

# **Nabati Foods Global Inc.**

(formerly 1279006 B.C. Ltd.)

## **Condensed Consolidated Interim Financial Statements**

**Nine months ended September 30, 2021**

(In Canadian Dollars)

(Unaudited)

## NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements of Nabati Foods Global Inc. for the nine months ended September 30, 2021, have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

The accompanying unaudited condensed consolidated interim 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 the Chartered Professional Accountants of Canada for a review of the interim financial statements by an auditor.

**Nabati Foods Global Inc.**  
(formerly 1279006 B.C. Ltd.)  
Condensed Consolidated Interim Statements of Financial Position  
(Expressed in Canadian Dollars)  
(Unaudited)

	September 30, 2021	December 31, 2020
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 656,621	\$ 14,893
Restricted cash	6,400	-
Trade and other receivables	447,310	168,788
Inventory (Note 5)	1,688,109	103,160
Prepaid expenses	1,651	-
	<b>2,800,091</b>	<b>286,841</b>
Deposit	15,067	15,067
Property, plant and equipment (Note 6)	2,168,638	107,088
Right-of-use assets (Note 7)	78,889	128,125
<b>Total assets</b>	<b>5,062,685</b>	<b>537,121</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	1,927,546	171,688
Due to shareholders (Note 11)	19,197	290,545
Loan payable (Note 9)	-	31,985
Current portion of lease liabilities (Note 7)	43,799	58,721
	<b>1,990,542</b>	<b>552,939</b>
<b>Non-current liability</b>		
Convertible notes (Note 8)	-	528,280
Derivative liability (Note 8)	-	1,221,673
Lease liabilities (Note 7)	38,367	71,529
<b>Total liabilities</b>	<b>2,028,909</b>	<b>2,374,421</b>
<b>Equity</b>		
Share capital (Note 10)	16,865,531	225
Special warrants (Note 10)	310,080	-
Reserves (Note 10)	259,004	-
Accumulated other comprehensive income (loss)	(6,913)	1,683
Deficit	(14,393,926)	(1,839,208)
<b>Total equity (deficit)</b>	<b>3,033,776</b>	<b>(1,837,300)</b>
<b>Total liabilities and equity</b>	<b>\$ 5,062,685</b>	<b>\$ 537,121</b>

Nature and Continuance of Operations (Note 1)  
Commitments (Note 14)  
Subsequent Event (Note 16)

"Ahmad Yehya" Director

Ahmad Yehya

"Ravinder Kang" Director

Ravinder Kang

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

**Nabati Foods Global Inc.**

(formerly 1279006 B.C. Ltd.)

**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss**

(Expressed in Canadian Dollars)

(Unaudited)

	<b>Nine Months Period ended September 30, 2021</b>	<b>Nine Months Period ended September 30, 2020</b>	<b>Three Months Period ended September 30, 2021</b>	<b>Three Months Period ended September 30, 2020</b>
Revenue	\$ 529,828	\$ 455,856	\$ 194,527	\$ 187,413
Cost of sales	(514,337)	(258,445)	(154,744)	(137,808)
Gross profit	15,491	197,411	39,783	49,605
Operating expenses				
Advertising and promotion (Note 10)	2,560,819	109,876	1,123,937	52,522
Bank charges	13,634	7,657	7,505	2,106
Consulting fees	312,340	-	24,312	-
Depreciation	238,910	27,726	106,066	14,305
Foreign exchange	(2,901)	544	2,157	50
Interest expense	41,191	555	2,965	555
Office and administration	598,509	80,234	373,203	37,840
Professional fees	876,369	44,400	341,652	8,679
Rent	87,013	6,307	65,168	1,211
Repairs and maintenance	32,989	22,692	17,145	8,116
Research and development	3,602	-	748	-
Telephone and utilities	32,752	14,524	12,968	6,604
Travel	13,250	5,454	10,902	180
Salaries and benefits (Note 11)	714,252	144,506	361,698	50,942
Total operating expenses	5,522,729	464,474	2,450,426	183,109
Net loss before other items	(5,507,238)	(267,063)	(2,410,643)	(133,504)
Other income				
Listing expense (Note 4)	(7,084,984)	-	-	-
Interest income	43	-	43	-
Interest and accretion	(5,239)	6,900	-	3,139
Fair value gain on derivative liability	42,700	-	-	-
Grant income	-	-	(16,721)	-
Net loss	(12,554,718)	(260,163)	(2,427,321)	(130,365)
Other comprehensive loss				
Foreign currency translation	(8,596)	86	(6,188)	-
Net loss and other comprehensive loss	\$ (12,563,314)	\$ (260,077)	\$ (2,433,509)	\$ (130,365)
Loss per share - basic and diluted	\$ (0.52)	\$ (1,155.90)	\$ (0.09)	\$ (579.40)
Weighted average number of shares outstanding - basic and diluted	23,967,412	225	26,352,333	225
Loss per share - diluted	\$ (0.25)	\$ (1,155.90)	\$ (0.05)	\$ (579.40)
Weighted average number of shares outstanding - diluted	50,726,180	225	53,111,101	225

