Vegano Foods Inc.

Form 51-102F4

Business Acquisition Report

Item 1: Identity of Company

1.1: Name and Address of Company

Vegano Foods Inc. (“**Vegano**” or the “**Company**”)
1040 West Georgia Street, Unit 415,
Vancouver, BC, V6E 4H1

1.2: Executive Officer

The executive officer of the Company who is knowledgeable about the significant acquisition and this report is:

Conor Power

Chief Executive Officer and Director

Phone: 604-259-0028

Email: conor@veganofoods.com

Item 2: Details of Acquisition

2.1: Nature of Business Acquired

On June 20, 2022 the company completed the acquisition of all of the outstanding securities SMPL Oats Ltd. (“**SMPL**”) by way of a three-cornered amalgamation carried out under the Business Corporations Act (British Columbia) (the “**Amalgamation**”) pursuant to the terms of the definitive agreement (the “**Agreement**”) among the Company, 1355441 BC Ltd., a wholly-owned subsidiary of the Company (“**Subco**”) and SMPL.

SMPL is a beverage company that specializes in creating innovative oat milk that is dairy-free, gluten-free, nut-free and plant-based. SMPL Oats focuses on the health beverage market segment. All products are a no-compromise alternative to dairy milk distributed through a direct-to-consumer online website. The Company’s mission is to help individuals build healthy eating habits and live a more health-conscious life.

2.2: Acquisition Date

The closing date of the Acquisition was June 20, 2022.

2.3: Consideration

In consideration for all outstanding share capital of SMPL, the Company issued an aggregate of 28,678,680 common shares of the Company ("**Vegano Shares**"). In addition, the Company reserved for issuance 116,169 Vegano Shares to be issued to the holders of special warrants of SMPL (the "**SMPL Special Warrants**") on conversion of such SMPL Special Warrants at the election of the holder.

Vegano also reserved for issuance:

(i) 12,771,023 Vegano Shares for issuance on exercise of common share purchase warrants of SMPL;
(ii) 6,828,553 Vegano Shares for issue on exercise of common share purchase warrants of SMPL issued to former holders of SMPL Special Warrants; and
(iii) 116,169 Vegano Shares for issue on exercise of common share purchase warrants that may be issued to current holders of SMPL Special Warrants.

2.4: Effect on Financial Position

The Company ceased providing plant-based meal boxes and shifted its business to running an online retail marketplace offering plant-based foods on May 31, 2022. The Company's acquisition of SMPL is its first purchase of a brand that consumers are seeking out on its marketplace. The Company is seeking to develop a vertical distribution model that can scale opportunities on its plant-based foods marketplace.

SMPL will continue to be a beverage company that specializes in creating innovative oat milk that is dairy-free, gluten-free, nut-free and plant-based.

2.5: Prior Valuations

To the knowledge of the Company, there has not been any valuation opinion obtained within the last 12 months by the Company or SMPL required by securities legislation or a Canadian exchange or market to support the consideration paid by the Company in connection with the Acquisition.

2.6: Parties to Transaction

Conor Power a director of the Company, was also a director and shareholder of SMPL, and Joel Primus was a shareholder and former director of SMPL and are therefore "informed persons" (as such term is defined in section 1.1 of National Instrument 51-102 – Continuous Disclosure Obligations).

In addition, the acquisition of SMPL securities from each Messrs. Power and Primus constituted a related party transaction under Multilateral Instrument 61-101- *Protection of Minority Security Holders in Special Transactions* ("**MI61-101**").

The Agreement and Amalgamation was approved solely by Juliana Daley, the independent director of the Company.

2.7: Date of Report

September 15, 2022.

Item 3: Financial Statements and Other Information

The following financial statements are attached to this Business Acquisition Report:

a) The audited annual financial statements of SMPL, attached hereto as Appendix A, for the period from incorporation on June 14, 2021 to December 31, 2021.

b) The unaudited interim financial statements of SMPL, attached hereto as Appendix B, for the period from January 1,2022 to May 31, 2022. The unaudited interim financial statements of SMPL have been prepared by and are the responsibility of SMPL's management and have not been reviewed by SMPL's or the Company's auditors.

Appendix "A"

Financial Statements

For the Period from Incorporation on June 14, 2021 to December 31, 2021

SMPL Oats Ltd.

FINANCIAL STATEMENTS

For the period from incorporation on June 14, 2021 to December 31, 2021

(Stated in Canadian dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SMPL Oats Ltd.

Opinion

We have audited the financial statements of SMPL Oats Ltd. (the "Company"), which comprise the statement of financial position as at December 31, 2021, and the statements of loss and comprehensive loss, statement of changes in shareholders' equity and statement of cash flows for the period from incorporation on June 14, 2021 to December 31, 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and its financial performance and its cash flows for the period from incorporation on June 14, 2021 to December 31, 2021 in accordance with International Financial Reporting Standards.

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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

March 24, 2022

SMPL Oats Ltd.
Statement of Financial Position
(Stated in Canadian dollars)

As at	**Note**		**December 31, 2021**
ASSETS			
Current assets			
Cash and cash equivalents	5	$	651,946
Accounts receivable	8		19,426
Prepaid expenses	8		66,135
Total assets		**$**	**737,507**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and other liabilities	6, 8	$	61,330
Deferred revenue	9	$	1,423
Total Liabilities			**62,753**
SHAREHOLDERS' EQUITY			
Share capital	7	$	345,800
Reserves	7		1,003,707
Obligation to issue securities	7		16,000
Deficit		$	(690,753)
Total shareholders' equity			**674,754**
Total liabilities and shareholders' equity		**$**	**737,507**

Nature of Operations and Going Concern **-** Notes 1 and 2

Approved on behalf of the Board:

"Conor Power", Director

"Mohammad Fazil", Director

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

SMPL Oats Ltd.
Statement of Loss and Comprehensive Loss
(Stated in Canadian dollars)

	Note		For the period from incorporation on June 14, 2021 to December 31, 2021
Expenses			
Advertising and promotion		$	395,339
Consulting			63,241
General and administrative			4,296
Professional fees			66,173
Research and development			22,635
Salaries and benefits	8		139,069
			690,753
Net loss and comprehensive loss		$	**(690,753)**
Weighted average number of common shares – basic and diluted			14,407,500
Basic and diluted loss per share		$	**(0.05)**

