Nabati Foods Global Inc.

(formerly 1279006 B.C. Ltd.)

Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(In Canadian Dollars)

PAUL J. ROZEK PC CPA
TAX•ACCOUNTING•ADVISORY
STRONG PARTNERSHIPS. EXCEPTIONAL QUALITY.

Paul J. Rozek Professional Corporation
Chartered Professional Accountant

202, 1220 Kensington Road NW
Calgary, Alberta, T2N 3P5

Phone: (403) 870 – 2223

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Nabati Global Foods Inc.,

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Nabati Global Foods Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021 and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' deficiency and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

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 consolidated 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.

Emphasis of Matter – Liquidation Basis of Accounting

We draw attention to Note 1 of the consolidated financial statements, which describes the liquidation basis of accounting and certain uncertainties as a result of the Company's intent to liquidate. Our opinion is not modified in respect of this matter.

Information other than the Consolidated Financial Statements and the Auditor’s Report thereon

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor’s report thereon, included in Management's discussion and analysis report.

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's discussion and analysis report prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matters

We did not audit prior year numbers or comparatives. The audited financial statements for the year ended December 31, 2021 were completed by the predecessor auditor.

Paul J. Rozek Professional Corporation

Paul J Rozek Professional Corporation
Chartered Professional Accountant

Calgary, Alberta
April 29, 2023

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

As at		**December 31, 2022**		December 31, 2021
Assets				
Current assets				
Cash and cash equivalents	**$**	**5,549**	$	24,997
Restricted cash		**670**		-
Trade and other receivables (Note 5)		**112,924**		432,526
Inventory (Note 6)		**-**		245,654
		119,143		703,177
Deposits		**11,684**		11,014
Property and equipment (Note 7)		**-**		-
	$	**130,827**	$	714,191
Liabilities				
Current liabilities				
Trade and other payables (Note 12)	**$**	**2,554,576**	$	1,867,151
Due to shareholders (Note 12)		**182,167**		50,020
Loans payable (Note 10)		**425,000**		25,000
Current portion of lease liabilities (Note 8)		**1,122,782**		681,817
		4,284,525		2,623,988
Non-current liability				
Lease liabilities (Note 8)		**812,930**		1,199,517
		5,097,455		3,823,505
Shareholders' Deficiency				
Share capital (Note 11)		**14,817,604**		14,119,489
Share-based payment reserve		**3,572,291**		2,968,266
Warrant reserve		**3,265,699**		3,448,699
Accumulated other comprehensive income (loss)		**(5,602)**		23,495
Accumulated Deficit		**(26,616,620)**		(23,669,263)
		(4,966,628)		(3,109,314)
	$	**130,827**	$	714,191

Nature and Continuance of Operations (Note 1)
Commitments (Note 15)

"Ahmad Yehya" Director
Ahmad Yehya

"David Bentil" Director
David Bentil

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

Nabati Foods Global Inc.
(formerly 1279006 B.C. Ltd.)
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31,
(Expressed in Canadian Dollars)

		2022		2021
Revenue	**$**	282,641	$	817,548
Cost of sales		(418,558)		(4,427,760)
Gross profit (loss)		(135,917)		(3,610,212)
Operating Expenses				
Advertising and promotion		232,526		1,351,812
Bank charges		7,242		27,553
Bad debts expense		-		81,677
Consulting fees		589,286		1,235,160
Depreciation		-		52,736
Foreign exchange gain		(79,192)		(52,103)
Interest expense (Note 8, 10)		400,140		56,497
Investor relations		-		22,233
Office and administration		99,427		187,777
Professional fees		349,812		1,391,214
Regulatory and filling fees		38,746		32,072
Rent		61,577		69,219
Repairs and maintenance		4,321		-
Research and development		-		3,734
Salaries and benefits (Note 12)		543,500		560,327
Share-based payment expense		630,404		2,968,266
Telephone and utilities		39,019		6,073
Travel		12,116		16,112
Total operating expenses		2,928,924		8,010,359
Net loss before other items		(3,064,841)		(11,620,571)
Listing fees (Note 4)		-		(6,887,736)
Recovery of loss on re-valuation of assets (Note 17)		253,653		-
Loss on re-valuation of assets (Note 17)		(28,246)		(3,233,998)
Interest and accretion (Note 9)		-		(36,606)
Fair value gain (loss) on derivative liability (Note 9)		-		(51,144)
Loss on inventory write-down		(166,566)		-
Grant income		58,643		-
Net loss		(2,947,357)		(21,830,055)
Other comprehensive loss				
Foreign currency translation		(29,097)		21,812
Comprehensive loss	**$**	(2,976,454)	$	(21,808,243)
Loss per share – basic	**$**	(0.06)	$	(0.67)
Weighted average number of shares outstanding – basic		47,838,387		32,631,484

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

Nabati Foods Global Inc.
(formerly 1279006 B.C. Ltd.)
Consolidated Statements of Changes in Shareholders' Deficiency
For the years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