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

**Nabati Foods Global Inc.**

(formerly 1279006 B.C. Ltd.)

**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)**

(Expressed in Canadian Dollars)

(Unaudited)

	Number of Shares	Number of special warrants	Capital Amount	Special warrants	Reserves		Deficit	Total Equity
					Warrant reserve	Cumulative translation adjustment		
Balance, December 31, 2019	225	-	\$ 225	\$ -	\$ -	\$ (20)	\$ (1,304,024)	\$ (1,303,819)
Net loss for the period	-	-	-	-	-	86	(260,163)	(260,077)
<b>Balance, September 30, 2020</b>	<b>225</b>	<b>-</b>	<b>\$ 225</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 66</b>	<b>\$ (1,564,187)</b>	<b>\$ (1,563,896)</b>

	Number of Shares	Number of special warrants	Capital Amount	Special warrants	Reserves		Deficit	Total Equity
					Warrant reserve	Cumulative translation adjustment		
Balance, December 31, 2020	225	-	\$ 225	\$ -	\$ -	\$ 1,683	\$ (1,839,208)	\$ (1,837,300)
Shares cancelled	(225)	-	-	-	-	-	-	-
Units issued	7,000,000	-	35,000	-	-	-	-	35,000
Share issuance costs	-	-	(804,014)	-	259,004	-	-	(545,010)
Exercised convertible debenture	6,882,897	-	2,315,170	-	-	-	-	2,315,170
Special warrants issued	-	323,000	-	16,150	-	-	-	16,150
Special warrants issued	-	15,461,000	-	7,725,500	-	-	-	7,725,500
Shares issued for exercise of special warrants	15,784,000	(15,784,000)	7,741,650	(7,741,650)	-	-	-	-
Consideration shares issued for acquisition	14,000,000	-	6,702,500	310,080	-	-	-	7,012,580
Performance shares issued	1,750,000	-	875,000	-	-	-	-	875,000
Net loss for the period	-	-	-	-	-	-	(12,554,718)	(12,554,718)
Translation adjustment	-	-	-	-	-	(8,596)	-	(8,596)
<b>Balance, September 30, 2021</b>	<b>45,416,897</b>	<b>-</b>	<b>\$ 16,865,531</b>	<b>\$ 310,080</b>	<b>\$ 259,004</b>	<b>\$ (6,913)</b>	<b>\$ (14,393,926)</b>	<b>\$ 3,033,776</b>

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

**Nabati Foods Global Inc.**  
(formerly 1279006 B.C. Ltd.)  
Consolidated Statements of Cash Flows  
(Expressed in Canadian Dollars)  
(Unaudited)

