

VEGANO FOODS INC.

Condensed Consolidated Interim Financial Statements

For the three and twelve months ended December 31, 2022 and 2021

(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 Financing 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)

(Unaudited)

As at	Notes	December 31, 2022		December 31, 2021	
ASSETS					
Current assets					
Cash and cash equivalents	5	\$	16,404	\$	1,439,582
Other receivables	6,16,19		111,193		84,650
Prepaid expenses	7		4,674		20,229
Inventory	8		6,685		73,604
Total current assets			138,956		1,618,065
Investment	9		1		1
Equipment	10		19,067		58,233
Total assets		\$	158,024	\$	1,676,299
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)					
Current liabilities					
Accounts payable and other liabilities	12,19,23	\$	578,212	\$	311,567
Gift card liability	13		25,673		33,687
Deferred revenue	13		586		19,606
Loans payable	15		6,171		31,171
Total liabilities			610,642		396,031
Shareholders' equity (deficiency)					
Share capital	16		8,416,265		5,957,617
Obligation to issue shares	16		9,294		-
Reserves	16,17,18		1,549,165		442,703
Deficit			(10,427,342)		(5,120,052)
Total shareholders' equity (deficiency)			(452,618)		1,280,268
Total liabilities and shareholders' equity (deficiency)		\$	158,024	\$	1,676,299
Nature of operations and going concern	1				
Commitments	23				

Approved and authorized by the Board of Directors on February 28, 2023:

"Conor Power"

Director

"Joel Primus"

Director

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

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

(Stated in Canadian dollars)

(Unaudited)

	Notes	Three months ended December 31,		Twelve months ended December 31,	
		2022	2021	2022	2021
Revenue, net of refunds	13	\$ (24)	\$ 179,779	\$ 187,614	\$ 407,694
Cost of goods sold	20	63,194	250,386	379,311	599,562
Gross profit (loss)		(63,218)	(70,607)	(191,697)	(191,868)
Operating expenses					
Advertising and promotion		3,059	45,367	237,323	308,011
Amortization of intangible assets	11	-	19,366	279,633	77,464
Consulting fees	19	33,482	203,021	772,349	419,391
Depreciation of equipment	10	2,841	5,220	15,786	16,063
General and administrative	21	16,205	56,626	208,818	531,015
Professional fees	19	52,760	187,932	389,296	498,054
Salaries and benefits	19	7,082	237,157	191,160	897,385
Share-based compensation	17,19	1,527	11,142	189,768	397,539
Travel expenses (recovery)		60	(20,293)	57,857	164,500
		117,016	745,538	2,341,990	3,309,422
Other expenses (income)					
Accretion expense	14	-	-	-	8,581
Impairment of intangible assets	11	-	71,008	2,722,308	71,008
Foreign exchange loss (gain)		(194)	197	2,368	1,463
Loss on disposal of equipment	10	-	-	28,714	-
Finance costs	14	-	1	-	17,123
Government assistance		-	(16,973)	-	(16,973)
Impairment of equipment	10	21,713	35,380	21,713	35,380
Loss on investment	9	-	599,999	-	349,999
Gain on debt settlement	16	-	-	(1,500)	-
Net loss and comprehensive loss		\$ (201,753)	\$ (1,505,757)	\$ (5,307,290)	\$ (3,967,871)
Weighted average number of common shares outstanding – basic and diluted		8,702,445	5,615,892	7,289,999	5,296,831
Basic and diluted loss per common share		\$ (0.02)	\$ (0.27)	\$ (0.73)	\$ (0.75)

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

VEGANO FOODS INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIENCY)**

(Stated in Canadian dollars)

(Unaudited)