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

SMPL Oats Ltd.
Statement of Changes in Shareholders' Equity
(Stated in Canadian Dollars)

	Number of shares		Share Capital		Reserves		Obligation to issue securities		Deficit		Total
Balance, June 14, 2021	**-**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**-**
Founders' shares issued for cash	10,000,000		200,000		-		-		-		200,000
Share issued in private placement	6,500,000		130,000		195,000		-		-		325,000
Special warrant financing net of issue costs – tranche 1	-		-		626,606		-		-		626,606
Special warrant financing net of issue costs – tranche 2	-		-		197,901		-		-		197,901
Special warrant financing net of issue costs – tranche 3	-		-		-		16,000		-		16,000
Conversion of special warrants	158,000		15,800		(15,800)		-		-		-
Net loss	-		-		-		-		(690,753)		(690,753)
Balance, December 31, 2021	**16,658,000**	**$**	**345,800**	**$**	**1,003,707**	**$**	**16,000**	**$**	**(690,753)**	**$**	**674,754**

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

SMPL Oats Ltd.
Statement of Cash Flows
(Stated in Canadian Dollars)

		For the period from incorporation on June 14, 2021 to December 31, 2021
Operating activities		
Net loss	**$**	(690,753)
Non-cash working capital item:		
Accounts receivable		(19,426)
Prepaid expenses and deposits		(66,135)
Accounts payable & other liabilities		61,330
Deferred revenue		1,423
Net cash used in operating activities		**(713,561)**
Financing activities		
Net proceeds from private placements		525,000
Net proceeds from special warrant financing		840,507
Net cash provided by financing activities		**1,365,507**
Change in cash		**651,946**
Cash, beginning		**-**
Cash, ending	**$**	**651,946**

Supplemental Cash Flow Information		
Interest paid	$	**-**

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

1. Nature of Operations

SMPL Oats Ltd. (the "Company") was incorporated under the Business Corporations Act of British Columbia on June 14, 2021. The Company is in the business of selling plant-based milk alternative beverages directly to consumers.

The principal address and registered office of the Company is 220-333 Terminal Avenue, Vancouver, British Columbia, V6A 4C1

2. Going Concern

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

As at December 31, 2021, the Company had not begun revenue generating operations and the continuing operations of the Company are dependent upon its ability to develop a viable business and to attain profitable operations and generate funds there from. The Company is currently reliant on external financing to continue operations, and the Company may be unable to obtain such financing on terms which are satisfactory to it. Furthermore, there is no assurance that the business will be profitable. These factors indicate the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these financial statements, adjustments would be necessary to the statement of financial position classifications used. Such adjustments could be material.

In March 2020, the World Health Organization declared the outbreak of the coronavirus, also known as "COVID-19". The pandemic has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as new variants, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.

3. Basis of Presentation

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").

The financial statements were approved and authorized for issuance on March 24, 2022 by the Board of Directors.

3. Basis of Presentation (Continued)

Basis of Presentation

These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value, and presented in Canadian dollars which is the functional currency of the Company. All amounts are rounded to the nearest dollar. The financial statements have been prepared on an accrual basis, except for cash flow information.

Critical Accounting Estimates and Judgements

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Estimates:

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Share-based payments

Estimating fair value for share-based payment transactions, including stock options and compensatory warrants, requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, risk-free interest rate, expected forfeiture rate and dividend yield of the equity instruments.

Judgements:

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include the assessment of the Company’s ability to continue as a going concern.

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company’s current understanding of the tax law in the relevant jurisdiction. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. The Company recognizes deferred tax assets only to the extent it is probable that future taxable profit will be realized against which a deferred tax asset can be applied.

4. Significant Accounting Policies

Cash and cash equivalents

Cash is comprised of cash at bank. Cash equivalents are short-term, highly liquid investments with maturities within one year when acquired. Included in the Company's cash equivalents is a one-year Guaranteed Investment Certificate ("GIC"), as disclosed in Note 5.

Financial instruments

The Company's financial instruments consist of cash, accounts receivable, and accounts payable & other liabilities.

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

Financial assets/liabilities	Classification
Cash	Fair value through profit or loss
Accounts receivable	Amortized cost
Accounts payable & other liabilities	Amortized cost

The Company follows the requirements of IFRS 9, Financial Instruments ("IFRS 9"). IFRS 9 utilizes a model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model.

(i) Classification and subsequent measurement

Financial assets

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

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

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

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL if doing so significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Subsequent measurement and gains and losses

- Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the statement of loss and comprehensive loss.
- Financial assets at amortized cost: These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the statement of loss and comprehensive loss. Any gain or loss on derecognition is recognized in the statement of loss and comprehensive loss.
- Debt investments at FVOCI: These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of loss and comprehensive loss.
  Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the statement of loss and comprehensive loss.
- Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of loss and comprehensive loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to the statement of loss and comprehensive loss.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of loss and comprehensive loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of loss and comprehensive loss. Any gain or loss on derecognition is also recognized in the statement of loss and comprehensive loss.

(ii) Derecognition

Financial assets

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

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities

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

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

(iii) Offsetting

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

(iv) Impairment

Financial assets and contract assets

The Company recognizes loss allowances for expected credit losses ("ECL") on financial assets measured at amortized cost or fair value through profit or loss. The Company uses historical patterns for the probability of default, the timing of collection and the amount of the incurred credit loss, which is adjusted based on management's judgment about whether current economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest. The amount of the impairment loss on a financial asset measured at amortized cost is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss, and applied against trade and other receivables through a loss allowance account.

Revenue recognition

Revenue is recognized using a five-step recognition and measurement model.

The Company's revenue is generated from the sale of finished product to customers. Those sales contain a single performance obligation and revenue is recognized at a single point in time when ownership, risks and rewards transfer, which is when the beverages are delivered to the customers. Payments are collected from the customers via online payment processing platforms at the time of sales. The amount of revenue recognized is measured based on the prices stated on the customer orders, net of discounts. Payments received in advance of the beverages being delivered to the customers are recognized as deferred revenue.