	September 30, 2021	September 30, 2020
<b>Operating activities</b>		
Loss for the period	\$ (12,554,718)	\$ (260,163)
Amortization	238,910	27,726
Shares issued for consulting services	875,000	-
Fair value gain on derivative liability	(42,700)	-
Listing expense	7,084,984	-
Interest and accretion	43,916	6,920
Foreign exchange	2,901	-
Change in non-cash working capital components		
Increase in trade and other receivables	(183,799)	(192,408)
Increase in trade and other payables	321,336	149,444
Increase in lease liabilities	-	-
Increase in prepaid expenses	(1,622)	(2,067)
Decrease in unearned revenue	-	-
Due to shareholders	(38)	-
Decrease in inventory	(1,031,717)	(104,789)
<b>Net cash flows used in operating activities</b>	<b>(5,247,547)</b>	<b>(375,337)</b>
<b>Investing activities</b>		
Purchase of property and equipment	(1,551,287)	(13,990)
Lease payments	(55,394)	(28,510)
<b>Cash used in investing activity</b>	<b>(1,606,681)</b>	<b>(42,500)</b>
<b>Financing activities</b>		
Proceeds from issuance of units	35,000	-
Proceeds from issuance of special warrants	7,741,650	-
Share issuance costs	(533,602)	-
Restricted cash	(6,400)	-
Proceeds from convertible debt	300,000	-
Exercise of convertible debenture	-	421,390
Vehicle loan payments	(31,985)	243,630
<b>Cash provided by financing activities</b>	<b>7,504,663</b>	<b>665,020</b>
<b>Change in cash during the period</b>	<b>650,435</b>	<b>247,183</b>
Effect of exchange rate changes on cash	(8,707)	8
<b>Cash, beginning of period</b>	<b>14,893</b>	<b>7,880</b>
<b>Cash, end of period</b>	<b>\$ 656,621</b>	<b>\$ 255,071</b>

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

## **1. Nature and Continuance of Operations**

Nabati Foods Global Inc. (formerly 1279006 B.C. Ltd.) (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on December 10, 2020. The Company is a food technology company that offers healthy, plant-based products. The Company’s head office is located at 1570 – 505 Burrard Street, Vancouver, British Columbia V7X 1M5 and its registered and records office is located at 1500 – 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7.

On March 9, 2021, the Company acquired all of the issued and outstanding ordinary shares in the capital of Nabati Foods Inc. by way of a reverse takeover (“RTO”), in exchange of the issuance of 14,000,000 shares in the Company to former Nabati Foods Inc. shareholders. This resulted in Nabati Foods Inc. becoming a 100% wholly-owned subsidiary of the Company.

These condensed consolidated interim financial statements have been prepared using accounting principles applicable to a going concern which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The ability of the Company to carry out its business objectives is dependent on the Company’s ability to receive continued financial support from related parties, to obtain equity or debt financing, and to generate profitable operations in the future. In order to continue as a going concern and meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. These consolidated financial statements do not include any adjustments to the recoverability or classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The recent outbreak of the coronavirus, also known as “COVID-19,” 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 the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. The effect that these events will have on the price of Bitcoin, the ability for the Company to raise capital and the supply of upgraded equipment are highly uncertain and as such, the Company cannot determine the corresponding financial impacts at this time.

## **2. Basis of Presentation and Critical Accounting Estimates, Judgments and Assumptions**

### **Statement of Compliance**

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting for the International Financial Reporting Standards” (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2020, which have been prepared in accordance with IFRS as issued by the IASB and interpretations of the IFRS Interpretations Committee (“IFRIC”). The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company’s financial statements for the year ended December 31, 2020.

These condensed consolidated interim financial statements were approved and authorized for issuance on November 29, 2021 by the directors of the Company.

## **2. Basis of Presentation and Critical Accounting Estimates, Judgments and Assumptions (cont'd)**

### **Basis of Measurement**

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except cash flow information.

### **Principles of Consolidation**

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries. All intercompany balances, transactions, revenues and expenses have been eliminated on consolidation.

As of September 30, 2021, the Company had two wholly-owned subsidiaries:

- Nabati Foods Inc.
- Nabati Foods Inc. (US)

### **Functional and Presentation Currency**

These condensed consolidated interim financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the Company.

The functional currency of Nabati Foods Global Inc. and Nabati Foods Inc. is the Canadian dollar while the functional currency of Nabati Foods Inc. (US) is the US dollar.

### **Critical Accounting Estimates, Judgments and Assumptions**

The preparation of the Company's condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

There are no new accounting estimates and judgements for the period ended September 30, 2021 other than those previously disclosed in the annual financial statements for the year ended December 31, 2020.



### **3. Significant Accounting Policies**

The accounting policies set out in the audited financial statements for the year ended December 31, 2020 have been applied consistently to all periods presented in these condensed interim financial statements, other than the new policies discussed below.