	Number of shares (Note 1)	Share capital	Obligation to issue shares	Reserves	Deficit	Total shareholders' equity (deficiency)
Balance, January 1, 2021	3,579,571	\$ 1,232,110	\$ 1,644,810	\$ 19,919	\$ (1,152,181)	\$ 1,744,658
Shares issued under private placement, net of issuance costs	2,036,321	4,725,507	(2,319,097)	-	-	2,406,410
Subscription proceeds received for shares to be issued	-	-	674,287	-	-	674,287
Share-based compensation	-	-	-	397,539	-	397,539
Warrants issued to agents	-	-	-	25,245	-	25,245
Net loss	-	-	-	-	(3,967,871)	(3,967,871)
Balance, December 31, 2021	5,615,892	\$ 5,957,617	\$ -	\$ 442,703	\$ (5,120,052)	\$ 1,280,268
Shares repurchased and returned to treasury	(13,000)	(32,500)	-	-	-	(32,500)
Shares issued for services	137,960	105,000	-	-	-	105,000
Shares issued for debt settlement	93,725	93,353	-	-	-	93,353
Acquisition of SMPL Oats Ltd.	2,867,868	2,294,295	9,294	916,694	-	3,220,283
Share issuance costs	-	(1,500)	-	-	-	(1,500)
Share-based compensation	-	-	-	189,768	-	189,768
Net loss	-	-	-	-	(5,307,290)	(5,307,290)
Balance, December 31, 2022	8,702,445	\$ 8,416,265	\$ 9,294	\$ 1,549,165	\$ (10,427,342)	\$ (452,618)

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)

	Twelve months ended December 31, 2022		Twelve months ended December 31, 2021	
Operating activities				
Net loss	\$	(5,307,290)	\$	(3,967,871)
Items not affecting cash:				
Accretion expense on convertible note		-		8,581
Amortization of intangible assets		279,633		77,464
Depreciation of equipment		15,786		16,063
Finance costs		-		17,123
Impairment of equipment		21,713		35,380
Impairment of inventory		63,567		6,730
Loss on investment		-		349,999
Share-based compensation		189,768		397,539
Shares issued for services		105,000		-
Loss on disposal of equipment		28,714		-
Gain on debt settlement		(1,500)		-
Impairment of intangible assets		2,722,308		71,008
Non-cash working capital items:				
Other receivables		8,437		(13,639)
Prepaid expenses		310,218		(1,363)
Inventory		3,352		(78,336)
Accounts payable and other liabilities		206,172		130,471
Gift card liability		(8,014)		(26,243)
Deferred revenue		(19,020)		19,606
Net cash used in operating activities		(1,381,156)		(2,957,488)
Investing activities				
Purchase of equipment		(68,547)		(58,124)
Proceeds from sale of equipment		41,500		-
Acquisition of investment		-		(350,000)
Cash assumed on acquisition of SMPL Oats Ltd.		44,025		-
Net cash provided by (used in) investing activities		16,978		(408,124)
Financing activities				
Proceeds from issuance of shares		-		3,239,894
Repayment of loans payable		(25,000)		(35,718)
Repayment of convertible note		-		(540,959)
Repurchase of shares		(32,500)		-
Share issuance costs		(1,500)		(133,952)
Net cash provided by (used in) financing activities		(59,000)		2,529,265
Change in cash and cash equivalents		(1,423,178)		(836,347)
Cash and cash equivalents, beginning		1,439,582		2,275,929
Cash and cash equivalents, ending	\$	16,404	\$	1,439,582
Supplementary cash flow information				
Interest paid	\$	-	\$	40,959
Acquisition of SMPL Oats Ltd.	\$	3,220,283	\$	-
Shares issued for debt settlement	\$	93,353	\$	-
Shares issued for services	\$	105,000	\$	-

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 TWELVE MONTHS ENDED DECEMBER 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. The Company’s principal activities relate to the sale and delivery of vegan grocery and household staples to end customers on the Vegano Marketplace. The registered office of the Company is 1500 West Georgia Street, Suite 1300, Vancouver BC V6G 2Z6, Canada. The Company’s common shares trade on the Canadian Securities Exchange (the “CSE”) under the trading symbol “VAGN” and the OTCQB Venture Market under the trading symbol “VAGNF”.

During the twelve months ended December 31, 2022, the Company consolidated its common shares on the basis for one post-consolidated share for every ten pre-consolidated common shares held (Note 16). All references to share and per share amounts have been retroactively restated to reflect this share consolidation.

