes presented in these condensed consolidated interim financial statements include only significant events and transactions occurring since the Company’s last fiscal period end and they do not include all the information required in the Company’s most recent annual financial statements. Except as noted below, these condensed consolidated interim financial statements follow the same accounting policies and methods of application as the Company’s annual financial statements and should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2021, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB. There have been no significant changes in judgements or estimates from those disclosed in the financial statements for the year ended December 31, 2021, except as noted below.

The unaudited condensed consolidated interim financial statements were approved and authorized for issuance on June 15, 2022 by the Board of Directors.

Basis of measurement

These condensed consolidated interim financial statements are expressed in Canadian dollars, which is the functional currency of the Company and its subsidiary. These unaudited condensed consolidated interim financial statements have been prepared on an accrual basis and are based on historical costs except for certain financial instruments which are measured at fair value.

Functional and presentation currency

These condensed consolidated interim financial statements are expressed in Canadian dollars, which is the Company’s functional currency.

VEGANO FOODS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2022

(Stated in Canadian dollars)

(Unaudited)

2. BASIS OF PRESENTATION (CONTINUED)

Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary, 1355441 B.C. Ltd. All inter-company balances, transactions, income and expenses have been eliminated upon consolidation.

Subsidiaries are entities controlled by the Company. Control exists when the Company has power over an entity, when the Company is exposed, or has rights, to variable returns from the entity and when the Company has the ability to affect those returns through its power over the entity. Subsidiaries are included in the financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control.

Use of accounting estimates and significant management judgements

The preparation of the condensed consolidated financial statements in accordance with IFRS requires management to make estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from these estimates, and as such, the estimates and underlying assumptions are reviewed on an ongoing basis. Key estimates made by management with respect to the areas noted have been disclosed in the notes to these condensed consolidated interim financial statements as appropriate. The accounting estimates and significant management judgements applied in the preparation of the Company's condensed consolidated interim financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended December 31, 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed consolidated interim financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended December 31, 2021.

4. CASH AND CASH EQUIVALENTS

		March 31, 2022		December 31, 2021
Cash	\$	535,562	\$	1,419,582
Guaranteed Investment Certificate ("GIC")		20,000		20,000
Total cash and cash equivalents	\$	555,562	\$	1,439,582

During the year ended December 31, 2021, the Company invested \$20,000 in a one-year cashable GIC. The GIC earned interest at a rate of 0.25% per annum and matured on March 8, 2022. Upon maturity, the principal amount of \$20,000 was re-invested in a one-year cashable GIC which earns interest at a rate of 0.50% per annum and matures on March 8, 2023.

VEGANO FOODS INC.NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022

(Stated in Canadian dollars)

(Unaudited)

5. OTHER RECEIVABLES

	March 31, 2022	December 31, 2021
Subscription proceeds receivable (Note 15)	\$ 650	\$ 650
Advance to a related party (Note 18)	30,203	-
Sales tax receivable	68,549	67,027
Government assistance receivable	-	16,973
Total other receivables	\$ 99,402	\$ 84,650

6. PREPAID EXPENSES

	March 31, 2022	December 31, 2021
Prepaid insurance	\$ 3,506	\$ 2,795
Retainers and prepayments for services	21,589	6,299
Security deposits	-	8,196
Prepaid membership	2,261	2,939
Total prepaid expenses	\$ 27,356	\$ 20,229

7. INVENTORY

	March 31, 2022	December 31, 2021
Packaging materials	\$ 1,851	\$ 22,234
Grocery staples	80,895	51,051
Meal Kits	-	7,049
Total Inventory	\$ 82,746	\$ 80,334

8. INVESTMENT

During the year ended December 31, 2021, the Company entered into subscription agreements with Superbolt Tea Inc. ("Superbolt"), a privately-owned online tea retailer. The Company paid \$350,000 in exchange for 2,500,000 Class A voting common shares (at a price of \$0.10 per share) and 500,000 Class B non-voting shares (at a price of \$0.20 per Class B non-voting common share) of Superbolt. The Company accounts for its investment in Superbolt as a long-term investment measured at fair value through profit and loss. Management has assessed that the Company has no control, nor significant influence over Superbolt as the Company holds approximately 1% of the voting rights and has no participation in Superbolt's policy-making processes.