#### **Share based payments**

The Company applies the fair value method of accounting for stock option awards using the Black-Scholes option pricing model. Under this method, the Company recognizes compensation expense for employee stock option awards, based on the grant date fair value, for each vesting instalment, over the vesting period of the options. Each instalment is valued separately, based on assumptions determined from historical reference and recognized as compensation expense over each instalment's individual tranche vesting period, which results in a corresponding increase in equity (reserves). Forfeiture estimates are recognized in the period they are estimated and are revised for actual forfeitures in subsequent periods.

In situations where stock option awards are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share based payment. Otherwise, share based payments are measured at the fair value of goods or services received.

Upon the exercise of stock options, consideration received on the exercise of these equity instruments is recorded as share capital and the related share-based payment reserve is transferred to share capital.

#### **Special Warrants**

Special warrants are classified as equity. Incremental costs directly attributable to the issue of special warrants are recognized as a deduction from equity, net of any tax effects. Upon the exercise of special warrants, the fair value of the special warrants on the date of issue is allocated to share capital.

Commissions and fees paid to agents and other related special warrants issue costs are charged directly to special warrants.

### **4. Reverse Takeover Transaction**

On March 9, 2021, the Company acquired all of the issued and outstanding shares in the capital of Nabati Foods Inc. by way of a reverse takeover ("RTO"). For accounting purposes, the acquisition was considered to be a reverse acquisition under IFRS 3 Business Combinations ("IFRS 3") as the shareholders of Nabati Foods Inc. obtained control of the Company. However, as the Company does not meet the definition of a business as defined by IFRS 3, it has been accounted for as a share-based payment transaction in accordance with IFRS 2. The accounting for this transaction resulted in the following:

#### 4. Reverse Takeover Transaction (cont'd)

- (i) The consolidated financial statements of the combined entity are issued under the legal parent, Nabati Foods Global Inc., but are considered a continuation of the financial statements of the legal subsidiary, Nabati Foods Inc.
- (ii) is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.

Since the shares allocated to the former shareholders of Nabati Foods Inc. on closing the RTO is considered within the scope of IFRS 2, and the Company cannot identify specifically some or all of the goods or services received in return for the allocation of the shares, the value in excess of the net identifiable assets or obligations of the Company acquired on closing was expensed in the consolidated statement of loss and comprehensive loss as a listing expense. The fair value of the 7,000,000 units of the Company was determined to be \$6,702,500 or \$0.96 per unit, which comprised of \$3,500,000 for the value of 7,000,000 common shares and \$3,202,500 for the value of 7,000,000 warrants determined using the Black-Scholes Option pricing model with the following assumptions: Volatility of 120%, expected life of 1.85 years, and risk-free discount rate of 0.27%. In addition, the fair value of the 323,000 special warrants was determined to be \$310,080 or \$0.96 per special warrant.

- (iii) The fair value of the consideration given and charged to listing expense was comprised of:

<b>Consideration</b>	
7,000,000 units at \$0.96 per unit	6,702,500
323,000 Special warrants at \$0.96 per warrant	310,080
	<u>7,012,580</u>
<b>Net assets acquired</b>	
Accounts payable	(72,404)
	<u>(72,404)</u>
Listing fee	7,084,984
	<u>7,012,580</u>

#### 5. Inventory

	September 30, 2021	December 31, 2020
Finished goods	\$ 10,185	\$ 40,222
Raw materials	1,677,924	62,938
Balance, end of year	<u>\$ 1,688,109</u>	<u>\$ 103,160</u>

The Company records a reserve to value inventory to its estimated net realizable value. There were no adjustments to cost of sales during the period ended September 30, 2021 and December 31, 2020. No inventory write-downs recorded in the previous periods were reversed.

**Nabati Foods Global Inc.**

(formerly 1279006 B.C. Ltd.)