	Number of Shares	Capital Amount	Special Warrants	Share-Based Payment Reserve	Warrant Reserve	Other Comprehensive Income (Loss)	Accumulated Deficit	Total Shareholders' Equity (Deficiency)
Balance, December 31, 2020	**225**	**$ 225**	**$ -**	**$ -**	**$ -**	**$ 1,683**	**$ (1,839,208)**	**$ (1,837,300)**
Shares cancelled	(225)	-	-	-	-	-	-	-
Common shares, warrants and special warrants deemed issued on RTO (Note 4)	7,000,000	3,500,000	161,500	-	3,202,500	-	-	6,864,000
Shares issued on RTO (Note 4)	14,000,000	-	-	-	-	-	-	-
Shares issued on conversion of warrants and special warrants	15,784,000	7,892,000	(161,500)	-	-	-	-	7,730,500
Conversion of convertible debt	6,882,898	2,409,014	-	-	-	-	-	2,409,014
Performance shares issued	1,749,999	875,000	-	-	-	-	-	875,000
Share issuance costs – cash	-	(572,219)	-	-	-	-	-	(572,219)
Share issuance costs – warrants	-	(259,004)	-	-	259,004	-	-	-
Voluntary private placement subscription amendment	-	220,500	-	-	-	-	-	220,500
Stock option issued	-	-	-	2,894,129	-	-	-	2,894,129
Restricted share units issued	-	-	-	74,137	-	-	-	74,137
Exercise of warrants	442,336	53,973	-	-	(12,805)	-	-	41,168
Translation adjustments	-	-	-	-	-	21,812	-	21,812
Net loss for the year	-	-	-	-	-	-	(21,830,055)	(21,830,055)
Balance, December 31, 2021	**45,859,233**	**$ 14,119,489**	**$ -**	**$ 2,968,266**	**$ 3,448,699**	**$ 23,495**	**$ (23,669,263)**	**$ (3,109,314)**
Exercise of warrants	400,000	203,000	-	-	(183,000)	-	-	20,000
Exercise of options	416,479	57,615	-	(26,379)	-	-	-	31,236
Performance shares issued	1,749,999	437,500	-	-	-	-	-	437,500
Share-based compensation	-	-	-	630,404	-	-	-	630,404
Translation adjustments	-	-	-	-	-	(29,097)	-	(29,097)
Net loss for the year	-	-	-	-	-	-	(2,947,357)	(2,947,357)
Balance, December 31, 2022	**48,425,711**	**$ 14,817,604**	**$ -**	**$ 3,572,291**	**$ 3,265,699**	**$ (5,602)**	**$ (26,616,620)**	**$ (4,966,628)**

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

Nabati Foods Global Inc.
(formerly 1279006 B.C. Ltd.)
Consolidated Statements of Cash Flows
For the years ended December 31,
(Expressed in Canadian Dollars)

		2022		2021
Operating activities				
Loss for the year	**$**	**(2,947,357)**	$	(21,830,055)
Depreciation		**-**		346,151
Bad debts expense		**-**		49,798
Fair value loss (gain) on derivative liability		**-**		51,144
Foreign exchange gain		**-**		(52,105)
Interest		**75,000**		2,389
Interest and accretion		**-**		36,606
Lease finance expense		**317,198**		56,497
Listing fee expense		**-**		6,887,736
Loss on re-valuation of assets		**28,246**		3,233,998
Loss on inventory write-down		**166,566**		-
Share-based payment expense		**630,404**		2,968,266
Share issued for consulting services		**437,500**		875,000
Change in non-cash working capital components:				
Decrease (increase) in trade and other receivables		**319,602**		(313,536)
Decrease (increase) in inventory		**79,088**		(142,494)
Increase in deposits		**-**		(21,014)
Increase in trade and other payables		**718,631**		1,490,119
Net cash flows used in operating activities		**(175,122)**		(6,361,500)
Investing activities				
Payment of security deposits		**(670)**		(153,522)
Purchase of property and equipment		**(59,452)**		(1,292,753)
Recovery of security deposits		**-**		10,000
Cash used in investing activities		**(60,122)**		(1,436,275)
Financing activities				
Advances from shareholders		**132,147**		21,000
Lease payments		**(262,820)**		(189,007)
Loan payments		**-**		(34,374)
Loans received		**325,000**		25,000
Proceeds from convertible notes		**-**		571,311
Proceeds from exercise of options		**31,236**		-
Proceeds from exercise of warrants and special warrants		**20,000**		41,168
Proceeds from issuance of special warrants		**-**		7,730,500
Proceeds from voluntary amendment of private placement subscription		**-**		220,500
Repayments to shareholders		**-**		(6,000)
Use of restricted cash		**(670)**		-
Share issuance costs		**-**		(572,219)
Cash provided by financing activities		**244,893**		7,807,879
Change in cash during the year		**9,649**		10,104
Effects of exchange rate changes on cash		**(29,097)**		-
Cash, beginning of year		**24,997**		14,893
Cash, end of year	**$**	**5,549**	$	24,997

For supplemental cash flow disclosures, see Note 16

The accompanying notes are an integral part of these consolidated 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 (Note 4).

On July 8, 2022, the Company ceased operations in Canada, due to unexpected market conditions where liquidity was unavailable and prevented the company from raising capital via a private placement. As a result, these financial statements have been prepared using the liquidation basis of accounting.