During the twelve months ended December 31, 2022, the Company elected to change its financial year end from December 31 to March 31. As a result, the Company will report audited consolidated financial statements for a 15-month transitional fiscal year from January 1, 2022 to March 31, 2023 with a comparative of the 12-month audited financial results from January 1, 2021 to December 31, 2021.

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. To date, the Company has incurred losses from operations and may incur further losses in the development of its business. As at December 31, 2022, the Company had a working capital deficit of \$471,686 and an accumulated deficit of \$10,427,342. 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. The Company will require additional financing for continuing operations, to evaluate strategic opportunities, and for working capital purposes. However, there is no assurance that the Company will be able to secure such financing on favorable terms. 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 February 28, 2023 by the Board of Directors.

VEGANO FOODS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

(Stated in Canadian dollars)

(Unaudited)

2. BASIS OF PREPARATION (CONTINUED)

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.

Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary, 1355441 B.C. Ltd. 1355441 B.C. Ltd. was incorporated under the Business Corporations Act of British Columbia on March 28, 2022 and subsequently amalgamated with SMPL Oats Ltd. on June 20, 2022 (Note 4). Effective June 20, 2022, the Company has one wholly-owned subsidiary, SMPL Oats 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.

Comparative figures

Certain comparative figures have been reclassified to conform with the basis of the presentation applied for the twelve months ended December 31, 2022.

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 judgments 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, except as noted below.

Fair value measurement of intangible assets

The Company acquired intangible assets, including intellectual property, brand, design, proprietary expertise, recipes, formulations, and trade secrets in connection with an amalgamation transaction (Note 4). Carrying amounts for intangible assets do not necessarily reflect present or future value and the ultimate amounts recoverable will be dependent upon the successful commercialization of products based on these underlying intangible assets.

VEGANO FOODS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

(Stated in Canadian dollars)

(Unaudited)

2. BASIS OF PREPARATION (CONTINUED)

Business combinations

From time to time, the Company may acquire subsidiaries. At the time of acquisition, the Company considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Company accounts for an acquisition as a business combination where an integrated set of activities and assets, is acquired. More specifically, consideration is given to the extent to which significant processes are acquired.

When the acquisition of subsidiaries does not represent a business combination, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

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. ACQUISITION OF SMPL OATS LTD.

On April 3, 2022, the Company, its wholly-owned subsidiary, 1355441 BC Ltd. ("Subco"), and SMPL Oats Ltd. ("SMPL") entered into an amalgamation agreement (the "Amalgamation Agreement") for the purpose of amalgamating SMPL and Subco (the "Amalgamation").

On June 20, 2022 (the "Closing Date"), pursuant to the Amalgamation Agreement:

- The Company issued 2,867,868 common shares in exchange for 32,092,949 common shares of SMPL being all of the issued and outstanding shares of SMPL immediately prior to the Amalgamation. The common shares were valued at \$2,294,295 or \$0.80 per common share which was the closing price per common share of the Company on the Closing Date (Note 16).
- The Company issued 1,959,914 warrants in exchange for 21,932,949 warrants of SMPL being all of the outstanding warrants of SMPL immediately prior to the Amalgamation. Each warrant issued by the Company is exercisable for one common share of the Company at an exercise price of \$0.56 to \$1.12 and expires on June 20, 2024. The fair value of the warrants of \$916,694 was determined using the Black-Scholes Option Pricing Model and the following assumptions: share price of \$0.80, risk-free interest rate of 3.26%, expected life of 2 years, annualized volatility of 109.5%, and dividend yield of 0% (Note 18).
- The Company issued 11,615 special warrants in exchange for 130,000 special warrants of SMPL being all of the outstanding special warrants of SMPL immediately prior to the Amalgamation. Each special warrant issued by the Company is exercisable for no additional consideration into one unit of the Company with each unit consisting of one common share and one warrant of the Company. Each warrant is exercisable for one common share of the Company at an exercise price of \$1.12 for a period of 24 months. The special warrants were valued at \$9,294 or \$0.80 per special warrant which was the closing price per common share of the Company on the Closing Date (Note 16).
- SMPL and Subco were amalgamated and the resulting entity, SMPL Oats Ltd., became a wholly-owned subsidiary of the Company.