On initial recognition, the fair value of the shares of Superbolt was determined to be equal to the transaction price for a total of \$350,000.

During the year ended December 31, 2021, the Company recorded a loss on investment of \$349,999 from the change on the fair value of investment.

As at March 31, 2022 and December 31, 2021, the fair value of the investment was \$1.

VEGANO FOODS INC.NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022

(Stated in Canadian dollars)

(Unaudited)

9. EQUIPMENT

	Kitchen equipment	Computer equipment	Vehicle	Total
Cost				
Balance, December 31, 2020	\$ 55,861	\$ -	\$ -	\$ 55,861
Additions	-	33,254	24,870	58,124
Balance, December 31, 2021	\$ 55,861	\$ 33,254	\$ 24,870	\$ 113,985
Additions	-	-	68,547	68,547
Disposals	(5,000)	(1,306)	-	(6,306)
Balance, March 31, 2022	\$ 50,861	\$ 31,948	\$ 93,417	\$ 176,226
Accumulated Depreciation and Impairment				
Balance, December 31, 2020	\$ 4,309	\$ -	\$ -	\$ 4,309
Depreciation	11,172	4,061	830	16,063
Impairment	35,380	-	-	35,380
Balance, December 31, 2021	\$ 50,861	\$ 4,061	\$ 830	\$ 55,752
Depreciation	-	1,642	4,670	6,312
Disposals	-	(260)	-	(260)
Balance, March 31, 2022	\$ 50,861	\$ 5,443	\$ 5,500	\$ 61,804
Net book value				
At December 31, 2021	\$ 5,000	\$ 29,193	\$ 24,040	\$ 58,233
At March 31, 2022	\$ -	\$ 26,505	\$ 87,917	\$ 114,422

During the three months ended March 31, 2022, the Company sold kitchen equipment with a net book value of \$5,000 for proceeds of \$5,000.

During the three months ended March 31, 2022, the Company disposed of computer equipment with a net book value of \$1,046 due to damage and recorded a loss on disposal of \$1,046.

10. INTANGIBLE ASSET

	Website
Cost	
Balance at December 31, 2020 and 2021 and March 31, 2022	\$ 154,927
Accumulated Depreciation	
Balance, December 31, 2020	\$ 6,455
Amortization	77,464
Impairment	71,008
Balance at December 31, 2021 and March 31, 2022	\$ 154,927
Net book value	
Balance at December 31, 2021	\$ -
Balance at March 31, 2022	\$ -

All of the costs incurred for the website were considered to be internally generated intangible assets and were capitalized. During the year ended December 31, 2021, the Company assessed that the intangible asset was impaired and wrote off the remaining carrying value of \$71,008.

VEGANO FOODS INC.NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022

(Stated in Canadian dollars)

(Unaudited)

11. ACCOUNTS PAYABLE AND OTHER LIABILITIES

		March 31, 2022		December 31, 2021
Accounts payable	\$	252,798	\$	106,646
Accrued liabilities		102,982		115,260
Payroll liabilities		36,345		89,480
Sales tax payable		281		181
	\$	392,406	\$	311,567

12. REVENUE

The Company generates revenue from the sale and delivery of vegan meal kits, prepared meals and grocery staples to its customers. Revenue is generated in one primary geographical market, being Canada, and is recognized upon delivery of purchase orders to customers.

Revenue recognized by the Company is summarized in the table below.

		Three months ended March 31, 2022		Three months ended March 31, 2021
Meal kits and prepared meals	\$	107,171	\$	50,074
Grocery staples via Marketplace		36,439		-
	\$	143,610	\$	50,074

The balance of deferred revenue is summarized in the table below.