4. Significant Accounting Policies (Continued)

Share capital

The Company engages in equity financing transactions to obtain the necessary funds to continue its operations. These equity financing transactions may involve issuance of common shares, units, or special warrants. Common shares are classified as equity and the proceeds received in connection with the share subscription agreement are recognized as an increase in equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from shareholders' equity, net of tax.

Proceeds received on the issuance of units, consisting of common shares and warrant components, are allocated using the residual method whereby proceeds are allocated first to common shares based on an estimate of fair value of the common shares at the time the units are priced, and any excess is allocated to warrants.

Loss per share

Basic loss per share is calculated by dividing the net loss attributable to the common shareholders of the Company by the weighted average number of common shares outstanding and reduced by any shares held in escrow during the reporting period. Diluted loss per share is calculated by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding, all additional common shares that would have been outstanding if potentially dilutive instruments were converted and reduced by any shares held in escrow.

Income taxes

Income tax is recognized in profit or loss to the extent that it relates to items recognized in other comprehensive income, or directly in equity, in which case the related tax is recognized in other comprehensive income, or directly in equity, as appropriate.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position 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. 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. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis. The amount of deferred tax asset or liability is determined using enacted or substantively enacted tax rates at the date of the statement of financial position.

(Stated in Canadian dollars)

4. Significant Accounting Policies (Continued)

Research and development costs

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and borrowing costs on qualifying assets. Other development expenditures are recognized in profit or loss as incurred.

Research and development costs incurred subsequent to the acquisition of externally acquired intangible assets and on internally generated intangible assets are accounted for as research and development costs. As at December 31, 2021, the Company has not capitalized any research and development costs.

Accounting standards issued but not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any new standards and determined that there are no standards that are relevant to the Company.

5. Cash and cash equivalents

		December 31, 2021
Cash	$	641,946
Total cash		641,946
GIC		10,000
Total cash and cash equivalents	**$**	**651,946**

On July 9, 2021, the Company invested $10,000 in a one-year GIC. The GIC has a maturity date of July 9, 2022 and earns interest at a rate of $0.35% per annum.

6. Accounts payable and other liabilities

		December 31, 2021
Accounts payable	$	12,282
Accrued liabilities		34,742
Payroll liabilities		14,132
Credit card payable		174
	$	**61,330**

7. Shareholders' equity

a) Share Capital

Authorized

Authorized share capital of the Company consists of an unlimited number of common shares with no par value.

Issued

During the period from incorporation on June 14, 2021 to December 31, 2021, the Company issued the following securities:

- On July 7, 2021, the Company issued 10,000,000 shares at $0.02 per share for gross proceeds of $200,000.
- On July 13, 2021, the Company issued 6,500,000 units at $0.05 per unit for gross proceeds of $325,000. Each unit comprises one common share and one common share purchase warrant. Each warrant entitles the holder to one additional common share at a price of $0.05 for a period of 24 months from the date of issuance. The fair value of the shares was estimated to be $130,000 using a share price of $0.02, which is based on the share price of the most recently completed private placement. The residual value of $195,000 was allocated to the fair value of the warrants.
- On December 31, 2021, the Company issued 158,000 units pursuant to the conversion of 158,000 Special Warrants. See note 7b below.

b) Special Warrants

On August 30, 2021, the Company issued 6,567,500 special warrants (each, a "Special Warrant") at a price of $0.10 per Special Warrant and received gross proceeds of $656,750. The total comprises 6,409,500 Special warrants ("Special Warrants A") for gross proceeds of $640,950, and 158,000 Special warrants ("Special Warrants B") for gross proceeds of $15,800. Each Special Warrant entitles the holder to acquire, without further payment, one unit (a "Unit"). Each Unit will be comprised of one common share of the Company and one warrant, exercisable into one common share of the Company at an exercise price of $0.10 for two years from the date of issuance.

Each Special Warrant A will automatically convert on the date that is the third business day after the date on which a receipt for a final prospectus to qualify for distribution the Units is received by the Company from the British Columbia Securities Commission.

Each Special Warrant B will automatically convert on the date that is the earlier of:

- the fifth business day after the date on which a receipt for a final prospectus to qualify for distribution the Units is received by the Company from the British Columbia Securities Commission; and
- the date that is four months and a day after the date of issuance of the Special Warrants B.

The Special Warrants are recorded at their estimated fair value which is based on the amount of cash subscriptions received.

(Stated in Canadian dollars)

7. Shareholders' equity (Continued)

b) Special Warrants (Continued)

Cash finder's fees of $20,440 and legal costs totaling $9,704 were incurred and 204,400 finder's warrants were issued relating to the Special Warrant financing. The fair value of the finder's warrants of $10,677 was estimated using the Black-Scholes Option Pricing Model using the following inputs: share price of $0.10, expected volatility of 100%, expected life of 2 years, risk free interest rate of 0.39% and expected dividend yield of 0%.

As at December 31, 2021, 158,000 Special Warrants B had automatically converted into Units of the Company.

On October 8, 2021, the Company closed a second tranche of Special Warrant financing, issuing 2,108,449 special warrants at a price of $0.10 per Special Warrant and received gross proceeds of $210,845. The total comprises 465,000 Special Warrants A for gross proceeds of $46,500, and 1,643,449 Special Warrants B for gross proceeds of $164,345.

The Special Warrants have the same terms as the Special Warrants issued on August 30, 2021. Cash finder's fees of $3,560 and legal costs totaling $9,384 were incurred relating to the Special Warrant Financing. 35,600 finder's warrants were issued relating to the Special Warrant financing. The fair value of the finder's warrants of $1,863 was estimated using the Black-Scholes Option Pricing Model using the following inputs: share price of $0.10, expected volatility of 100%, expected life of 2 years, risk free interest rate of 0.60% and expected dividend yield of 0%.