These consolidated financial statements do not include costs to liquidate the assets of the Company, settle any contingent liabilities or future administrative costs and professional fees to wind up activities of the Company. These costs may be material.

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

Statement of Compliance

These consolidated financial statements have been prepared using the liquidation basis for accounting, since the Company ceased operations during the year, and in accordance with International Financial Reporting Standards" ("IFRS").

These consolidated financial statements were approved and authorized for issuance on April 29, 2023 by the Board of Directors of the Company.

Basis of Measurement

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

Principles of Consolidation

These consolidated 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 December 31, 2022, the Company had two wholly-owned subsidiaries:
- Nabati Foods Inc.
- Nabati Foods Inc. (US)

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

Functional and Presentation Currency

These consolidated 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 consolidated 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 prospectively in the period in which the estimates are revised.

Critical accounting estimates made by the Company, include the following:

Deferred tax liabilities and assets
Deferred tax liabilities and assets are measured at tax rates expected in the period during which the asset is realized or the liability is settled, based on tax rates (and tax laws) that are enacted or substantively enacted at the end of the reporting period of the financial information. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that result from the manner in which the Company expects, at the end of the reporting period of the financial information, to recover or settle the carrying amount of its assets and liabilities.

Depreciation
Depreciation of property, plant and equipment and right-of-use assets is dependent upon estimates of useful lives based on management's judgment.

Impairment of non-financial assets
The assessment of any impairment of property, plant and equipment is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions, the useful lives of assets, definition of the cost generating unit and estimates used to measure impairment losses. The recoverable value of these assets is determined using discounted future cash flow models, which incorporate assumptions regarding future events, specifically future cash flows, growth rates and discount rates.

Variables and assumptions used in measurement of liabilities
The measurement or convertible notes, derivative liabilities and lease liabilities are determined based on estimates of discount rates and assumptions determined by management at the time of measurement.

Share-based payments
Estimating fair value for share-based payment transaction requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option or warrant, volatility and dividend yield and making assumptions about them.

3. Significant Accounting Policies

Cash and Cash Equivalents

Cash includes funds held with banks and similar institutions. Cash equivalents include money market instruments that are readily convertible to cash and have maturities at the date of purchase of less than ninety days. There were no cash equivalents as at December 31, 2022 and 2021.

Leases

The measurement of the right-of-use asset ("ROU"), lease liability, and the resulting interest expense and depreciation expense are determined with the application of the rate implicit in the lease, unless this cannot readily be determined, in which case the lessee's incremental borrowing rate is used instead. The incremental borrowing rate is defined as the rate that the lessee would have to pay to borrow over a similar term and with similar security, the fund necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate involves estimate and judgements including economic environment, term, currency and the underlying risk inherent to the asset

Right-Of-Use Asset

The calculated ROU asset is initially recorded at cost, which comprises the initial amount of the lease liability and any initial direct costs incurred less any lease payments made at or before the initial adoption date. The ROU is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. The lease term includes periods covered by an option to extend if the Company's intention is to exercise that option. The ROU asset is periodically reduced by impairment losses, if any, and adjusted for remeasurements of the lease obligation.

Lease Liability

The Company incorporates both the lease and non-lease components as part of the total lease payment, as the Company elected not to separate non-lease components. The lease liability is measured at the present value of the expected lease payments over the lease term, discounted at the interest rate implicit in the lease; if the rate cannot be determined, the incremental borrowing rate is used. The liability is increased for the passage of time and payments on the lease are offset against the lease liability. The liability is subsequently remeasured when there is a change in the lease agreement, such as a change in future lease payments or if the Company decides to purchase, extend or terminate the lease option. When the lease liability is remeasured, an adjustment is applied to the carrying value of the ROU asset.

Financial Instruments

Financial instruments are accounted for in accordance with IFRS 9 Financial Instruments: Classification and Measurement.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Recognition and classification
The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, deposits, trade and other payable, due to shareholders, loans payable, convertible debt,

3. Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

derivative liability, and lease liabilities. Receivables are initially recognized when they are originated. All other financial assets and liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

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 fair value through profit or loss ("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.

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

Financial assets / liabilities	Classification
Cash and cash equivalents	FVTPL
Trade and other receivables	Amortized cost
Deposit	Amortized cost
Trade and other payables	Amortized cost
Due to shareholders	Amortized cost
Loans payable	Amortized cost
Convertible debt	Amortized cost
Derivative liability	FVTPL
Lease liabilities	Amortized cost

(ii) Measurement

Financial assets: Initial measurement

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets: Subsequent measurement and gains and losses

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 consolidated statement of loss and comprehensive loss. Any gain or loss on derecognition is recognized in the consolidated statement of loss and comprehensive loss.

3. Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial liabilities

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the consolidated 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 consolidated statement of loss and comprehensive loss. Any gain or loss on derecognition is also recognized in the consolidated statement of loss and comprehensive loss.

