

*A copy of this amended and restated preliminary prospectus has been filed with the securities regulatory authorities in each of British Columbia, Alberta and Ontario, but has not yet become final for the purpose of the sale of securities. Information contained in this amended and restated preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.*

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.*

*This Prospectus (as hereinafter defined) constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the U.S. Securities Act) unless exemptions from the registration requirement of the U.S. Securities Act and applicable state securities laws are available. This Prospectus does not constitute an offer to sell or a solicitation or an offer to buy any of the securities offered hereby within the United States or to, or for the benefit of, U.S. Persons. See "Plan of Distribution".*

**AMENDED AND RESTATED PRELIMINARY PROSPECTUS**  
**Amending and Restating the Preliminary Prospectus dated April 20, 2021**

**INITIAL PUBLIC OFFERING**

**June 28, 2021**



**NEPRA FOODS INC.**

**Minimum Public Offering: C\$2,500,000 / 5,319,149 Subordinate Voting Shares**  
**Maximum Public Offering: C\$6,500,000 / 13,829,787 Subordinate Voting Shares**

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**Price: C\$0.47 per Subordinate Voting Share**

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This amended and restated prospectus (this "**Prospectus**") qualifies the distribution (the "**Offering**") of a minimum of 5,319,149 Subordinate Voting Share (as defined herein) (the "**Minimum Offering**") and a maximum of 13,829,787 Subordinate Voting Shares (the "**Maximum Offering**") of Nepra Foods Inc. (the "**Company**"), such Subordinate Voting Shares being the "**Initial Shares**", at a price of C\$0.47 per Initial Share (the "**Offering Price**") for total gross proceeds of a minimum of C\$2,500,000 and a maximum of C\$6,500,000. The Initial Shares are being offered on a "commercially reasonable efforts" basis without underwriter liability pursuant to the terms and conditions of an agency agreement (the "**Agency Agreement**") dated [◆], 2021 by and among the Company, Canaccord Genuity Corp., together with its affiliate, Canaccord Genuity LLC (collectively, the "**Lead Agent**"), [◆] and [◆] (collectively with the Lead Agent, the "**Agents**"). The Offering Price for the Initial Shares was determined based upon arm's length negotiations between the Company and the Lead Agent, on behalf of the Agents, in the context of the market. See "*Plan of Distribution*".

	<b>Price to the Public</b>	<b>Agents' Fee<sup>(1)(2)</sup></b>	<b>Net Proceeds to the Company<sup>(3)(4)</sup></b>
Per Initial Share	C\$0.47	C\$0.0282	C\$0.4418
Minimum Offering	C\$0.47	C\$150,000	C\$2,350,000
Maximum Offering <sup>(4)</sup>	C\$6,500,000	C\$390,000	C\$6,110,000

Notes:

- (1) In consideration for the services rendered by the Agents in connection with the Offering, the Company has agreed to pay the Agents a fee (the “**Agents’ Fee**”) equal to (i) six percent (6.0%) of the gross proceeds of the Offering (including upon any exercise of the Over-Allotment Option), excluding proceeds received from subscribers on the President’s List (“**President’s List Subscribers**”), and (ii) two percent (2.0%) of the gross proceeds of the Offering received from President’s List Subscribers (who may subscribe for up to C\$650,000 of the Offering), payable in cash or Subordinate Voting Shares or any combination thereof, all at the option of the Lead Agent (subject to the prescribed limits on the number of Subordinate Voting Shares, including the Agents’ Warrant Shares and the Corporate Finance Fee Shares, or other securities of the Company that may be issued to the Agents as compensation under Section 11.2 of NI 41-101). The table above assumes that no Offered Shares are purchased by President’s List Subscribers and that the Lead Agent elects, on behalf of the Agents, the Agents’ Fee in cash. See “*Plan of Distribution*”.
- (2) As additional consideration for the services rendered by the Agents in connection with the Offering, the Company has agreed to grant to the Agents non-transferable share purchase warrants (the “**Agents’ Warrants**”) that will entitle the Agents to purchase such number of Subordinate Voting Shares of the Company (the “**Agents’ Warrant Shares**”) equal to (i) six percent (6.0%) of the total number of Offered Shares (as defined herein) sold under the Offering (including upon any exercise of the Over-Allotment Option), excluding such Offered Shares subscribed for by Presidents List Subscribers, and (ii) two percent (2.0%) of the Offered Shares subscribed for by Presidents List Subscribers, at a price per Agents’ Warrant Share equal to the Offering Price, for a period of twenty-four (24) months following the Listing Date. The Company has also agreed to pay to the Lead Agent the Corporate Finance Fee (as defined herein), comprised of that number of Corporate Finance Fee Shares (as defined herein) which is equal to four percent (4.0%) of the aggregate number of Offered Shares issued pursuant to the Offering (including upon any exercise of the Over-Allotment Option), at a deemed price per Subordinate Voting Share equal to the Offering Price. This Prospectus qualifies the grant of the Agents’ Warrants and the Corporate Finance Fee Shares. See “*Plan of Distribution*”.
- (3) After deducting the Agents’ Fee (assuming the Lead Agent elects, on behalf of the Agents, to receive such fee in cash), but before deducting the expenses and costs relating to the Offering which are estimated to be C\$235,000 (of which C\$50,000 (the “**Agents’ Expense Deposit**”) has previously been paid by the Company upon execution of the engagement letter related to the Offering). The Agents’ Fee and the expenses and costs relating to the Offering (other than the Agents’ Expense Deposit previously paid by the Company) will be paid from the gross proceeds of the Offering. See “*Use of Proceeds*”.
- (4) This table excludes any additional Subordinate Voting Shares issuable upon any exercise of the Over-Allotment Option (as defined below). The Company has granted the Agents an over-allotment option (the “**Over-Allotment Option**”), exercisable in whole or in part, in the sole discretion of the Lead Agent, on behalf of the Agents, at any time and from time to time for a period of thirty (30) days commencing on the date of closing of the Offering (the “**Closing Date**”), to purchase up to an aggregate number of additional Subordinate Voting Shares (the “**Additional Shares**”) as is equal to fifteen percent (15%) of the aggregate number of Initial Shares issued pursuant to the Offering at a price equal to the Offering Price to cover over-allocations, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total price to the public, Agents’ Fee (assuming the Lead Agent elects, on behalf of the Agents, to receive such fee in cash) and net proceeds to the Company (before payment of the expenses of the Offering) will be C\$2,500,000, C\$150,000 and C\$2,350,000, respectively, in the case of the Minimum Offering, and C\$7,475,000, C\$ 448,500 and C\$7,026,500, respectively, in the case of the Maximum Offering (in each case, assuming no Offered Shares are purchased by President’s List Subscribers). The grant of the Over-Allotment Option and the distribution of any Additional Shares issued pursuant to the Over-Allotment Option are qualified by this Prospectus. A purchaser who acquires Offered Shares forming part of the Agents’ over-allocation position acquires those Offered Shares under this Prospectus, regardless of whether the Agents’ over-allocation position is ultimately filled through exercise of the Over-Allotment Option or secondary market purchases. See “*Plan of Distribution*”.

The following table sets out the number of securities that may be issued by the Company to the Agents in connection with the Offering:

<b>Agents’ Position <sup>(1)</sup></b>	<b>Number of Securities Available or Maximum Size</b>	<b>Exercise Period</b>	<b>Exercise Price</b>
Agents’ Warrants <sup>(2)</sup>	954,255 Agents’ Warrant Shares <sup>(4)</sup>	24 months following the Listing Date	C\$0.47 per Agents’ Warrant Share
Corporate Finance Fee <sup>(3)</sup>	636,170 Corporate Finance Fee Shares <sup>(4)</sup>	N/A	N/A

Over-Allotment Option	2,074,468 Additional Shares	At any time and from time to time for a period of 30 days commencing on the Closing Date	C\$0.47
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Notes:

- (1) This Prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Additional Shares. See “*Plan of Distribution*”.
- (2) Pursuant to the Agency Agreement, the Agents will receive Agents’ Warrants that will entitle the Agents to purchase such number of Agents’ Warrant Shares equal to (i) six percent (6.0%) of the total number of Offered Shares sold under the Offering (including upon any exercise of the Over-Allotment Option), excluding such Offered Shares subscribed for by Presidents List Subscribers, and (ii) two percent (2.0%) of the Offered Shares subscribed for by Presidents List Subscribers, at a price per Agents’ Warrant Share equal to the Offering Price, for a period of twenty-four (24) months following the Listing Date. This Prospectus qualifies the grant of the Agents’ Warrants. See “*Plan of Distribution*”.
- (3) Pursuant to the Agency Agreement, the Lead Agent will also receive the Corporate Finance Fee, comprised of that number of Corporate Finance Fee Shares which is equal to four percent (4.0%) of the aggregate number of Offered Shares issued pursuant to the Offering (including upon any exercise of the Over-Allotment Option), at a deemed price per Subordinate Voting Share equal to the Offering Price. This Prospectus qualifies the distribution of the Corporate Finance Fee Shares. See “*Plan of Distribution*”.
- (4) Assuming the Over-Allotment Option is exercised in full and that no Additional Shares are purchased by President’s List Subscribers.

The Additional Shares, together with the Initial Shares, are the “**Offered Shares**”. Unless the context otherwise requires, all references to the “Offering”, “Corporate Finance Fee Shares”, “Agents’ Warrants” and “Agents’ Warrant Shares” in this Prospectus includes all securities issuable upon exercise of the Over-Allotment Option.

The Subordinate Voting Shares are “restricted securities” within the meaning of such term under applicable securities laws in Canada. See “*Description of the Securities*”.

Upon completion of the Offering, the Company’s share capital will consist of two classes of issued and outstanding shares: Subordinate Voting Shares and proportionate voting shares (the “**Proportionate Voting Shares**”). Generally, the Subordinate Voting Shares and Proportionate Voting Shares have the same rights, are equal in all respects and are treated by the Company as if they were shares of one class only. Proportionate Voting Shares, or fractions thereof, may at any time, subject to the FPI Protective Restriction (as defined herein), at the option of the holder and subject to certain restrictions, be converted into Subordinate Voting Shares at a ratio of 100 Subordinate Voting Shares per Proportionate Voting Share. Prior to conversion, each Proportionate Voting Share, or fraction thereof, carries 100 votes per share (compared to one vote per Subordinate Voting Share) and is entitled to dividends and liquidation distributions in an amount equal to 100 times the amount distributed in respect of each Subordinate Voting Share. Upon completion of the Minimum Offering (assuming no exercise of the Over-Allotment Option, that the Lead Agent elects, on behalf of the Agents, to receive the Agents’ Fee in cash and that no Offered Shares are purchased by President’s List Subscribers), the Company will have an aggregate of 24,281,070 Subordinate Voting Shares and 273,468.05 Proportionate Voting Shares issued and outstanding (assuming conversion of the NFL Series I Secure Notes and the NFL Series II Secured Notes effective as of June 30, 2021). Upon completion of the Maximum Offering (assuming that the Over-Allotment Option is exercised in full, that the Lead Agent elects, on behalf of the Agents, to receive the Agents’ Fee in cash and that no Offered Shares are purchased by President’s List Subscribers), the Company will have an aggregate of 35,289,582 Subordinate Voting Shares and 273,468.05 Proportionate Voting Shares issued and outstanding (assuming conversion of the NFL Series I Secure Notes and the NFL Series II Secured Notes effective as of June 30, 2021). See “*Description of the Securities*”.

**Investment in the Offered Shares is highly speculative due to various factors, including the nature and early stage of the Company’s business. An investment in these securities involves a high degree of risk and should only be made by persons who can afford the total loss of their investment. Prospective investors should consider certain risk factors in connection with an investment in the Company. See “*Risk Factors*”.**

As at the date of this Prospectus, the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside Canada and the United States of America (other than the Alternative Investment Market of the London Stock Exchange or the PLUS Markets operated by PLUS Markets Group plc).