As at December 31, 2021, the Company was obligated to issue 160,000 Special Warrants in exchange for $16,000 of cash proceeds received relating to a third tranche of Special Warrant financing which closed subsequent to period end.

c) Warrants

Continuity of the Company's warrants is as follows:

	Number of warrants		Weighted average exercise price
Outstanding, June 14, 2021	-	$	-
Granted	6,898,000		0.05
Outstanding, December 31, 2021	**6,898,000**	**$**	**0.05**

As at December 31, 2021, the following warrants were outstanding and exercisable:

Number of warrants outstanding	Exercise price ($CAD)	Expiry date	Number of warrants exercisable
6,500,000	0.05	July 13, 2023	6,500,000
204,400	0.10	August 30, 2023	204,400
35,600	0.10	October 08, 2023	35,600
158,000	0.10	December 31, 2023	158,000
6,898,000			**6,898,000**

(Stated in Canadian dollars)

7. Shareholders' equity (Continued)

c) Warrants (Continued)

Continuity of the Company's Special Warrants is as follows:

	Number of warrants		Weighted average exercise price ($CAD)
Outstanding, June 14, 2021	-	$	-
Granted	8,675,949		0.10
Converted	(158,000)		(0.10)
Outstanding, December 31, 2021	**8,517,949**	**$**	**0.10**

8. Related Party Transactions

Key management consists of the Officers and Directors who are responsible for planning, directing, and controlling the activities of the Company. All related party transactions are carried out in the normal course of operation.

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

		Period from incorporation on June 14, 2021 to December 31, 2021
Salaries and benefits	$	67,764
Professional fees		33,638
	$	**101,402**

As at December 31, 2021, the Company owed $5,918 in accrued wages to an officer of the Company and owed $11,070 to a corporation controlled by an officer of the Company for amounts paid on behalf of the Company.

As at December 31, 2021, the Company had $65,526 in prepaid expenses to a corporation controlled by an officer and was owed $8,459 from a corporation controlled by an officer.

During the period from incorporation on June 14, 2021 to December 31, 2021, the company issued 10,000,000 shares and 4,000,000 units to the CEO of the company, at $0.02 per share and $0.05 per unit, respectively, for total proceeds of $400,000.

9. Deferred Revenue

		As at December 31, 2021
Preorders	$	1,423
	$	**1,423**

During the period from incorporation on June 14, 2021 to December 31, 2021, the company received $1,423 in preorders. The preorders are deferred and recognized as revenue once delivery of the product has been completed.

10. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company comprises of all components of shareholders' equity. The Company manages its capital structure and makes adjustments to it in light of economic conditions.

The Company's primary source of capital is through the issuance of common shares. The Company manages and adjusts its capital structure when changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek additional funding. The Company may require additional capital resources to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required in the long term but recognizes there will be risks involved that may be beyond its control. There are no external restrictions on the management of capital as at December 31, 2021.

11. Financial Instruments and Risk Management

Financial Instruments

The Company's financial instruments consist of cash, and accounts payable & other liabilities. Cash is measured at fair value through profit and loss ("FVTPL"). Accounts payable and other liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of the financial assets and financial liabilities are included at the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Fair values of quoted instruments are based on price quotations at the reporting date. The fair value of unquoted instruments and liabilities measured at amortized cost are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk, and maturities.

Fair value hierarchy

As at December 31, 2021, the Company held the following financial instruments measured at fair value:

- Cash (level 1)

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: inputs for assets or liabilities that are not based on observable market data.

During the period from incorporation on June 14, 2021 to December 31, 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

As at December 31, 2021, the Company's financial instruments include cash, accounts receivable, and accounts payable and other liabilities. The fair value of these financial instruments approximates their carrying value due to their short-term nature.

(Stated in Canadian dollars)

12. Financial Instruments and Risk Management (Continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's financial assets consist of cash and cash equivalents. The Company's maximum exposure to credit risk, as at period-end, is the carrying value of its financial assets. The company mitigates credit risk by holding financial instruments within financial institutions of high creditworthiness.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they come due. The Company currently settles its financial obligations with cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at December 31, 2021, the Company had a cash balance of $651,946 and current liabilities of $62,753.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to any significant interest rate risk.

13. Income Taxes

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

		Period from incorporation on June 14, 2021 to December 31, 2021
Net loss	$	690,753
Statutory income tax rate		27%
Income tax benefit computed at the statutory tax rate		(186,503)
Share issuance costs		(11,634)
Unrecognized benefit from income tax losses		198,137
Income tax recovery		-

As at December 31, 2021, the Company had non-capital tax loss carry forwards of approximately $198,000 which can be applied to reduce future Canadian taxable income and will expire on 2041.

14. Subsequent Events

On February 2, 2022, the Company issued 947,000 Special Warrants at a price of $0.10 per Special Warrant and received gross proceeds of $94,700. The total comprises 60,000 Special Warrants A for gross proceeds of $6,000 and 887,000 Special Warrants B for gross proceeds of $88,700.

Each Special Warrant entitles the holder to acquire, without further payment, one unit. Each Unit will be comprised of one common share, and one warrant exercisable into one common share at an exercise price of $0.10 for two years from the date of issuance.

Each Special Warrant A will automatically convert on the date that is the third business day after the date on which a receipt for a final prospectus to qualify for distribution the Units is received by the Company from the British Columbia Securities Commission.

Each Special Warrant B will automatically convert on the date that is the earlier of:

- the fifth business day after the date on which a receipt for a final prospectus to qualify for distribution the Units is received by the Company from the British Columbia Securities Commission; and
- the date that is four months and a day after the date of issuance of the Special Warrants B.

On February 9, 2022, the Company issued 1,643,449 units pursuant to the automatic conversion of 1,643,449 Special Warrants.

Appendix “B”

Financial Statements

For the Period from January 1,2022 to May 31, 2022

SMPL Oats Ltd.

CONDENSED INTERIM FINANCIAL STATEMENTS

For the period from January 1, 2022 to May 31, 2022

(Unaudited - Stated in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF FINANCIAL STATEMENTS

Under National Instrument 51-102 "Continuous Disclosure Obligations", if an auditor has not performed a review of the interim financial statements, the financial statements must be accompanied by a notice indicating that they have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by CPA (Chartered Professional Accountants) Canada for a review of interim financial statements by an entity's auditor.