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

(iii) Write-off

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no future economic benefit or prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate cash flows to repay the amounts subject to the write-off. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Impairment of Financial Assets

The Company recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contact and all the cash flows that the company expects to receive, discounted at an

3. Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Impairment of Financial Assets (cont'd)

approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Company considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Company recognizes expected credit losses for trade receivables based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Trade receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

The carrying amount of the Company's non-financial assets is reviewed at each financial reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized when the carrying amount of an asset or CGU exceeds its recoverable amount. If the carrying value of the Company's property, plant and equipment exceeds its estimated recoverable value, an impairment loss is recognized to write the assets down to the recoverable value. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount is the greater of value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

3. Significant Accounting Policies (cont'd)

Property, Plant and Equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a declining balance basis over the estimated useful life of the assets as follows:

Furniture and equipment	20% declining balance
Computer equipment	55% declining balance
Leasehold improvements	Term of lease
Machinery and equipment	20% declining balance
Vehicles	30% declining balance

Residual value, useful life and depreciation method are reviewed at each financial year-end and adjusted if appropriate.

The Company capitalizes borrowing costs on capital invested in projects under construction. Upon commencement of operations, capitalized borrowing costs, as a portion of the total cost of the asset, are depreciated over the estimated useful life of the related asset.

Foreign Currency Translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the consolidated statements of operations.

Revenue Recognition

IFRS 15, Revenue from contracts with customers ("IFRS 15"), specifies how and when to recognize revenue, based on a five-step model, and enhances relevant disclosures to be applied to all contracts with customers. To recognize revenue under IFRS 15, the Company applies the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when or as the Company satisfies a performance obligation.

The Company recognizes revenue when control of the goods or services has been transferred to the customer. Revenue is measured at the fair value of the amount of consideration to which the Company expects to be entitled to, including variable consideration, if any, to the extent that it is highly probable that a significant reversal will not occur.

Net revenue reflects the Company's sale of merchandise, less returns and discounts. Retail revenue at point-of-sale is measured at the fair value of the consideration received at the time the sale is made to the customer, net of discounts and estimated allowance for returns. eCommerce revenue is recognized at the date control

3. Significant Accounting Policies (cont'd)

Revenue Recognition (cont'd)

has been transferred to the customer, and measured at the fair value of the consideration received, net of discounts and an estimated allowance for returns.

Shipping fees billed to customers are recorded as revenue, and shipping costs are recognized within cost of sales in the same period the related revenue is recognized.

Revenues are reported net of sales taxes collected for various governmental agencies.

Receipts from the sale of gift cards are treated as deferred revenue. When gift cards are redeemed for merchandise, the Company recognizes the related revenue. The Company estimates gift card breakage, to the extent there is no requirement for remitting card balances to government agencies under unclaimed property laws, and recognizes revenue in proportion to actual gift card redemptions as a component of net revenue.

The Company recognizes promotional gift cards as reduction of revenue upon redemption.

Consulting fee revenue is earned from management oversight services provided by the Company. Performance obligations are considered satisfied once the monthly consulting services have been provided. At this point revenue is recognized provided that collectability is assured.

Cost of Sales

Cost of sales includes:

- the cost of purchased merchandise, which includes acquisition and production costs including raw material and labor, as applicable;
- the cost incurred to deliver inventory to the Company's distribution centers including freight, nonrefundable taxes, duty, and other landing costs;
- the cost of the Company's distribution centers, such as labor, rent, utilities, and depreciation;
- the cost of the Company's production, design, research and development, distribution, and
- merchandising departments including salaries, stock-based compensation and benefits, and other expenses;
- occupancy costs such as minimum rent, contingent rent where applicable, property taxes, utilities, and depreciation expense for the Company's company-operated store locations; and
- shrinkage and inventory provision expense.

Inventories

Inventories, consisting of finished goods, inventories in transit, and raw materials, are stated at the lower of cost and net realizable value. Cost is determined using weighted-average costs, and includes all costs incurred to deliver inventory to the Company's distribution centers including freight, non-refundable taxes, duty, and other landing costs.

The Company periodically reviews its inventories and makes a provision as necessary to appropriately value goods that are obsolete, have quality issues, or are damaged. The amount of the provision is equal to the difference between the cost of the inventory and its net realizable value based upon assumptions about

3. Significant Accounting Policies (cont'd)

Inventories (cont'd)

product quality, damages, future demand, selling prices, and market conditions. If changes in market conditions result in reductions in the estimated net realizable value of its inventory below its previous estimate, the Company would increase its reserve in the period in which it made such a determination.

In addition, the Company provides for inventory shrinkage based on historical trends from actual physical inventory counts. Inventory shrinkage estimates are made to reduce the inventory value for lost or stolen items. The Company performs physical inventory counts and cycle counts throughout the year and adjusts the shrink reserve accordingly.

Grant Income

Grant income is recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred income tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Deferred taxes are recorded using the liability method. Under the liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that the substantive enactment or enactment occurs. Deferred tax assets are recognized only to the extent it is probable that future taxable profits will be available against which the asset can be utilized.

Per Share Amounts

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury method. The treasury method assumes that proceeds received from the exercise of stock options, warrants and convertible debt are used to repurchase common shares at the prevailing market rate. Diluted earnings (loss) per share is equal to the basic earnings (loss) per share as the outstanding options and warrants are anti-dilutive.

3. Significant Accounting Policies (cont'd)

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Provisions

Liabilities are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount.