Notes to the Condensed Consolidated Interim Financial Statements

Nine Months Ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

**6. Property, Plant and Equipment**

		Furniture and equipment	Computer equipment	Leasehold improvements	Machinery and equipment	Vehicles	Total
<b>Cost:</b>							
At December 31, 2019	\$	8,080	\$ 760	\$ 31,014	\$ 70,529	\$ 55,899	\$ 166,282
Additions		2,834	—	4,768	33,418	—	41,020
At December 31, 2020		10,914	760	35,782	103,947	55,899	207,302
Additions		22,743	19,751	457,443	1,735,285	16,000	2,251,222
At September 30, 2021	\$	33,657	\$ 20,511	\$ 493,225	\$ 1,839,232	\$ 71,899	\$ 2,458,524
<b>Accumulated amortization:</b>							
At December 31, 2019	\$	2,857	\$ 738	\$ 13,919	\$ 32,195	\$ 26,110	\$ 75,819
Additions		1,328	12	2,388	11,731	8,936	24,395
At December 31, 2020		4,185	750	16,307	43,926	35,046	100,214
Additions		2,715	4,078	37,237	139,150	6,492	189,672
At September 30, 2021	\$	6,900	\$ 4,828	\$ 53,544	\$ 183,076	\$ 41,538	\$ 289,886
<b>Net book value:</b>							
At December 31, 2020	\$	6,729	\$ 10	\$ 19,475	\$ 60,021	\$ 20,853	\$ 107,088
At September 30, 2021	\$	26,757	\$ 15,683	\$ 439,681	\$ 1,656,156	\$ 30,361	\$ 2,168,638

## 7. Right-of-use Assets

### Right-of-use Assets

	Equipment Leases	Vehicle Lease	Warehouse lease	Office Lease	Total
<b>Costs:</b>					
At December 31, 2019	\$ -	\$ -	\$ -	\$ 66,010	\$ 66,010
Additions	52,167	32,879	26,181	-	111,227
At December 31, 2020	52,167	32,879	26,181	66,010	177,237
Additions	-	-	-	-	-
At September 30, 2021	\$ 52,167	\$ 32,879	\$ 26,181	\$ 66,010	\$ 177,237
<b>Depreciation:</b>					
At December 31, 2019	\$ -	\$ -	\$ -	\$ 5,500	\$ 5,500
Charge for the period	8,806	1,580	11,221	22,005	43,612
At December 31, 2020	8,806	1,580	11,221	27,505	49,112
Charge for the period	9,581	6,323	16,831	16,502	49,237
At September 30, 2021	\$ 18,387	\$ 7,903	\$ 28,052	\$ 44,007	\$ 98,349
<b>Net book value:</b>					
At December 31, 2020	\$ 43,361	\$ 31,299	\$ 14,960	\$ 38,505	\$ 128,125
<b>At September 30, 2021</b>	<b>\$ 33,780</b>	<b>\$ 24,976</b>	<b>\$ 1,871</b>	<b>\$ 22,003</b>	<b>\$ 78,888</b>

Depreciation of right-of-use assets is calculated using the straight-line method over the remaining lease term.

### Lease Liabilities

Lease liabilities recognized as of December 31, 2019	\$	61,232
Lease additions		63,811
Interest expense on lease liabilities		5,207
		130,250
Less: current portion		(58,721)
<b>At December 31, 2020</b>	<b>\$</b>	<b>71,529</b>
At December 31, 2020	\$	130,250
Interest expense on lease liabilities		(48,084)
		82,166
Less: current portion		43,799
<b>At September 30, 2021</b>	<b>\$</b>	<b>38,367</b>

Refer to Note 14 Commitments for the remaining minimum future lease payments, excluding estimated operating costs.

**Nabati Foods Global Inc.**

(formerly 1279006 B.C. Ltd.)

Notes to the Condensed Consolidated Interim Financial Statements

Nine Months Ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

---

**8. Convertible Notes**

On September 25, 2020 and December 15, 2020, the Company entered into unsecured convertible note agreements for aggregate proceeds of \$1,778,097. The convertible notes bear interest at 10% per annum and are due on September 25, 2025. The convertible notes are convertible into units consisting of one common share of the Company and one-half share purchase warrant ("Conversion Shares"). The convertible notes are convertible to Conversion Shares if the Company's shares are listed on a recognized stock exchange ("Listing Event") or all of the shares of the Company are acquired by a purchaser within 18 months from September 25, 2020 ("Conversion Period"). Upon this occurring, the holder may elect to convert all or any portion of the outstanding loan balance into Conversion Shares of the Company at a conversion price at 30% discount from the listing price at the time of the Listing Event for the common shares. Each common share purchase warrant entitles the holder to purchase a further common share of the Company at 25% premium of the listing price at the time of the Listing Event.