SMPL Oats Ltd.
Condensed Interim Statements of Financial Position
(Unaudited - Stated in Canadian dollars)

As at	Note		May 31, 2022		December 31, 2021
ASSETS					
Current assets					
Cash and cash equivalents	5	$	**73,088**	$	651,946
Accounts receivable	11		**29,473**		19,426
Prepaid expenses	6,11		**349,513**		66,135
			452,074		737,507
Non-current					
Equipment			**1,021**		-
Total assets		$	**453,095**	$	737,507
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and other liabilities	9, 11	$	**59,979**	$	61,330
Deferred revenue	12		**-**		1,423
Total Liabilities			**59,979**		62,753
SHAREHOLDERS' EQUITY					
Share capital	10		**623,145**		345,800
Reserves	10		**867,783**		1,003,707
Obligation to issue securities	10		**-**		16,000
Deficit			**(1,097,812)**		(690,753)
Total shareholders' equity			**393,116**		674,754
Total liabilities and shareholders' equity		$	**453,095**	$	737,507

Nature of Operations and Going Concern **-** Notes 1 and 2
Subsequent Events – Note 15

Approved on behalf of the Board:

"Conor Power", Director

"Mohammad Fazil", Director

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

SMPL Oats Ltd.
Condensed Interim Statements of Loss and Comprehensive Loss
(Unaudited - Stated in Canadian dollars)

	Notes		For the period from January 1, 2022 to May 31, 2022		For the period from incorporation on June 14, 2021 to December 31, 2021
Revenues					
Sales		$	**13,055**	$	-
Cost of sales			**10,384**		
Gross profit			**2,671**		
Expenses					
Advertising and promotion		$	**78,235**	$	395,339
Depreciation			**48**		-
Consulting			**158,071**		63,241
General and administrative			**19,172**		4,296
Professional fees			**34,000**		66,173
Research and development			**35,392**		22,635
Salaries and benefits	11		**83,652**		139,069
Travel expenses			**1,076**		-
Loss before other items			**409,646**		690,753
Other items					
Foreign exchange loss			**376**		-
Interest and other income			**(292)**		-
Net loss and comprehensive loss		$	**(407,059)**	$	(690,753)
Basic and diluted loss per share		$	**(0.02)**	$	(0.05)
Weighted average number of common shares – basic and diluted			**20,431,992**		14,407,500

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

SMPL Oats Ltd.
Condensed Interim Statements of Changes in Shareholders' Equity
(Unaudited - Stated in Canadian Dollars)

	Number of shares		Share Capital		Reserves		Obligation to issue securities		Deficit		Total
Balance, June 14, 2021	**-**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**-**
Founders' shares issued for cash	10,000,000		200,000		-		-		-		200,000
Share issued in private placement	6,500,000		130,000		195,000		-		-		325,000
Special warrant financing net of issue costs – tranche 1	-		-		626,606		-		-		626,606
Special warrant financing net of issue costs – tranche 2	-		-		197,901		-		-		197,901
Special warrant financing net of issue costs – tranche 3	-		-		-		16,000		-		16,000
Conversion of special warrants	158,000		15,800		(15,800)		-		-		-
Net loss	-		-		-		-		(690,753)		(690,753)
Balance, December 31, 2021	**16,658,000**	**$**	**345,800**	**$**	**1,003,707**	**$**	**16,000**	**$**	**(690,753)**	**$**	**674,754**
Share issued in private placement	5,750,000		105,000		-		-		-		105,000
Shares issued for services	400,000		8,000		-		-		-		8,000
Special warrant financing net of issue costs – tranche 3	-		-		28,421		(16,000)		-		12,421
Conversion of special warrants	1,643,449		164,345		(164,345)		-		-		-
Net loss	-		-		-		-		(407,059)		(407,059)
Balance, May 31, 2022	**24,451,449**		**623,145**		**867,783**		**-**		**(1,097,812)**		**393,116**

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

SMPL Oats Ltd.
Condensed Interim Statements of Cash Flows
(Unaudited - Stated in Canadian Dollars)

		For the period from January 1, 2022 to May 31, 2022		For the period from incorporation on June 14, 2021 to December 31, 2021
Operating activities				
Net loss	$	**(407,059)**	$	(690,753)
Items not affecting cash:				
Depreciation		**48**		-
Director fees paid in cash		**8,000**		-
Non-cash working capital item:				
Accounts receivable		**(10,047)**		(19,426)
Prepaid expenses and deposits		**(283,378)**		(66,135)
Inventory		**-**		-
Accounts payable & other liabilities		**(1,351)**		61,330
Deferred revenue		**(1,423)**		1,423
Net cash used in operating activities		**(695,210)**		(713,561)
Investing activities				
Purchase of equipment		**(1,069)**		-
Net cash used in investing activities		**(1,069)**		-
Financing activities				
Net proceeds from private placements		**105,000**		525,000
Net proceeds from special warrant financing		**12,421**		840,507
Net cash provided by financing activities		**117,421**		1,365,507
Change in cash		**(578,858)**		651,946
Cash, beginning		**651,946**		-
Cash, ending	$	**73,088**	$	651,946

Supplemental Cash Flow Information

Interest paid	$	**-**	$	-
Share issuance costs in accounts payable	$	**1,036**	$	-

Supplemental schedule of non-cash financing activities

Conversion of special warrants to units	$	164,345	$	-

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

1. Nature of Operations

SMPL Oats Ltd. (the "Company") was incorporated under the Business Corporations Act of British Columbia on June 14, 2021. The Company is in the business of selling plant-based milk alternative beverages directly to consumers.

The principal address and registered office of the Company is 220-333 Terminal Avenue, Vancouver, British Columbia, V6A 4C1

On April 3, 2022, the Company entered into an amalgamation agreement with Vegano Foods Inc. and 1355441 B.C. Ltd., a wholly owned subsidiary of Vegano Foods Inc., in which 135441 B.C. Ltd and the Company will amalgamate. The amalgamation will result in Vegano Foods Inc. acquiring 100% of the equity securities of the Company (See note 15).

2. Going Concern

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

As at May 31, 2022, the Company had not begun revenue generating operations and the continuing operations of the Company are dependent upon its ability to develop a viable business and to attain profitable operations and generate funds there from. The Company is currently reliant on external financing to continue operations, and the Company may be unable to obtain such financing on terms which are satisfactory to it. Furthermore, there is no assurance that the business will be profitable. These factors indicate the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these financial statements, adjustments would be necessary to the statement of financial position classifications used. Such adjustments could be material.