		Meal kits		Grocery staples via Marketplace		Total
Balance, December 31, 2020	\$	-	\$	-	\$	-
Additions to deferred revenue		39,913		18,045		57,958
Revenue earned during the year		(29,629)		(8,723)		(38,352)
Balance, December 31, 2021		10,284		9,322		19,606
Additions to deferred revenue		4,173		2,949		7,122
Revenue earned during the period		(10,286)		(9,323)		(19,609)
Balance, March 31, 2022	\$	4,171	\$	2,948	\$	7,119

VEGANO FOODS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2022

(Stated in Canadian dollars)

(Unaudited)

12. REVENUE (CONTINUED)

The balance of gift card liability is comprised of contractual liability associated with the unredeemed gift cards and coupons. The continuity of the gift card liability is summarized in the table below:

	Gift cards
Balance, December 31, 2020	59,930
Additions to gift card liability	31,363
Gift cards redeemed during the year	(57,606)
Balance, December 31, 2021	\$ 33,687
Additions to gift card liability	5,624
Redeemed during the year	(5,276)
Balance, March 31, 2022	\$ 34,035

13. CONVERTIBLE NOTE

On July 10, 2020, the Company issued an unsecured convertible note bearing interest at 10% with a face value of \$500,000 and a maturity date of May 5, 2021 to an officer of the Company. The note was convertible into common shares of the Company at the option of the holder at any time prior to the maturity date at \$0.25 per share. Accrued interest was payable to the lender on the maturity date and was not convertible.

The Company determined the fair value of the debt component of the convertible note to be \$480,081 on the date of issuance, using a market interest rate of 15%. The residual value of \$19,919 was allocated to the equity component of the note during the year ended December 31, 2020.

During year ended December 31, 2021, the Company repaid the principal amount of \$500,000 and the accrued interest of \$40,959, for a total cash payment of \$540,959.

During the three months ended March 31, 2022, the Company recognized accretion expense on the debt component of the convertible note in amount of \$nil (March 31, 2021 - \$6,178) and recorded finance costs of \$nil (March 31, 2021 - \$12,328) for accrued interest.

14. LOANS PAYABLE

As at March 31, 2022, the Company had loans payable to arm's length parties in the gross amount of \$31,171 (December 31, 2021 - \$31,171). The loans are non-interest bearing, unsecured and payable on demand.

15. SHARE CAPITAL

a) Authorized

An unlimited number of common shares without par value.

b) Common Shares Held in Escrow

As at March 31, 2021, 6,428,571 common shares were held in escrow and restricted from trading. These common shares will be released from escrow as follows: 1,071,429 common shares released on August 16, 2022, 1,071,429 common shares released on February 15, 2023, 1,071,429 common shares released on August 15, 2023, 1,071,429 common shares released on February 15, 2024, 1,071,429 common shares released on August 15, 2024, and 1,071,426 common shares released on February 15, 2025.

VEGANO FOODS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2022

(Stated in Canadian dollars)

(Unaudited)

15. SHARE CAPITAL (CONTINUED)

c) Shares Issued

During the three months ended March 31, 2022, the Company issued or cancelled common shares as follows:

- On February 11, 2022, the Company canceled and returned 130,000 common shares to treasury and paid consideration of \$32,500 as a result of a former shareholder exercising rescission rights.
- On February 25, 2022, the Company issued 161,539 common shares in exchange for consulting services with a fair value of \$21,000.
- On March 30, 2022, the Company issued 300,000 common shares with a fair value of \$36,000 to settle amounts payable of \$36,000 pursuant to a debt settlement agreement.

d) Obligation to issue shares

As at December 31, 2020, the Company was obligated to issue 6,579,240 common shares in exchange for \$1,644,810 of cash proceeds received. The common shares were issued during the year ended December 31, 2021, resulting in a balance of obligation to issue shares of \$nil as at December 31, 2021.