On January 5, 2021, the Company entered into an unsecured convertible note agreement for proceeds of \$300,000. The convertible note has a maturity date of August 22, 2021 and bears interest at 10% per annum. The convertible note is convertible into units consisting of one common share of the Company and one half share purchase warrant ("Conversion Shares"). The convertible notes are convertible to Conversion Shares if the Company's shares are listed on a recognized stock exchange ("Listing Event") or all of the shares of the Company are acquired by a purchaser within 18 months from September 25, 2020 ("Conversion Period"). Upon this occurring, the holder may elect to convert all or any portion of the outstanding loan balance into Conversion Shares of the Company at a conversion price at 30% discount from the listing price at the time of the Listing Event for the common shares. Each common share purchase warrant entitles the holder to purchase a further common share of the Company at 25% premium of the listing price at the time of the Listing Event.

On January 5, 2021, the Company amended one of the convertible note agreements entered into on December 15, 2020 with a director and officer of the Company to increase the principal amount from \$215,417 to \$486,603 in exchange for the outstanding due to shareholder balance.

In the event of the Company obtaining an arm's length equity financing of \$2,000,000 or more, the convertible note holders will have the right to convert the outstanding amounts into fully paid and non-assessable common shares of the Company on the same terms of the financing.

The convertible notes were determined to be a hybrid financial instrument comprised of the debt host liability and an embedded derivative liability, as under the conversion feature the number of shares that will or may be issued to settle the convertible notes may vary.

On the issuance date of the convertible note, the fair value of the host liability was determined to be \$505,379 and the embedded derivative liability was valued at \$1,272,718, using the Black-Scholes Option Pricing Model and based on certain risks and assumptions, as set out below.

**8. Convertible Notes (cont'd)**

<b>Value host liability</b>	<b>Total</b>
Value host liability, January 1, 2020	\$ -
Additions	505,379
Accretion and interest expense	22,901
Value of convertible notes, December 31, 2020	528,280
Additions	237,284
Accretion and interest expense	36,606
Conversion of notes payable	(802,170)
<b>Value of convertible notes, September 30, 2021</b>	<b>\$ -</b>

<b>Fair value of embedded derivative liability</b>	<b>Total</b>
Fair value of embedded derivative liability, January 1, 2020	\$ -
Additions	1,272,718
Fair value adjustment	(51,045)
Fair value of embedded derivative liability, December 31, 2020	1,221,673
Additions	334,027
Fair value adjustment	(42,700)
Conversion of notes payable	(1,513,000)
<b>Fair value of embedded derivative liability, September 30, 2021</b>	<b>\$ -</b>

The inputs used to fair value the embedded derivative using the Black Scholes Option Pricing Model are as follows:

	September 25, 2020	December 15, 2020	December 31, 2020	January 5, 2021	March 15, 2021
Risk free rate	0.22%	0.22%	0.22%	0.19%	0.31%
Expected dividend yield	0%	0%	0%	0%	0%
Expected stock price volatility	149.96%	104.81%	101.14%	80.19%	84.65%
Weighted average expected life	1.42 years	1.2 years	1.15 years	0.63 years	0.98 years
Weighted share price	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50

The host liability of the convertible note will be amortized at cost, with the embedded derivative liability measured at fair value through profit and loss.

During the period ended September 30, 2021, all convertible debt, plus interest of \$2,409,014 were converted and settled by issuing 6,882,898 units. Each unit consisted of one common share, and one half of a common share purchase warrant. Each whole warrant is convertible into one common share of the resulting entity at \$0.625, for two years.

**Nabati Foods Global Inc.**

(formerly 1279006 B.C. Ltd.)

Notes to the Condensed Consolidated Interim Financial Statements

Nine Months Ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

---

**9. Loans Payable**

During the year ended December 31, 2018, the Company obtained a vehicle loan of \$47,549. The loan is secured against the vehicle, bears interest at 7.65% and has monthly payments due of \$835 and is due on November 1, 2024. During the period ended June 30, 2021, the Company fully repaid the principal and interest balance totaling \$34,374. As of September 30, 2021, the outstanding balance was \$nil (December 31, 2020 - \$31,985).