In March 2020, the World Health Organization declared the outbreak of the coronavirus, also known as "COVID-19". The pandemic has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as new variants, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.

3. Basis of Presentation

Statement of Compliance

These condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Unless otherwise noted, all amounts are presented in Canadian dollars. These condensed interim financial statements were authorized for issue by the Audit Committee on September 15, 2022.

Basis of Presentation

These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value, and presented in Canadian dollars which is the functional currency of the Company. All amounts are rounded to the nearest dollar. The financial statements have been prepared on an accrual basis, except for cash flow information.

Critical Accounting Estimates and Judgements

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Estimates:

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Share-based payments

Estimating fair value for share-based payment transactions, including stock options and compensatory warrants, requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, risk-free interest rate, expected forfeiture rate and dividend yield of the equity instruments.

Judgements:

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include the assessment of the Company's ability to continue as a going concern.

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law in the relevant jurisdiction. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. The Company recognizes deferred tax assets only to the extent it is probable that future taxable profit will be realized against which a deferred tax asset can be applied.

4. Significant Accounting Policies

Cash and cash equivalents

Cash is comprised of cash at bank. Cash equivalents are short-term, highly liquid investments with maturities within one year when acquired. Included in the Company's cash equivalents is a one-year Guaranteed Investment Certificate ("GIC"), as disclosed in Note 5.

Inventory

Inventory is comprised of raw material and bottle purchases and is measured at the lower of cost and net realizable value. The cost of inventories is determined using the first-in, first-out method. Cost includes acquisition costs net of discounts, and other costs incurred to bring inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

Financial instruments

The Company's financial instruments consist of cash, accounts receivable, and accounts payable & other liabilities.

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

Financial assets/liabilities	Classification
Cash and cash equivalents	Fair value through profit or loss
Accounts receivable	Amortized cost
Accounts payable & other liabilities	Amortized cost

The Company follows the requirements of IFRS 9, Financial Instruments ("IFRS 9"). IFRS 9 utilizes a model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model.

(i) Classification and subsequent measurement

Financial assets

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

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

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

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL if doing so significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Subsequent measurement and gains and losses

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

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

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of loss and comprehensive loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of loss and comprehensive loss. Any gain or loss on derecognition is also recognized in the statement of loss and comprehensive loss.

(ii) Derecognition

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

Financial liabilities

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

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

(iii) Offsetting

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

(iv) Impairment

Financial assets and contract assets

The Company recognizes loss allowances for expected credit losses ("ECL") on financial assets measured at amortized cost or fair value through profit or loss. The Company uses historical patterns for the probability of default, the timing of collection and the amount of the incurred credit loss, which is adjusted based on management's judgment about whether current economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest. The amount of the impairment loss on a financial asset measured at amortized cost is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss, and applied against trade and other receivables through a loss allowance account.

Revenue recognition

The Company's revenue is generated from the sale of finished product to customers. Those sales contain a single performance obligation and revenue is recognized at a single point in time when ownership, risks and rewards transfer, which is when the beverages are delivered to the customers. Payments are collected from the customers via online payment processing platforms at the time of sales. The amount of revenue recognized is measured based on the prices stated on the customer orders, net of discounts. Payments received in advance of the beverages being delivered to the customers are recognized as deferred revenue.

Share capital

The Company engages in equity financing transactions to obtain the necessary funds to continue its operations. These equity financing transactions may involve issuance of common shares, units, or special warrants. Common shares are classified as equity and the proceeds received in connection with the share subscription agreement are recognized as an increase in equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from shareholders' equity, net of tax.

Proceeds received on the issuance of units, consisting of common shares and warrant components, are allocated using the residual method whereby proceeds are allocated first to common shares based on an estimate of fair value of the common shares at the time the units are priced, and any excess is allocated to warrants.

Loss per share

Basic loss per share is calculated by dividing the net loss attributable to the common shareholders of the Company by the weighted average number of common shares outstanding and reduced by any shares held in escrow during the reporting period. Diluted loss per share is calculated by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding, all additional common shares that would have been outstanding if potentially dilutive instruments were converted and reduced by any shares held in escrow.

Income taxes

Income tax is recognized in profit or loss to the extent that it relates to items recognized in other comprehensive income, or directly in equity, in which case the related tax is recognized in other comprehensive income, or directly in equity, as appropriate.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position 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. 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. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis. The amount of deferred tax asset or liability is determined using enacted or substantively enacted tax rates at the date of the statement of financial position.

Research and development costs

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and borrowing costs on qualifying assets. Other development expenditures are recognized in profit or loss as incurred.

(Unaudited - Stated in Canadian dollars)

Research and development costs incurred subsequent to the acquisition of externally acquired intangible assets and on internally generated intangible assets are accounted for as research and development costs. As at May 31, 2022, the Company has not capitalized any research and development costs.

Accounting standards issued but not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any new standards and determined that there are no standards that are relevant to the Company.

5. Cash and cash equivalents

		May 31, 2022		December 31, 2021
Cash	$	**63,088**	$	641,946
GIC		**10,000**		10,000
Total cash and cash equivalents	$	**73,088**	**$**	651,946

On July 9, 2021, the Company invested $10,000 in a one-year GIC. The GIC has a maturity date of July 9, 2022 and earns interest at a rate of $0.35% per annum.

6. Prepaid expenses

		May 31, 2022		December 31, 2021
Marketing and advertising	$	**311,012**	$	-
Accounting services		**27,421**		65,526
Other		**11,080**		609
Total	$	**349,513**	**$**	66,135

7. Inventory

Inventory is comprised of raw material purchases and transport costs to bring inventories to their present location. Inventory is measured at lower of cost, determined on a weighted average basis, and net realizable value. Costs of raw materials include the purchased cost and the costs of finished goods, which includes costs of materials, labour and packing. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. If the Company determines that the estimated net realizable value of its inventory is less than the carrying value of such inventory, it records a charge to cost of sales.

The Company reviews inventory for obsolete, redundant, and slow-moving goods and any such inventory are written down to net realizable value.