Provisions are measured as the expenditure expected to be required to settle the obligation at the reporting date. In cases where it is determined that the effects of the time value of money are significant, the provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

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.

Share Capital

Common shares and special warrants are classified as equity. Transaction costs directly attributable to the issue of common shares and special warrants are recognized as a deduction from equity as share issue costs, net of any tax effects. Common shares issued for consideration other than cash are valued based on their fair value at the date the shares are issued. The proceeds from the issuance of units are allocated between the common shares and the attached warrant using the residual value method. Under this method, the proceeds are allocated first to share capital based on the fair value of the common share, and any residual value is allocated to the warrant reserve.

3. Significant Accounting Policies (cont'd)

Share Capital (cont'd)

Share issue costs and other legal fees related to and incurred in advance of share subscriptions are recorded as deferred financing costs, and are recorded as a deduction from equity upon the issuance of common shares. Share issue costs related to uncompleted share subscriptions are charged to profit or loss.

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.

Restricted Share Units

Restricted share units are classified as equity. They are value at fair value. for each vesting instalment, over the vesting period of the restricted share units.

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"), in exchange of the issuance of 14,000,000 common shares to the former shareholders of Nabati Foods Inc. For accounting purposes, the acquisition is considered to be outside the scope of IFRS 3 *Business Combinations* ("IFRS 3"), since the Company prior to the acquisition did not constitute a business. The transaction is accounted for in accordance with IFRS 2 *Share-based Payment* ('IFRS 2") whereby Nabati Foods Inc. has issued units and special warrants in exchange for the net assets of Nabati Foods Global Inc. (formerly 1279006 B.C. Ltd.). The accounting for this transaction resulted in the following:

(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) Nabati Foods Inc. 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 specifically identify 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 $161,500 or $0.50 per special warrant.

(Expressed in Canadian Dollars)

4. Reverse Takeover Transaction (cont'd)

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

Consideration		
7,000,000 units at $0.96 per unit	$	6,702,500
323,000 Special warrants at $0.50 per special warrant		161,500
		6,864,000
Net assets acquired		(23,736)
Listing fee	$	6,887,736

5. Trade and Other Receivables

		December 31, 2022		December 31, 2021
Trade receivables	$	5,577	$	66,843
GST receivable and other receivables		107,347		365,683
Balance, end of year	$	112,924	$	432,526

During the year ended December 31, 2022, the Company recognized bad debts expense of $nil (2021 - $81,677) relating to trade receivables determined to be uncollectible as at December 31, 2022.

6. Inventory

		December 31, 2022		December 31, 2021
Finished goods	$	-	$	136,464
Raw materials		-		109,190
Balance, end of year	$	-	$	245,654

During the year ended December 31, 2022, the Company expensed $nil (2021 - $2,426,011) of inventory in cost of sales.

The Company recorded a reserve to value inventory to its estimated net realizable value. There was an adjustment to cost of sales in the amount of $2,001,749 to impair inventory during the year ended December 31, 2021.

The Company recorded a loss on the write-down of inventory of $166,566 during the year ended December 31, 2022 (2021-$nil).

(Expressed in Canadian Dollars)

7. Property, Plant and Equipment

	Furniture and equipment	Computer equipment	Leasehold improvements	Machinery and equipment	Vehicles	Total
Cost:						
At December 31, 2020	10,914	760	35,782	101,533	55,899	204,888
Additions	25,984	25,909	446,270	778,590	16,000	1,292,753
At December 31, 2021	36,898	26,669	482,052	880,123	71,899	1,497,641
Additions	-	-	37,001	22,451	-	59,452
At December 31, 2022	$ 36,898	$ 26,669	$ 519,053	$ 902,574	$ 71,899	$ 1,557,093
Accumulated amortization:						
At December 31, 2020	4,185	750	17,030	40,789	35,046	97,800
Additions	5,184	6,975	73,728	128,971	7,856	222,714
At December 31, 2021 and 2022	$ 9,369	$ 7,725	$ 90,758	$ 169,760	$ 42,902	$ 320,514
Less re-valuation amount as at December 31, 2021 (Note 17)	$ (27,529)	$ (18,944)	$ (391,294)	$ (710,363)	$ (28,997)	$ (1,177,127)
Less re-valuation amount during the year ended December 31, 2022 (Note 17)	-	-	(37,001)	(22,451)	-	(59,452)
Net book value:						
At December 31, 2020	$ 6,729	$ 10	$ 19,475	$ 60,021	$ 20,853	$ 107,088
At December 31, 2021 and 2022	$ -	$ -	$ -	$ -	$ -	$ -

(Expressed in Canadian Dollars)