As at March 31, 2021, the Company was obligated to issue 3,197,147 common shares in exchange for \$799,287 of cash proceeds received. The common shares were issued during the year ended December 31, 2021, resulting in a balance of obligation to issue shares of \$nil as at December 31, 2021.

As at March 31, 2022, the Company was obligated to issue common shares in exchange for consulting services received with a fair value of \$10,500. The common shares were issued subsequent to the three months ended March 31, 2022 (Note 24).

e) Subscription proceeds receivable

As at March 31, 2022 and December 31, 2021, the Company has total subscription proceeds receivable of \$650 for 9,285 common shares issued under private placement tranches. The amount is included in other receivables (Note 5).

f) Escrow shares

As at March 31, 2022, 7,142,857 shares were subject to escrow conditions and will be released from escrow over time.

16. STOCK OPTIONS

On August 12, 2021, the Company adopted the Stock Option Plan (the "Plan") with the purpose of providing incentives to directors, officers, employees and consultants. The Plan allows the Company to issue up to 10% of its outstanding common shares as stock options.

Stock option activity during the three months ended March 31, 2022 is summarized below.

- On February 7, 2022, the Company cancelled 150,000 stock options held by a former employee. The stock options had an exercise price of \$0.25 and an expiry of August 10, 2023.

VEGANO FOODS INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022**

(Stated in Canadian dollars)

(Unaudited)

16. STOCK OPTIONS (CONTINUED)

- On March 2, 2022, the Company cancelled 50,000 stock options held by a former employee. The stock options had an exercise price of \$0.25 and an expiry of August 10, 2023.
- On March 18, 2022, the Company cancelled 2,250,000 stock options held by the Chief Executive Officer and Chief Financial Officer of the Company. The stock options had an exercise price of \$0.25 and an expiry of January 1, 2023.
- On March 24, 2022, the Company granted 1,800,000 stock options with an exercise price of \$0.105 and expiry date of March 24, 2027 to certain directors and consultants of the Company. The stock options vested immediately.

Stock option activity for the three months ended March 31, 2022 and year ended December 31, 2021 is summarized in the table below.

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2020	-	\$ -
Granted	9,400,000	0.19
Cancelled	(3,800,000)	0.10
Outstanding at December 31, 2021	5,600,000	\$ 0.25
Granted	1,800,000	0.105
Cancelled	(2,450,000)	0.25
Outstanding at March 31, 2022	4,950,000	\$ 0.20

As at March 31, 2022, the following stock options were outstanding and exercisable:

Outstanding	Exercisable	Exercise Price	Remaining Life (Years)	Expiry Date
2,650,000	2,650,000	\$0.25	0.76	January 1, 2023
200,000	200,000	\$0.25	1.36	August 10, 2023
300,000	97,500	\$0.25	2.36	August 10, 2024
1,800,000	1,800,000	\$0.105	4.98	March 24, 2027
4,950,000	4,747,500			

During the three months ended December 31, 2021, the Company recorded share-based compensation of \$149,398 (March 31, 2021 - \$68,002) related to the fair value of options vested in the period. The following weighted average assumptions were applied using the Black-Scholes Option Pricing model used to estimate the weighted average fair value of stock options granted during the three months ended March 31, 2022 and 2021:

	Three months ended March 31, 2022	Three months ended March 31, 2021
Risk-free interest rate	2.24%	0.22%
Expected life (years)	5.00	2.05
Annualized volatility	100%	100%
Dividend yield	0%	0%

VEGANO FOODS INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022**

(Stated in Canadian dollars)

(Unaudited)

17. STOCK OPTIONS (CONTINUED)

The Company has used the annualized volatility with reference to the historical record of comparable public companies.

18. WARRANTS

Warrant activity for the three months ended March 31, 2022 and year ended December 31, 2021 is summarized in the table below.