During the period ended May 31, 2022, the Company purchased raw materials for its initial production run. An initial test run was completed, with $31,974 of inventory consumed and expensed as research and development ("R&D"). The remaining $10,189 was finished goods delivered to customers that had pre-ordered units, satisfying the deferred revenues previously recorded by the Company (Note 12).

(Unaudited - Stated in Canadian dollars)

		May 31, 2022		December 31, 2021
Materials purchased and processed	$	**35,702**	$	-
Transport costs		**6,461**		-
Expensed to R&D pilot run		**(31,974)**		
Finished goods to cost of sales		**(10,189)**		
	$	**-**	**$**	-

8. Equipment

Equipment is measured at cost, net of accumulated depreciation and any impairment losses.

Cost includes expenditures that are directly attributable to the asset acquisition. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

- Computers – 3 years

The Company's property, plant and equipment continuity is as follows:

		Computer
Cost		
Balance at December 31, 2021	$	-
Additions		1,069
Balance at May 31, 2022	$	1,069
Accumulated Amortization		
Balance at December 31, 2021	$	-
Additions		48
Balance at May 31, 2022	$	48
Net Book Value		
At December 31, 2021	$	-
At May 31, 2022	$	1,021

9. Accounts payable and other liabilities

		May 31, 2022		December 31, 2021
Accounts payable	$	**40,202**	$	12,282
Accrued liabilities		**4,528**		34,742
Payroll liabilities		**10,213**		14,132
Credit card payable		**5,036**		174
	$	**59,979**	**$**	61,330

10. Shareholders' equity

a) Share Capital

Authorized

Authorized share capital of the Company consists of an unlimited number of common shares with no par value.

Issued

During the period from January 1, 2022 to May 31, 2022, the Company issued the following securities:

- On February 9, 2022, the Company issued 1,643,449 units pursuant to the conversion of 1,643,449 Special Warrants. See note 8b below.
- On March 29, 2022, the Company issued 400,000 shares to directors of the Company at $0.02 per share with an aggregate value of $8,000 as compensation for their services.
- On March 29, 2022, the Company issued 5,750,000 units at $0.02 per unit for gross proceeds of $115,000. As at May 31, 2022, $10,000 was owed to the Company. The fair value of the shares was estimated to be $115,000 using a share price of $0.02, which is based on the share price of the most recently completed private placement. The residual value of $Nil was allocated to the fair value of the warrants. Each unit consisting of one common share of the Company, and one transferable common share purchase warrant (a "warrant"), with each warrant exercisable into one common share at a price of $0.05 per share for a period of 2 years following the issuance date

During the period from incorporation on June 14, 2021 to December 31, 2021, the Company issued the following securities:

- On July 7, 2021, the Company issued 10,000,000 shares at $0.02 per share for gross proceeds of $200,000.
- On July 13, 2021, the Company issued 6,500,000 units at $0.05 per unit for gross proceeds of $325,000. Each unit comprises one common share and one common share purchase warrant. Each warrant entitles the holder to one additional common share at a price of $0.05 for a period of 24 months from the date of issuance. The fair value of the shares was estimated to be $130,000 using a share price of $0.02, which is based on the share price of the most recently completed private placement. The residual value of $195,000 was allocated to the fair value of the warrants.
- On December 31, 2021, the Company issued 158,000 units pursuant to the conversion of 158,000 Special Warrants. See note 10c below.

b) Special Warrants

On August 30, 2021, the Company issued 6,567,500 special warrants (each, a "Special Warrant") at a price of $0.10 per Special Warrant and received gross proceeds of $656,750. The total comprises 6,409,500 Special warrants ("Special Warrants A") for gross proceeds of $640,950, and 158,000 Special warrants ("Special Warrants B") for gross proceeds of $15,800. Each Special Warrant entitles the holder to acquire, without further payment, one unit (a "Unit"). Each Unit will be comprised of one common share of the Company and one warrant, exercisable into one common share of the Company at an exercise price of $0.10 for two years from the date of issuance.

Each Special Warrant A will automatically convert on the date that is the third business day after the date on which a receipt for a final prospectus to qualify for distribution the Units is received by the Company from the British Columbia Securities Commission.

Each Special Warrant B will automatically convert on the date that is the earlier of:

- the fifth business day after the date on which a receipt for a final prospectus to qualify for distribution the Units is received by the Company from the British Columbia Securities Commission; and
- the date that is four months and a day after the date of issuance of the Special Warrants B.

The Special Warrants are recorded at their estimated fair value which is based on the amount of cash subscriptions received.

Cash finder's fees of $20,440 and legal costs totaling $9,704 were incurred and 204,400 finder's warrants were issued relating to the Special Warrant financing. The fair value of the finder's warrants of $10,677 was estimated using the Black-Scholes Option Pricing Model using the following inputs: share price of $0.10, expected volatility of 100%, expected life of 2 years, risk free interest rate of 0.39% and expected dividend yield of 0%.

As at May 31, 2022, 158,000 Special Warrants B had automatically converted into Units of the Company.

On October 8, 2021, the Company closed a second tranche of Special Warrant financing, issuing 2,108,449 special warrants at a price of $0.10 per Special Warrant and received gross proceeds of $210,845. The total comprises 465,000 Special Warrants A for gross proceeds of $46,500, and 1,643,449 Special Warrants B for gross proceeds of $164,345.

The Special Warrants have the same terms as the Special Warrants issued on August 30, 2021. Cash finder's fees of $3,560 and legal costs totaling $9,384 were incurred relating to the Special Warrant Financing. 35,600 finder's warrants were issued relating to the Special Warrant financing. The fair value of the finder's warrants of $1,863 was estimated using the Black-Scholes Option Pricing Model using the following inputs: share price of $0.10, expected volatility of 100%, expected life of 2 years, risk free interest rate of 0.60% and expected dividend yield of 0%.

As at May 31, 2022, 1,643,449 Special Warrants B issued in tranche 2 had automatically converted into Units of the Company.

On February 2, 2022, the Company closed a third tranche of Special Warrant financing, issuing 947,000 special warrants at a price of $0.10 per Special Warrant and received gross proceeds of $94,700. Legal costs totaling $66,279 were incurred relating to the Special Warrant Financing. Each Special Warrant entitles the holder to acquire, without further payment, one unit. Each Unit will be comprised of one common share of the Company and one warrant, exercisable into one common share of the Company at an exercise price of $0.10 for two years from the date of issuance.