8. Right-Of-Use Assets and Lease Liabilities

Right-Of-Use Assets

		Equipment Leases		Vehicle Lease		Warehouse lease		Office Lease		Total
Costs:										
At December 31, 2020		52,167		32,879		26,181		66,010		177,237
Additions		1,266,119		-		629,383		-		1,895,502
At December 31, 2021 and 2022	$	1,318,286	$	32,879	$	655,564	$	66,010	$	2,072,739
Depreciation:										
At December 31, 2019	$	-	$	-	$	-	$	5,500	$	5,500
Charge for the year		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 year		53,324		8,220		51,797		22,004		135,346
At December 31, 2021 and 2022	$	62,130	$	9,800	$	63,018	$	49,509	$	184,457
Less re-valuation amount as at December 31, 2021 (Note 17)	$	(1,256,156)	$	(23,079)	$	(592,546)	$	(16,501)	$	(1,888,282)
Net book value:										
At December 31, 2020	$	43,361	$	31,299	$	14,960	$	38,505	$	128,125
At December 31, 2021 and 2022	$	-	$	-	$	-	$	-	$	-

Lease Liabilities

At December 31, 2020	$	130,250
Lease additions		1,694,587
Interest expense on lease liabilities		56,497
		1,881,334
Less: current portion		(681,817)
At December 31, 2021	**$**	**1,199,517**
At December 31, 2021	$	1,881,334
Interest expense on lease liabilities		317,198
Lease payments		(262,820)
		1,935,712
Less: current portion		(1,122,782)
At December 31, 2022	**$**	**812,930**

Refer to Note 15 Commitments for the remaining minimum future lease payments, excluding estimated operating costs.

(Expressed in Canadian Dollars)

9. Convertible Notes

<u>During the year ended December 31, 2021:</u>

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 by $271,186 from $215,417 to $486,603, in exchange for the outstanding due to shareholder balance.

On the issuance date of the convertible notes, the fair value of the host liabilities was determined to be $237,284 and the embedded derivative liability was valued at $334,027, using the Black-Scholes Option Pricing Model and based on certain risks and assumptions, as set out below.

Value host liability		**Total**
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)
Value of convertible notes, December 31, 2021 and 2022	**$**	**-**

Fair value of embedded derivative liability		**Total**
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		51,144
Conversion of notes payable		(1,606,844)
Fair value of embedded derivative liability, December 31, 2021 and 2022	**$**	**-**

(Expressed in Canadian Dollars)

9. Convertible Notes (cont'd)

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 year ended December 31, 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.

10. 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 year ended, December 31, 2021, the Company fully repaid the principal and interest balance totaling $34,374.

On December 31, 2021, the Company entered into a loan agreement for $300,000 from a former director of the Company. This amount advanced bears interest of 25% per year, compounded annually, and was due on or before December 31, 2022. The total loan proceeds of $300,000 were received by the Company as of December 31, 2022. The Company recorded interest expense of $75,000 during the year ended December 31, 2022. The loan has a balance of $375,000 as at December 31, 2022 (2021 - $25,000). The loan is secured by a general security agreement.

During the year ended December 31, 2022, the Company received $50,000 loan from a former director. The loan is non-interest bearing, unsecured, and due on demand.

11. Share Capital

(a) Authorized:

Unlimited common shares without par value

(b) Issued – common shares

The Company issued the following common shares during the year ended December 31, 2022:

(i) On February 28, 2022, the Company issued 100,000 common shares for the exercise of warrants for total proceeds of $5,000. The fair value associated with these warrants was $45,750.

(ii) On March 2, 2022, the Company issued 1,749,999 performance shares to advisors valued at $0.25 per share, for a total value of $437,500.

(iii) On March 3, 2022, the Company issued 50,000 common shares for the exercise of warrants for total proceed of $2,500. The fair value of these warrants was $22,875.

(iv) On April 25, 2022, the Company issued 100,000 common shares for the exercise of warrants for total proceed of $5,000. The fair value of these warrants was $45,750.

(v) On April 25, 2022, the Company issued 150,000 common shares for the exercise of warrants for total proceed of $7,500. The fair value of these warrants was $68,625.

(vi) On June 9, 2022, the Company issued 211,231 common shares for the exercise of options for total proceed of $15,842. The fair value of these options was $13,379.

(vii) On June 16, 2022, the Company issued 205,248 common shares for the exercise of options for total proceed of $15,394. The fair value of these options was $13,000.

The Company issued the following common shares during the year ended December 31, 2021:

(i) On March 9, 2021, the Company acquired all of the issued and outstanding shares of Nabati Foods Inc. in exchange for the issuance of 14,000,000 common shares of the Company as detailed in Note 4.

(ii) 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 $7,730,500. On July 10, 2021, each special warrant was converted into one common share of the Company at no additional cost. In connection with this financing, the Company incurred $574,701 in cash costs and issued 856,320 agent warrants valued at $259,004. Each agent warrant is exercisable into a common share 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%.

(iii) On March 15, 2021, the Company issued 1,749,999 performance shares to advisors valued at $0.50 per share, for a total value of $875,000.

(iv) On June 17, 2021, 323,000 special warrants deemed issued on the RTO were converted into 323,000 common shares of the Company at no additional cost.

(Expressed in Canadian Dollars)

11. Share Capital (cont'd)

(b) Issued – common shares (cont'd)

(vi) On September 1, 2021, the Company received $245,000 upon the voluntary amendment of January 14, 2021 private placement unit offering completed by 1279006 B.C. Ltd.