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

(Stated in Canadian dollars)

(Unaudited)

4. ACQUISITION OF SMPL OATS LTD. (CONTINUED)

The Amalgamation was determined to be an asset acquisition as no substantive processes were transferred to the Company.

Consideration paid:	
Value of equity instruments	\$ 3,220,283
Transaction costs	86,654
	\$ 3,306,937
Net identifiable assets acquired:	
Cash and cash equivalents	\$ 44,025
Other receivables	34,980
Prepaid expenses	294,663
Intangible assets	3,001,941
Accounts payable and accrued liabilities	(68,672)
	\$ 3,306,937

5. CASH AND CASH EQUIVALENTS

	December 31, 2022	December 31, 2021
Deposit at bank	\$ 16,404	\$ 1,419,582
Guaranteed Investment Certificate ("GIC")	-	20,000
Total cash and cash equivalents	\$ 16,404	\$ 1,439,582

Included in the net identifiable assets acquired in connection with the Amalgamation (Note 4) was a \$10,000, one-year cashable GIC. The GIC earned interest at a rate of 0.35% per annum and matured on July 9, 2022.

As at December 31, 2021, the Company held a \$20,000 one-year cashable GIC which earned interest at a rate of 0.25% per annum. This GIC was redeemed during the twelve months ended December 31, 2022.

6. OTHER RECEIVABLES

	December 31, 2022	December 31, 2021
Subscription proceeds receivable (Note 16)	\$ 650	\$ 650
Advances to related parties (Note 19)	15,451	-
Sales tax receivable	95,092	67,027
Government assistance receivable	-	16,973
Total other receivables	\$ 111,193	\$ 84,650

7. PREPAID EXPENSES

	December 31, 2022	December 31, 2021
Prepaid insurance	\$ 4,447	\$ 2,795
Retainers and prepayments for services	-	6,299
Security deposits	-	8,196
Prepaid membership	227	2,939
Total prepaid expenses	\$ 4,674	\$ 20,229

VEGANO FOODS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

(Stated in Canadian dollars)

(Unaudited)

8. INVENTORY

		December 31, 2022		December 31, 2021
Packaging materials	\$	123	\$	15,504
Grocery staples		6,562		51,051
Meal Kits		-		7,049
Total Inventory	\$	6,685	\$	73,604

During the twelve months ended December 31, 2022, the Company impaired inventory with a carrying value of \$63,567 to its net realizable value of \$nil based on management's expectation of the likelihood of completing a sale of such inventory.

9. 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 and 500,000 Class B non-voting shares of Superbolt. Management has assessed that the Company has no control, nor significant influence over Superbolt as the Company holds approximately 11% of the voting rights and has no participation in Superbolt's policy-making processes. The Company accounts for its investment in Superbolt as a long-term investment measured at fair value through profit and loss.

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

During the three and twelve months ended December 31, 2022, the Company recorded a loss on investment of \$nil (December 31, 2021 - \$599,999) and \$nil (December 31, 2021 - \$349,999), respectively, from the change in the fair value of investment.

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

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

(Stated in Canadian dollars)

(Unaudited)

10. 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	(12,500)	(1,307)	(68,547)	(82,354)
Balance, December 31, 2022	\$ 43,361	\$ 31,947	\$ 24,870	\$ 100,178
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	-	6,434	9,352	15,786
Disposals	(7,500)	(261)	(4,379)	(12,140)
Impairment	-	21,713	-	21,713
Balance, December 31, 2022	\$ 43,361	\$ 31,947	\$ 5,803	\$ 81,111
Net book value				
At December 31, 2021	\$ 5,000	\$ 29,193	\$ 24,040	\$ 58,233
At December 31, 2022	\$ -	\$ -	\$ 19,067	\$ 19,067

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

During the twelve months ended December 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.

During the twelve months ended December 31, 2022, the Company sold a vehicle with a net book value of \$64,168 for proceeds of \$36,500 and recorded a loss on disposal of \$27,668.

During the twelve months ended December 31, 2022, the Company impaired computer equipment with a carrying value of \$21,713 to its net realizable value of \$nil with respect to idle assets.