	Number of Warrants		Weighted Average Exercise Price
Outstanding at December 31, 2020	-	\$	-
Issued	193,600		0.25
Outstanding at December 31, 2021 and March 31, 2022	193,600	\$	0.25

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

Outstanding	Exercise Price	Remaining Life (Years)	Expiry Date
86,400	\$0.25	0.83	January 29, 2023
107,200	\$0.25	0.91	February 26, 2023
193,600			

The following weighted average assumptions were used to estimate the weighted average grant date fair value of warrants granted during the three months ended March 31, 2021:

	Three months ended March 31, 2021
Risk-free interest rate	0.23%
Expected life (years)	2.00
Annualized volatility	100%
Dividend yield	0%

The Company has used the annualized volatility with reference to the historical record of comparable public companies.

VEGANO FOODS INC.

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(Unaudited)

19. RELATED PARTY TRANSACTIONS AND BALANCES*Key management compensation*

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel is summarized in the table below.

	Three months ended March 31, 2022	Three months ended March 31, 2021
Salaries and benefits		
Chief Executive Officer ("CEO")	\$ 37,823	\$ 44,135
Chief Operating Officer ("COO")	42,086	46,250
Vice President of Sales	-	39,538
Directors	6,000	-
Consulting		
Company controlled by the CEO	101,250	-
Fiancée of the CEO	16,408	22,857
Share-based compensation (Note 16)		
CEO	-	31,245
Chief Financial Officer ("CFO")	-	11,717
COO	-	13,279
Directors	31,110	-
Fiancée of the CEO	78,858	-
Rent		
Fiancée of the CEO	3,000	-
	\$ 316,535	\$ 209,021

Related party transactions and balances

During the three months ended March 31, 2022, the Company incurred professional fees of \$86,462 (March 31, 2021 - \$33,356) to a company controlled by the Chief Financial Officer.

As at March 31, 2022, amounts due to related parties included in accounts payable and other liabilities consisted of \$59,859 (December 31, 2021 - \$60,811) in consulting and professional fees and accrued salaries owed to related parties. These amounts are non-interest bearing, unsecured and due on demand.

As at March 31, 2022, the amount due to a related party included in other receivables consisted of \$30,203 (December 31, 2021 - \$nil) in advances to an officer of the Company for the purpose of expenses to be incurred on behalf of the Company (Note 5). This amount is non-interest bearing, unsecured and is due on demand.

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20. COST OF GOODS SOLD

	Three months ended March 31, 2022	Three months ended March 31, 2021
Ingredients	\$ 103,932	\$ 27,092
Direct labour	46,643	13,687
Delivery and packaging	60,001	13,326
Merchandise	55,392	-
Other direct costs	6,191	3,362
	\$ 272,159	\$ 57,467

21. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended March 31, 2022	Three months ended March 31, 2021
Filing fees	\$ 50,646	\$ 515
Insurance	874	814
Interest and bank charges	961	1,040
Kitchen expenses and product development	240	5,100
Meals and entertainment	10,337	22,644
Office expenses	16,055	18,138
Rent	17,080	24,412
Repairs and maintenance	866	612
Shipping and delivery	150	487
Subscriptions	17,341	5,177
Utilities	4,918	7,926
Website expenses	7,410	18,252
	\$ 126,878	\$ 105,117

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the degree to which the inputs used to estimate the fair values are observable:

- Level 1 – Unadjusted quoted price in active market for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices);
- Level 3 - inputs for the asset or liability that are not based on observable market data.

The fair values of cash and cash equivalents, other receivables, accounts payable and other liabilities and loans payable of the Company approximate their carrying values due to their short-term nature.

The investment in Superbolt held by the Company is considered to represent a level 3 fair value measurement.

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21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT(CONTINUED)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash and cash equivalents held in bank accounts. The majority of cash and cash equivalents are deposited in bank accounts held with a major bank and reputable online payment processing platforms. As the Company's cash and cash equivalents is held by only one bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies.