(vii) On October 4, 2021, the Company granted 500,000 restricted share units ("RSU's") of the Company to a director of the Company. The RSU's vest 50% of October 4, 2022 and 50% of October 4, 2023, and expire on October 4, 2023. During the year ended December 31, 2021, the Company recognized share-based compensation of $74,137 with respect to the 500,000 RSU's vesting during the year.

(viii) The Company issued 442,336 common shares for the exercise of warrants for total proceeds of $41,168. The fair value associated with these warrants was $12,805.

(ix) The Company issued 6,882,898 units to settle its convertible debt, plus interest of $2,409,014 (Note 9). 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. The value of the warrants was determined to be $nil.

(c) Warrants

The following table summarizes the common share purchase warrant activity during the year ended December 31, 2022:

	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
Exercised – agent's warrants	(442,336)	0.500
Balance, December 31, 2021	10,855,432	0.250
Exercised	(400,000)	0.050
Balance, December 31, 2022	10,455,432	0.260

As at December 31, 2022, the Company has the following warrants outstanding:

Number of warrants	Exercise price	Expiry date	Weighted-Average Remaining life (years)
6,600,000	$0.050	January 14, 2023	
413,984*	$0.500	March 9, 2023	
3,441,448	$0.625	March 15, 2023	
10,455,432	$0.260		

*Agent's warrants

(Expressed in Canadian Dollars)

11. Share Capital (cont'd)

(d) Stock Options

The Company has adopted a Stock Option Plan (the "Plan") pursuant to which options may be granted to directors, officers, employees, and consultants of the Company. Under the terms of the Plan, the

Company can issue a maximum of 10% of the issued and outstanding common shares at the time of grant, and the exercise price of each option is equal to or above the market price of the common shares on the grant date. Options granted under the Plan including the vesting and the term, are determined by, and at the discretion of, the Board of Directors.

The following table summarizes the stock option activity during the year ended December 31, 2022:

	Options	Weighted-average exercise price ($)
Balance, December 31, 2020	-	-
Granted	4,509,390	0.500
Balance, December 31, 2021	4,509,390	0.500
Granted	2,900,461	0.075
Exercised	(416,479)	0.075
Balance, December 31, 2022	6,993,372	0.349

As at December 31, 2022, the Company has the following options outstanding:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date	Remaining life (years)
4,509,390	4,109,390	$0.500	October 4, 2026	
2,483,982	2,483,982	$0.075	June 8, 2027	
6,993,372	6,593,372	$0.349		

During the year ended December 31, 2021, the Company granted 4,509,390 stock options to officers, directors, and consultants, of which 4,109,390 options vested immediately and 400,000 options will vest over four years with 25% vesting at the end of each year. Total compensation recorded for the option issued during the year ended December 31, 2021 was $2,894,129. Compensation recorded during the year ended December 31, 2022 was $121,117.

On June 8, 2022, the Company granted 2,900,461 stock options to certain directors and officers of the Company. The fair value of these options was $183,711.

The fair value of the stock options granted were estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	December 31, 2021	June 8, 2022
Risk free rate	1.06%	3.17%
Expected dividend yield	0%	0%
Expected stock price volatility	114.29%	123.20%
Weighted average expected life	5 years	5 years
Exercise price	$0.50	$0.075

(Expressed in Canadian Dollars)

12. Related Party Transactions

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that its key management personnel are the members of the Company's current and former Board of Directors and its executive officers.

Key management remuneration:

During the year ended December 31, 2022, the remuneration of the key management personnel was as follows:

		December 31, 2022		December 31, 2021
Salaries	$	**136,016**	$	133,692
Share-based payment expense		**120,373**		1,566,424
	$	**256,389**	$	1,700,116

Related party transactions and balances:

As at December 31, 2022, the Company owed $182,267 (2021 - $50,020) to the CEO and director of the Company, the amount was non-interest bearing and payable upon demand.

As at December 31, 2022, included in trade and other payables was $61,436 (2021 - $45,546) owing to the CEO and director of the Company.

On December 15, 2020, the Company settled $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. During the year ended December 31, 2021, the Company settled an additional $271,186 due to the CEO by issuing convertible notes (Note 9). 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.

On December 31, 2021, the Company entered into a loan agreement for $300,000 from a former director of the Company. This amount advanced bears interest of 25% per year, compounded annually, and is due on or before December 31, 2022. The total loan proceeds of $300,000 were received by the Company as of December 31, 2022. The Company recorded interest expense of $75,000 during the year ended December 31, 2022. The loan had a balance of $375,000 as at December 31, 2022 (2021 - $25,000). The loan is secured by a general security agreement.

During the year ended December 31, 2022, the Company accrued/paid salary of $136,016 (2021 - $133,692) to related parties.

During the year ended December 31, 2021, the Company granted 2,250,000 options to directors and officers, resulting in share-based compensation expense of $1,566,424. (Note 11)

(Expressed in Canadian Dollars)

13. Financial Instruments

The Company's financial instruments consist of the following:

Financial assets / liabilities	Classification
Cash and cash equivalents	FVTPL
Trade and other receivables	Amortized cost
Deposits	Amortized cost
Trade and other payables	Amortized cost
Due to shareholders	Amortized cost
Loans payable	Amortized cost
Convertible notes payable	Amortized cost
Derivative liability	FVTPL
Lease liabilities	Amortized cost

Fair value hierarchy:

The Company applies the following fair value hierarchy for financial instrument classified as FVTP, 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.