During the twelve months ended December 31, 2021, the Company impaired its kitchen equipment to its net realizable value of \$5,000 as a result of closing its kitchen facilities.

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

(Stated in Canadian dollars)

(Unaudited)

11. INTANGIBLE ASSETS

	Website	Brand	Total
Cost			
Balance, December 31, 2020	\$ 154,927	\$ -	\$ 154,927
Additions	-	-	-
Balance, December 31, 2021	154,927	-	154,927
Additions (Note 4)	-	3,001,941	3,001,941
Balance, December 31, 2022	\$ 154,927	\$ 3,001,941	\$ 3,156,868
Accumulated Depreciation and Impairment			
Balance, December 31, 2020	\$ 6,455	\$ -	\$ 6,455
Amortization	77,464	-	77,464
Impairment	71,008	-	71,008
Balance, December 31, 2021	154,927	-	154,927
Amortization	-	279,633	279,633
Impairment	-	2,722,308	2,722,308
Balance, December 31, 2022	\$ 154,927	\$ 3,001,941	\$ 3,156,868
Net book value			
Balance, December 31, 2021	\$ -	\$ -	-
Balance, December 31, 2022	\$ -	\$ -	-

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

During the twelve months ended December 31, 2022, the Company acquired the intangible assets of SMPL consisting of intellectual property, brand, design, proprietary expertise, recipes, formulations, and trade secrets in connection with the Amalgamation (Note 4).

During the twelve months ended December 31, 2022, the Company assessed that the intangible assets relating to SMPL were impaired as a result of fulfillment issues experienced subsequent to the Amalgamation and the likelihood of the Company recovering its investment. The Company wrote off the remaining carrying value of the intangible assets of \$2,722,308.

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	December 31, 2022	December 31, 2021
Accounts payable	\$ 557,396	\$ 106,646
Accrued liabilities	20,778	115,260
Payroll liabilities	-	89,480
Sales tax payable	38	181
	\$ 578,212	\$ 311,567

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

(Stated in Canadian dollars)

(Unaudited)

13. REVENUE

The Company generated 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 (net of refunds) recognized by the Company is summarized in the table below.

	Three months ended December 31,		Twelve months ended December 31,	
	2022	2021	2022	2021
Meal kits and prepared meals	\$ -	\$ 136,944	\$ 139,962	\$ 329,845
Grocery staples via Marketplace	(24)	42,835	47,652	77,849
	\$ (24)	\$ 179,779	\$ 187,614	\$ 407,694

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

	Meal kits	Marketplace	Total
Balance, December 31, 2020	\$ -	\$ -	\$ -
Additions to deferred revenue	39,913	18,045	57,958
Revenue earned during the period	(29,629)	(8,723)	(38,352)
Balance, December 31, 2021	10,284	9,322	19,606
Additions to deferred revenue	9,363	5,967	15,330
Revenue earned during the period	(19,647)	(14,703)	(34,350)
Balance, December 31, 2022	\$ -	\$ 586	\$ 586

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
Redeemed during the period	(57,606)
Balance, December 31, 2021	33,687
Additions to gift card liability	7,614
Redeemed during the period	(15,628)
Balance, December 31, 2022	\$ 25,673

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14. 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 \$2.50 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 twelve months ended December 31, 2022, the Company recognized accretion expense on the debt component of the convertible note in the amount of \$nil (December 31, 2021 - \$8,581) and recorded finance costs of \$nil (December 31, 2021 - \$17,123) for accrued interest.

15. LOANS PAYABLE

As at December 31, 2022, the Company had loans payable to arm's length parties in the gross amount of \$6,171 (December 31, 2021 - \$31,171). The loans are non-interest bearing, unsecured and payable on demand.

During the twelve months ended December 31, 2022, the Company repaid loans payable of \$25,000 (December 31, 2021 - \$35,718).

16. SHARE CAPITAL

a) Authorized

An unlimited number of common shares without par value.

b) Share Consolidation

On October 25, 2022, the Company consolidated its common shares on the basis for one post-consolidated share for every ten pre-consolidated common shares held. All references to share and per share amounts have been retroactively restated to reflect this share consolidation.

c) Common Shares Held in Escrow

As at December 31, 2022, 535,714 common shares were held in escrow and restricted from trading. These common shares will be released from escrow as follows: 107,143 common shares released on February 15, 2023, 107,143 common shares released on August 15, 2023, 107,143 common shares released on February 15, 2024, 107,143 common shares released on August 15, 2024, and 107,142 common shares released on February 15, 2025.