**10. Share Capital**

(a) Authorized:

Unlimited common shares without par value

(b) Issued – common shares

The Company issued the following common shares, special warrants during the nine months period ended September 30, 2021:

- (i) On January 14, 2021, the Company completed a private placement of 7,000,000 units at \$0.005 per unit, for proceeds of \$35,000. Each unit consisted of one common share and one common share purchase warrant, with each warrant exercisable to acquire one additional common share of the Company at a price of \$0.05 per share until January 14, 2023. The fair value of the warrants was determined to be \$nil, using the residual value method.
- (ii) On February 16, 2021, the Company completed a private placement of 323,000 special warrants at \$0.05 per special warrant, for proceeds of \$16,150. Each special warrant will be exercisable into one common share of the Company at no additional cost. These 323,000 special warrants have been converted into 323,000 common shares of the Company as at June 30, 2021.
- (iii) On March 9, 2021, the Company completed a financing of 15,461,000 special warrants at \$0.50 per special warrant, for total proceeds of \$7,725,500. Each special warrant will be exercisable into one common share of the Company at no additional cost. In connection with this financing, the Company incurred \$533,602 in cash costs and issued 856,320 agent warrants. Each agent warrant is exercisable into a special warrant at a price of \$0.50 until March 9, 2023. The value of the agent warrants was determined to be \$259,004 using the Black-Scholes Option pricing model with the following assumptions: Volatility of 120%, expected life of 2 years, and risk-free discount rate of 0.27%.
- (iv) On March 15, 2021, the Company issued 1,750,000 performance shares to advisors valued at \$0.50 per share, for a total value of \$875,000.
- (v) On June 17, 2021, the company issued 323,000 shares pursuant to the exercise of special warrants with no additional consideration.

The Company did not issue any shares during the nine months period ended September 30, 2020.

**Nabati Foods Global Inc.**

(formerly 1279006 B.C. Ltd.)

Notes to the Condensed Consolidated Interim Financial Statements

Nine Months Ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

**10. Share Capital (cont'd)**

## (c) Warrants

The following table summarizes the common share purchase warrant activity during the period ended September 30, 2021:

	Warrants	Weighted-average exercise price (\$)
Balance, December 31, 2020	-	-
Issued - private placement	7,000,000	0.050
Issued - agent's warrants	856,320	0.500
Issued - convertible note	3,441,448	0.625
Balance, September 30, 2021	11,297,768	0.26

No common share purchase warrants were issued or outstanding during the year ended December 31, 2020.

As at September 30, 2021, the Company has the following warrants outstanding:

Number of warrants	Exercise price	Expiry date	Remaining life (years)
7,000,000	\$0.05	January 14, 2023	1.29
856,320*	\$0.50	March 9, 2023	1.44
3,441,448	\$0.625	March 15, 2023	1.45
11,297,768	\$0.26		1.35

\*Agent's warrants

During the period ended September 30, 2021, the Company assigned a fair value to the agent warrant issued of \$259,004 based on the Black Scholes valuation model using the following assumptions:

	September 30, 2021	September 30, 2020
Share Price	\$ 0.50	\$ -
Risk Free Interest Rate	0.27%	-
Expected Life	2 years	-
Expected Volatility	120%	-
Expected Dividend	0.00%	-

The common share purchase warrants issued as part of the private placement units during the period had a fair value of \$nil assigned to the warrant using the residual value method.



## 11. Related Party Transactions

### Key management remuneration:

A Company director is a key management personnel who has the authority and responsibility for planning, directing and controlling the activities of the Company.

During the nine month period ended September 30, 2021, the remuneration of the key management personnel was as follows:

	September 30, 2021	September 30, 2020
Salaries	\$ 86,731	\$ 4,808

### Other related party transactions and balances:

As at September 30, 2021, the Company owed \$21,689 (December 31, 2020 - \$290,545) to the CEO and director of the Company, the amount was non-interest bearing and payable upon demand.