Each Special Warrant issued in the third tranche will automatically convert on the date that is the earlier of:

- the fifth business day after the date on which a receipt for a final prospectus to qualify for distribution the Units is received by the Company from the British Columbia Securities Commission; and
- February 2, 2023

(Unaudited - Stated in Canadian dollars)

c) Warrants

Continuity of the Company's warrants is as follows:

	Number of warrants		Weighted average exercise price
Outstanding, June 14, 2021	-	$	-
Granted	6,898,000		0.05
Outstanding, December 31, 2021	**6,898,000**	**$**	**0.05**
Granted	7,393,449		0.06
Outstanding, May 31, 2022	**14,291,449**	**$**	**0.06**

As at May 31, 2022, the following warrants were outstanding and exercisable:

Number of warrants outstanding	Exercise price ($CAD)	Expiry date	Number of warrants exercisable
6,500,000	0.05	July 13, 2023	6,500,000
204,400	0.10	August 30, 2023	204,400
35,600	0.10	October 08, 2023	35,600
158,000	0.10	December 31, 2023	158,000
1,643,449	0.10	February 9, 2024	1643,449
5,750,000	0.05	March 29, 2024	5,750,000
14,291,449			**14,291,449**

Continuity of the Company's Special Warrants is as follows:

	Number of warrants		Weighted average exercise price ($CAD)
Outstanding, June 14, 2021	-	$	-
Granted	8,675,949		0.10
Converted	(158,000)		(0.10)
Outstanding, December 31, 2021	**8,517,949**	**$**	**0.10**
Granted	947,000		0.10
Converted	(1,643,449)		0.10
Outstanding, May 31, 2022	**7,821,500**	**$**	**0.10**

11. Related Party Transactions

Key management consists of the Officers and Directors who are responsible for planning, directing, and controlling the activities of the Company. All related party transactions are carried out in the normal course of operation.

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

(Unaudited - Stated in Canadian dollars)

		Period from January 1, 2022 to May 31, 2022		Period from incorporation on June 14, 2021 to December 31, 20211
Salaries and benefits	$	**30,220**	$	67,764
Professional fees		**27,687**		33,638
Director fees		**8,000**		-
Consulting fees		**50,000**		-
	$	**115,907**	**$**	101,402

As at May 31, 2022, the Company owed $4,540 (December 31, 2021 - $5,918) in accrued wages to an officer of the Company and owed $Nil (December 31, 2021 - $11,070) to a corporation controlled by an officer of the Company for amounts paid on behalf of the Company.

As at May 31, 2022, the Company had $27,421 (December 31, 2021 - $65,526) in prepaid expenses to a corporation controlled by an officer and was owed $5,000 (December 31, 2021 - $8,459) from a corporation controlled by an officer.

12. Deferred Revenue

		May 31, 2022		December 31, 2021
Preorders – opening balance	$	**1,423**	$	1,423
Additions		**11,385**		
Delivered during the period		**(12,808)**		-
	$	**-**	**$**	1,423

During the period ended May 31, 2022, the company received $11,385 (December 31, 2021 - $1,423) in preorders. All of these orders were delivered during the period, resulting the full amount being recognized as revenue.

13. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company comprises of all components of shareholders' equity. The Company manages its capital structure and makes adjustments to it in light of economic conditions.

The Company's primary source of capital is through the issuance of common shares. The Company manages and adjusts its capital structure when changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek additional funding. The Company may require additional capital resources to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required in the long term but recognizes there will be risks involved that may be beyond its control. There are no external restrictions on the management of capital as at May 31, 2022. There were no changes in the Company's approach to capital management during the five months ended May 31, 2022.

14. Financial Instruments and Risk Management

Financial Instruments

The Company's financial instruments consist of cash, and accounts payable & other liabilities. Cash and cash equivalents are measured at fair value through profit and loss ("FVTPL"). Accounts payable and other liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of the financial assets and financial liabilities are included at the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Fair values of quoted instruments are based on price quotations at the reporting date. The fair value of unquoted instruments and liabilities measured at amortized cost are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk, and maturities.

Fair value hierarchy

As at May 31, 2022, the Company held the following financial instruments measured at fair value:

- Cash (level 1)

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: inputs for assets or liabilities that are not based on observable market data.

During the period from January 1, 2021 to May 31, 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

As at May 31, 2022, the Company's financial instruments include cash, accounts receivable, and accounts payable and other liabilities. The fair value of these financial instruments approximates their carrying value due to their short-term nature.
Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's financial assets consist of cash and cash equivalents. The Company's maximum exposure to credit risk, as at period-end, is the carrying value of its financial assets. The company mitigates credit risk by holding financial instruments within financial institutions of high creditworthiness.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they come due. The Company currently settles its financial obligations with cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company's approach to managing liquidity risk is to ensure that it will have

sufficient liquidity to meet liabilities when they come due. As at May 31, 2022, the Company had a cash balance of $73,088 and current liabilities of $59,979.
Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to any significant interest rate risk.

15. Subsequent Events

On June 20, 2022 the Company was acquired by Vegano Foods Inc. ("Vegano") by way of a three-cornered amalgamation carried out under the Business Corporations Act (British Columbia) (the "Amalgamation") pursuant to the terms of the definitive agreement (the "Agreement") among the Company, 1355441 BC Ltd., a wholly-owned subsidiary of the Company ("Subco") and Vegano.

In consideration for all outstanding share capital of the Company, Vegano issued an aggregate of 28,678,680 common shares ("Vegano Shares"). In addition, Vegano reserved for issuance 116,169 Vegano Shares to be issued to the holders of special warrants of the Company (the "SMPL Special Warrants") on conversion of such SMPL Special Warrants at the election of the holder.

Vegano also reserved for issuance:

(i) 12,771,023 Vegano Shares for issuance on exercise of common share purchase warrants of the Company;
(ii) 6,828,553 Vegano Shares for issue on exercise of common share purchase warrants of the Company issued to former holders of SMPL Special Warrants; and
(iii) 116,169 Vegano Shares for issue on exercise of common share purchase warrants that may be issued to current holders of SMPL Special Warrants.