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16. SHARE CAPITAL (CONTINUED)

d) Shares Issued

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

- On February 11, 2022, the Company canceled and returned 13,000 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 16,153 common shares in exchange for consulting services with a fair value of \$21,000.
- On March 30, 2022, the Company issued 30,000 common shares with a fair value of \$36,000 to settle amounts payable of \$36,000 pursuant to a debt settlement agreement.
- On April 4, 2022, the Company issued 17,500 common shares in exchange for consulting services with a fair value of \$21,000.
- On April 6, 2022, the Company issued 63,725 common shares with a fair value of \$57,353 to settle amounts payable of \$58,853 pursuant to debt settlement agreements and recorded a \$1,500 on gain on debt settlement.
- On April 28, 2022, the Company issued 30,000 common shares in exchange for consulting services with a fair value of \$21,000.
- On May 31, 2022, the Company issued 32,307 common shares in exchange for consulting services with a fair value of \$21,000.
- On June 20, 2022, the Company issued 2,867,868 common shares with a fair value of \$2,294,295 in connection with the Amalgamation (Note 4).
- On June 30, 2022, the Company issued 42,000 common shares in exchange for consulting services with a fair value of \$21,000.

e) Obligation to issue shares

As at December 31, 2020, the Company was obligated to issue 657,924 common shares in exchange for \$1,644,810 of cash proceeds received. The common shares were issued during the twelve months ended December 31, 2021, resulting in a balance of obligation to issue shares of \$nil as at December 31, 2021.

During the twelve months ended December 31, 2022, the Company issued 11,615 special warrants in connection with the Amalgamation (Note 4). Each special warrant is exercisable for no additional consideration into one unit of the Company with each unit consisting of one common share and one warrant of the Company. Each warrant is exercisable for one common share of the Company at an exercise price of \$1.12 for a period of 24 months. As at December 31, 2022, 11,615 special warrants were outstanding.

f) Subscription proceeds receivable

As at December 31, 2022 and 2021, the Company had total subscription proceeds receivable of \$650 for 928 common shares issued under private placement tranches. The amount is included in other receivables (Note 6).

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17. 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 for the twelve months ended December 31, 2022 and 2021 is summarized in the table below.

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2020	-	\$ -
Granted	940,000	1.90
Cancelled	(380,000)	1.00
Outstanding at December 31, 2021	560,000	2.50
Granted	255,000	1.01
Cancelled	(225,000)	2.50
Forfeited	(335,000)	2.44
Outstanding at December 31, 2022	255,000	\$ 1.09

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

Outstanding	Exercisable	Exercise Price	Remaining Life (Years)	Expiry Date
15,000	8,250	\$2.50	1.61	August 10, 2024
165,000	165,000	\$1.05	4.23	March 24, 2027
75,000	75,000	\$0.90	1.27	April 6, 2024
255,000	248,250			

During the twelve months ended December 31, 2022, the Company recorded share-based compensation of \$189,768 (December 31, 2021 - \$397,539) 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 twelve months ended December 31, 2022 and 2021:

	Twelve months ended December 31, 2022	Twelve months ended December 31, 2021
Risk-free interest rate	2.28%	0.30%
Expected life (years)	4.12	1.90
Annualized volatility	100%	100%
Dividend yield	0%	0%

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

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18. WARRANTS

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

	Number of Warrants		Weighted Average Exercise Price
Outstanding at December 31, 2020	-	\$	-
Issued	19,360		2.50
Outstanding at December 31, 2021	19,360		2.50
Issued (Note 4)	1,959,914		0.81
Outstanding at December 31, 2022	1,979,274	\$	0.82

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

Outstanding	Exercise Price	Remaining Life (Years)	Expiry Date
8,640 ⁽¹⁾	\$2.50	0.08	January 29, 2023
10,720 ⁽¹⁾	\$2.50	0.16	February 26, 2023
1,094,672	\$0.56	1.47	June 20, 2024
865,242	\$1.12	1.47	June 20, 2024
1,979,274			

⁽¹⁾ These warrants expired unexercised subsequent to the twelve months ended December 31, 2022.