On December 15, 2020, the Company repaid \$1,528,322 of due on demand loans to the CEO and shareholders of the Company by issuing convertible notes in exchange for the balance owing. Refer to Note 8 for details. As at September 30, 2021, the outstanding balance including accrued interest and principal was \$nil (December 31, 2020 - \$1,535,021).

On February 3, 2021, the Company issued 1,415,962 common shares and 709,781 warrants to the CEO of the Company for the conversion of note payable of \$486,603 plus interest accrual of \$8,984.

During the period ended September 30, 2021, the Company has revenues of \$nil (2020 - \$40,168) and costs of goods sold of \$nil (2020 - \$50) with a company controlled by the CEO.

## 12. Financial Instruments

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk.

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial assets / liabilities	Classification
Cash	FVTPL
Restricted cash	FVTPL
Trade and other receivables	Amortized costs
Trade and other payables	Amortized costs
Loan payable	Amortized costs
Convertible debt – derivative liability	FVTPL

## **12. Financial Instruments (cont'd)**

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk.

### **(a) Credit risk**

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The risk for cash is mitigated by holding these instruments with highly rated Canadian financial institutions. Trade and other receivables primarily consist of trade receivables from sale of goods and sales tax recoverable from the Canadian Revenue Agency. The maximum credit risk exposure associated with cash and trade and others receivable is limited to the total carrying value.

### **(b) Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it has sufficient liquidity to meet liabilities when due. As at September 30, 2021, the Company had a cash balance of \$656,621 (December 31, 2020 - \$14,893) and current liabilities of \$1,990,542 (December 31, 2020 - \$552,939). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

### **(c) Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

#### **(i) Interest rate risk**

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The interest rate risk on bank deposits is insignificant as the deposits are short term. A 10% change in the LIBOR rates will result in an insignificant impact on the consolidated statements of loss and comprehensive loss. The loan payable and convertible note payable are subject to fixed interest rates; therefore, the Company is not exposed to interest rate risk on these financial liabilities.

#### **(ii) Foreign currency risk**

As at September 30, 2021 and December 31, 2020, the Company's expenditures are in Canadian dollars. Any future equity raised is expected to be predominantly in Canadian dollars. The Company believes it has no significant foreign exchange rate risk.

The Company hold insignificant balances in foreign currencies which would give rise to exposure to foreign exchange rate risk.

### **Fair value hierarchy**

The Company applied the following fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels.

The three levels are defined as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

## **12. Financial Instruments (cont'd)**

As at September 30, 2021 and December 31, 2020, cash is assessed to be Level 1 instruments.

The fair value of trade and other receivables, trade and other payables, loan payable and convertible note payable is equal to its carrying value due to its short-term maturity.

## **13. Capital Management**

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of share capital and deficit, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources for its operations and to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The Company monitors capital on the basis of maintaining sufficient cash flow to comply with financial obligations. During the year, the Company's strategy, which was unchanged from the prior year, was to issue sufficient additional shares from treasury to meet all such obligations.

The Company is not subject to any externally imposed capital requirements.

## **14. Commitments**

On August 9, 2014, the Company entered into a five-year lease agreement. On August 26, 2019, the Company has extended the lease term which ends on September 30, 2022.

On December 4, 2020, the Company entered into a five-year lease agreement.

Minimum annual lease payments of base rent for the terms of the lease are as follows:

<b>Lease Period</b>	<b>Amount</b>
2021	\$ 77,670
2022	97,170
2023	78,000
2024	78,000
2025	78,000
Thereafter	19,500
	<u>\$ 422,340</u>

**Nabati Foods Global Inc.**

(formerly 1279006 B.C. Ltd.)

Notes to the Condensed Consolidated Interim Financial Statements

Nine Months Ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

**15. Supplemental Cash Flow**

	<b>September 30, 2021</b>	September 30, 2020
Exercise of convertible notes	\$ 2,315,170	\$ -
Lease liabilities	\$ 52,167	\$ 78,349
Inventory in trade and other payables	\$ 562,270	\$ -
Property and equipment in trade and other payables	\$ 699,936	\$ -

**16. Subsequent Event**

On October 21, 2021, the Company converted 400,000 warrants into 400,000 common shares of the Company.