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 manages liquidity by maintaining adequate cash balances and by raising equity financings. The

Company has no assurance that such financings will be available on favorable terms. In general, the Company attempts to avoid exposure to liquidity risk by obtaining corporate financing through the issuance of common shares.

As at March 31, 2022, the Company had cash and cash equivalents of \$555,562 to settle current liabilities of \$464,731 which fall due for payment within twelve months of the statement of financial position. All of the Company's contractual obligations are current and due within one year. All of the Company's financial liabilities are due on demand.

23. COMMITMENTS

Leases

During the year ended December 31, 2021, the Company entered into a premise lease for an office space with a term of one-year that expired on February 8, 2022. During the year ended December 31, 2021, the Company terminated the lease contract; and as a result, the amount due for the remainder of the lease became due immediately. As at March 31, 2022 and December 31, 2021, accounts payable and other liabilities includes \$25,833 with respect to the lease contract.

During the three months ended March 31, 2022, the Company leased kitchen space on a month-to-month basis.

During the three months ended March 31, 2022, the Company recognized total rent expense, included in general and administrative expense, of \$14,080 (March 31, 2021 - \$24,412) in connection with short-term lease contracts.

24. PROPOSED TRANSACTION

On March 28, 2022, the Company, 1355441 B.C. Ltd. ("Subco") and SMPL Oats Ltd. ("SMPL") entered into an amalgamation agreement. Pursuant to the agreement:

- Subco will amalgamate with SMPL pursuant to the provisions of the BCBCA and the shareholders of SMPL will each receive 0.8936 shares of the Company in exchange for the cancellation of each SMPL share
- In consideration, the Company is expected to issue 28,571,428 common shares and 19,460,512 share purchase warrants to the existing shareholders of SMPL

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25. PROPOSED TRANSACTION(CONTINUED)

- The share purchase warrants are exercisable into one common share of the Company and are broken down as follows:
 - 1,468,606 warrants exercisable at \$0.112 expiring February 9, 2024
 - 5,808,481 warrants exercisable at \$0.056 expiring July 13, 2023
 - 182,654 warrants exercisable at \$0.056 expiring August 30, 2023
 - 31,812 warrants exercisable at \$0.056 expiring October 8, 2023
 - 141,190 warrants exercisable at \$0.056 expiring December 21, 2023
 - 5,750,000 warrants exercisable at \$0.056 expiring March 25, 2024
 - 6,721,306 warrants exercisable at \$0.112 expiring two years from the date of closing the acquisition
- The corporation continuing from the amalgamation will be a wholly-owned subsidiary of the Company

Completion of the transaction is subject to fulfilling all exchange, as well as any other necessary regulatory or shareholder approvals. Completion of the transaction is also subject to a number of conditions. There can be no assurance that the transaction will be completed as proposed or at all.

26. SUBSEQUENT EVENTS

Pursuant to a 12 month consulting agreement for services valued at \$21,000 per month, on April 4, 2022, April 28, 2022 and May 31, 2022, the Company issued 175,000, 300,000 and 323,077 common shares, respectively, pursuant to this consulting agreement. As at March 31, 2022, the balance of obligation to issue shares of \$10,500 related to this consulting agreement (Note 15).

On April 5, 2022, the Company entered into a debt settlement agreement with a company controlled by the Chief Financial Officer of the Company for the issuance 187,256 common shares to settle \$16,854 in amounts payable by the Company. The common shares were issued on April 6, 2022.

On April 5, 2022, the Company entered into a debt settlement agreement with a vendor for the issuance of 100,000 common shares to settle \$10,500 in amounts payable by the Company. The common shares were issued on April 6, 2022.

On April 6, 2022, the Company issued 350,000 common shares to settle \$31,500 in amounts payable by the Company pursuant to a debt settlement agreement with a vendor.

On April 7, 2022, the Company granted 750,000 stock options with an exercise price of \$0.09 for a period of two years to a consultant of the Company. The options vested immediately.