The following weighted average assumptions were used to estimate the weighted average grant date fair value of warrants granted during the twelve months ended December 31, 2022 and 2021:

	Twelve months ended December 31, 2022	Twelve months ended December 31, 2021
Risk-free interest rate	3.26%	0.23%
Expected life (years)	2.00	2.00
Annualized volatility	109.50%	100%
Dividend yield	0%	0%

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

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.

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19. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

	Twelve months ended December 31, 2022		Twelve months ended December 31, 2021	
Salaries and benefits				
Chief Executive Officer ("CEO")	\$	57,854	\$	306,742
Former Chief Operating Officer ("COO")		42,086		111,071
Former Vice President of Sales		-		40,212
Directors		22,648		-
Domestic partner of the CEO		1,920		-
Consulting				
Company controlled by the CEO		307,083		151,134
Domestic partner of the CEO		30,825		71,878
Share-based compensation (Note 17)				
CEO		-		60,952
Chief Financial Officer ("CFO")		-		22,857
Former COO		-		226,970
Directors		35,568		21,940
Domestic partner of the CEO		78,858		-
	\$	576,842	\$	1,013,756

Related party transactions and balances

During the twelve months ended December 31, 2022, the Company incurred professional fees of \$241,422 (December 31, 2021 - \$173,089) to a company controlled by the Chief Financial Officer.

As at December 31, 2022, amounts due to related parties included in accounts payable and other liabilities consisted of \$278,695 (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 December 31, 2022, advances due from related parties included in other receivables consisted of \$15,451 (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. The amount is non-interest bearing, unsecured and due on demand.

20. COST OF GOODS SOLD

	Three months ended December 31,		Twelve months ended December 31,	
	2022	2021	2022	2021
Ingredients	\$ -	\$ 72,405	\$ 125,762	\$ 194,059
Direct labour	-	72,064	46,643	170,478
Delivery and packaging	21	70,448	66,858	152,495
Merchandise	137	20,240	68,590	56,545
Impairment	62,964	6,730	63,567	6,730
Other direct costs	72	8,499	7,891	19,255
	\$ 63,194	\$ 250,386	\$ 379,311	\$ 599,562

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21. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended		Twelve months ended	
	December 31,		December 31,	
	2022	2021	2022	2021
Filing fees	\$ 10,734	\$ (750)	\$ 99,078	\$ 14,504
Insurance	611	874	3,276	3,376
Interest and bank charges	2,180	1,616	7,020	5,853
Kitchen expenses and product development	-	10,339	742	48,674
Meals and entertainment	-	(375)	19,120	90,299
Office expenses	732	(341)	19,641	55,037
Rent	-	8,164	14,080	158,869
Repairs and maintenance	-	2,550	866	10,664
Shipping and delivery	-	3,371	150	6,324
Subscriptions	1,424	18,153	26,565	46,701
Utilities	-	5,640	5,445	27,009
Website expenses	524	7,385	12,835	63,705
	\$ 16,205	\$ 56,626	\$ 208,818	\$ 531,015

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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22. 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 and other receivables. 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. Other receivables primarily comprise of balances recoverable from the tax authority for sales tax paid and advances due from the Company's CEO. Management has estimated the expected credit loss to be \$nil with respect to these other receivables. The Company's exposure to credit risk is low.

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 December 31, 2022, the Company had cash and cash equivalents of \$16,404 to settle current liabilities of \$610,642 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 December 31, 2022 and 2021, accounts payable and other liabilities includes \$25,833 with respect to the lease contract.

During the twelve months ended December 31, 2022, the Company leased kitchen space on a month-to-month basis and terminated the lease contract on March 31, 2022.

During the twelve months ended December 31, 2022, the Company recognized total rent expense, included in general and administrative expense, of \$14,080 (December 31, 2021 - \$158,869) in connection with short-term lease contracts.