The Company has applied to list the Subordinate Voting Shares on the Canadian Securities Exchange (the “**CSE**”). The listing will be subject to the Company fulfilling all the initial listing requirements and conditions of the CSE

including prescribed distribution and financial requirements. There is no guarantee that the CSE will provide approval for the listing of the Subordinate Voting Shares. See “*Plan of Distribution*”.

Potential investors are advised to consult their own legal counsel and other professional advisers in order to assess income tax, legal, and other aspects of this investment.

**The Offering is not underwritten or guaranteed by any person or agent.** The price of the Offered Shares was determined by negotiation between the Company and the Lead Agent, on behalf of the Agents. The Agents conditionally offer the Offered Shares for sale on a “commercially reasonable efforts” basis and subject to prior sale, if, as and when issued by the Company, in accordance with the conditions contained in the Agency Agreement referred to under “*Plan of Distribution*” and subject to the approval of certain legal and tax matters on behalf of the Company by McMillan LLP, of Vancouver, British Columbia, and on behalf of the Agents by Bennett Jones LLP of Toronto, Ontario. Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. See “*Plan of Distribution*”.

If the Offering is not completed within ninety (90) days of the issuance of a receipt for the final prospectus, or if a receipt has been issued for an amendment to the final prospectus, within ninety (90) days of the issuance of such receipt and in any event not later than one hundred eighty (180) days from the date of receipt for the final Prospectus, the Offering will cease. The Agents, pending closing of the Offering, will hold in trust all subscription funds received pursuant to the provisions of the Agency Agreement. If the Minimum Offering is not completed, the subscription proceeds received by the Agents in connection with the Offering will be returned to the subscribers without interest or deduction, unless the subscribers have otherwise instructed the Agents. See “*Plan of Distribution*”.

Other than in respect of the Offered Shares sold to certain purchasers in the United States and to, or for the account or benefit of, certain U.S. persons or certain persons in the United States, which will be represented by individual certificates, and other than pursuant to certain exceptions, it is expected that one or more global certificates for the Offered Shares distributed by this Prospectus will be issued in registered and definitive form to CDS Clearing and Depository Services Inc. (“CDS”) and will be deposited with CDS on the Closing Date. Purchasers of the Offered Shares will receive only a customer confirmation from the registered dealer from or through whom the Offered Shares are purchased.

The individual certificate(s) evidencing Offered Shares issued to, or for the account or benefit of, certain persons within the United States who are acquiring Offered Shares pursuant to applicable exemptions from the registration requirements provided by Rule 506(b) of Regulation D under the U.S. Securities Act will contain legends to the effect that the Offered Shares represented thereby have not been registered under the U.S. Securities Act and may only be resold or transferred pursuant to certain exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws of the United States. See “*Plan of Distribution*”.

In accordance with applicable laws and policies, the Agents may effect transactions that stabilize or maintain the market price of Subordinate Voting Shares at a level other than that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See “*Plan of Distribution*”.

David Wood, CEO and a director, Chadwick White, David Breda, and Marc Olmsted, each a director of the Company, and Larry D Harvey PC, U.S. tax counsel to the Company, reside outside of Canada. Each of the foregoing has appointed McMillan LLP, Royal Centre, Suite 1500, 1055 West Georgia Street, P.O. Box 11117, Vancouver, British Columbia V6E 4N7, as agent for service of process in Canada. **Investors are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued, or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.**

The Company’s head office is located at 7025 S. Revere Parkway, Unit 100, Centennial, Colorado, USA 80112. The Company’s registered office is located at Suite 1500, 1055 West Georgia Street, P.O. Box 11117, Vancouver, British Columbia, Canada V6E 4N7.