As at December 31, 2022 and 2021, cash is recorded at fair value, using level 1 inputs. The derivative liability was recorded at fair value, using level 2 inputs, as discussed in Note 9.

The fair values of trade receivables, deposits, trade and other payables, due to shareholders, loans payable, convertible notes payable, and lease liabilities approximate their carrying amounts, due to their short terms to maturity, and market interest rates.

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 December 31, 2022, the Company had a cash balance of $5,549 (2021 - $24,997) and current liabilities of $4,284,525 (2021 - $2,623,988). All of the Company's financial liabilities have contractual

13. Financial Instruments (cont'd)

maturities of less than 30 days and are subject to normal trade terms. The Company does not have sufficient liquidity and ceased operations on July 8, 2022. The Company plans to raise funds from private placement which will be used to settle the Company's liabilities.

(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 loans payable are subject to fixed interest rates; therefore, the Company is not exposed to interest rate risk on these financial liabilities.

i. Foreign currency risk

As at December 31, 2022 and 2021, the Company's expenditures are mainly 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 holds insignificant balances in foreign currencies which would give rise to exposure to foreign exchange rate risk.

14. Capital Management

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 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. There have been no changes to the Company's management of capital during the year.

15. 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 ended on September 30, 2022.

On December 4, 2020, the Company entered into a five-year lease agreement to lease a premise to expand their food production facility until 2025.

(Expressed in Canadian Dollars)

15. Commitments (cont'd)

On October 1, 2021, the Company entered into a five-year lease agreement to lease two additional bays for future expansion of the food production facility (Facility B) until 2026.

The total minimum future payments for long term leases are as follows:

Lease Period		Amount
2023		1,334,901
2024		425,621
2025		416,576
2026		44,580
Thereafter		-
	$	2,221,678

16. Supplemental Cash Flow

		December 31, 2022		December 31, 2021
Cash paid for:				
Interest	$	-	$	25,164
Non-cash financial and investing activities:				
Equipment and facilities acquired under leases	$	-	$	1,895,502
Shareholder loans repaid by issuance of convertible notes	$	-	$	271,186
Common shares deemed issued on RTO	$	-	$	3,500,000
Common share purchase warrants deemed issued on RTO	$	-	$	3,202,500
Special warrants deemed issued on RTO	$	-	$	161,500
Common shares issued on conversion of convertible notes	$	-	$	2,409,014
Common shares issued for services	$	437,500	$	875,000
Finders fee warrants issued	$	-	$	259,004

17. Re-valuation of Assets

On July 8, 2022, the Company ceased all operations in Canada. As a result, the Company's assets have been recorded at their liquidation value.

		Pre re-valuation amount		**Loss on re-valuation**		**Adjusted value**
Cash	$	24,997	$	-	$	24,997
Trade and other receivables		432,526		-		432,526
Inventory		245,654		-		245,654
Deposit		179,603		(168,589)		11,014
Property, plant, and equipment		1,177,127		(1,177,127)		-
Right of use asset		1,888,282		(1,888,282)		-
Balance, December 31, 2021	$	3,948,189	$	(3,233,998)	$	714,191

During the year ended December 31, 2022, the Company recorded loss on re-valuation of its property, plant and equipment of $28,246. (Note 7) The Company recovered a total of $253,653 from receipt of security deposits and sale of property, plant and equipment which were previously written off in 2021. The Company recorded the recovery in the statements of loss and comprehensive loss during the year ended December 31, 2022.

(Expressed in Canadian Dollars)

18. Income Taxes

A reconciliation of combined federal and provincial corporate income taxes of statutory rates of 23% (2021 - 23%) and the Company's effective income tax expense is as follows:

		2022		2021
Earnings (loss) for the year	$	**(2,947,357)**	$	(21,830,055)
Combined federal and provincial rate		**23%**		23%
Expected income tax (recovery)		**(676,000)**		(5,021,000)
Change in statutory, foreign tax, foreign exchange rates and others		**(139,000)**		56,000
Share issuance costs		**-**		(154,000)
Permanent difference		**4,053,000**		3,876,000
Change in unrecognized deductible temporary differences		**(3,238,000)**		1,243,000
Total income tax expense (recovery)	$	**-**	$	-

Significant components of the deferred income tax assets (liabilities) are as follows:

		2022		2021
Deferred tax assets (liabilities)				
Property and equipment	$	218,000	$	331,000
Share issuance costs		124,000		124,000
Non-capital losses		1,860,000		1,184,000
Unrecognized deferred tax assets		(2,202,000)		(1,639,000)
Deferred tax assets (liabilities)	$	-	$	-

The Company has not recorded deferred tax assets related to these unused non-capital loss carryforwards as it is not probable that future taxable profits will be available to utilize these loss carryforwards.

Tax attributes are subject to review, and potential adjustment, by tax authorities.

19. Subsequent Events

Subsequent to year-end, there was a legal claim filed against the Company stemming from nonpayment of contractual obligations relating to a lease. As such, these matters are subject to inherent uncertainty and the outcome of this event cannot be determined at this time.