**PROSPECTIVE INVESTORS SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS. NEITHER THE AGENTS NOR THE COMPANY HAVE AUTHORIZED ANYONE TO PROVIDE YOU WITH DIFFERENT INFORMATION. READERS SHOULD ASSUME THAT THE INFORMATION APPEARING IN THIS PROSPECTUS IS ACCURATE ONLY AS OF ITS DATE, REGARDLESS OF ITS TIME OF DELIVERY. THE COMPANY'S BUSINESS, FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS MAY HAVE CHANGED SINCE THAT DATE.**

AGENT

CANACCORD GENUITY CORP.  
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## GLOSSARY OF TERMS

The following is a glossary of certain defined terms used throughout this Prospectus. This is not an exhaustive list of defined terms used in this Prospectus and additional terms are defined throughout. Terms and abbreviations used in the financial statements of the Company are defined. Words importing the singular, where the context requires, include the plural and vice versa, and words importing any gender include all genders.

“Agency Agreement”	means the agency agreement dated [◆], 2021 between the Agents and the Company relating to the Offering.
“Agents”	means Canaccord Genuity Corp., together with its affiliate, Canaccord Genuity LLC (collectively, the “Lead Agent”), [◆] and [◆].
“Agents’ Fee”	means the commission payable on the closing of the Offering to the Agents in an amount equal to six percent (6.0%) of the gross proceeds from the Offering (including upon any exercise of the Over-Allotment Option), subject to a reduced fee of two percent (2.0%) for Subordinate Voting Shares sold under the President’s List, payable in cash or Subordinate Voting Shares or any combination thereof, all at the option of the Lead Agent (subject to the prescribed limits on the number of Subordinate Voting Shares, including the Agents’ Warrant Shares and the Corporate Finance Fee Shares, or other securities of the Company that may be issued to the Agents as compensation under Section 11.2 of NI 41-101).
“Agents’ Warrants”	means share purchase warrants granted to the Agents in connection with the Offering.
“Associate”	has the meaning ascribed to such term in the BCBCA.
“Audit Committee”	means the audit committee of the Company.
“Award”	means any Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Award, Dividend Equivalent or Other Stock-Based Award (each as defined in the Stock and Incentive Plan) granted under the Stock and Incentive Plan.
“BCBCA”	means the <i>Business Corporations Act</i> (British Columbia).
“Board” or “Board of Directors”	means the board of directors, or comparable corporate governing structure, of the Company.
“C\$”	means Canadian dollars.
“Centennial Manufacturing Facility”	means the Company’s manufacturing facility located in Centennial, Colorado.
“CEO”	means Chief Executive Officer.
“CFO”	means Chief Financial Officer.
“CIO”	means Chief Innovation Officer.
“COO”	means Chief Operating Officer.
“Closing Date”	means the date of closing of the Offering.
“Common Stock”	means the common stock of NFL.

<b>“company”</b>	means, unless specifically indicated otherwise, a corporation, incorporated association or organization, body corporate, partnership, trust, association, or other entity other than an individual.
<b>“Company”</b>	means Nepra Foods Inc., a corporation existing under the BCBCA.
<b>“Control Person”</b>	means any person or company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than twenty percent (20%) of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.
<b>“Corporate Finance Fee”</b>	means the corporate finance fee payable on the closing of the Offering to the Agents comprised of that number of Corporate Finance Fee Shares which is equal to four percent (4.0%) of the aggregate number of Offered Shares issued pursuant to the Offering (including upon any exercise of the Over-Allotment Option), at a deemed price equal to the Offering Price.
<b>“Corporate Finance Fee Shares”</b>	means the Subordinate Voting Shares issuable in satisfaction of the Corporate Finance Fee.
<b>“CRA”</b>	means the Canada Revenue Agency.
<b>“CSE” or “Exchange”</b>	means the Canadian Securities Exchange.
<b>“CSE Approval”</b>	means conditional approval or acceptance of the CSE of the listing of the Subordinate Voting Shares on the CSE.
<b>“FALCPA”</b>	the <i>Food Allergen Labeling and Consumer Protection Act of 2004</i> , Public Law 108-282, Title II, as amended.
<b>“FDA”</b>	means the United States Food and Drug Administration.
<b>“GAAP”</b>	means generally accepted accounting principles in Canada, which is “IFRS” meaning International Financial Reporting Standards.
<b>“GFBS”</b>	means Gluten Free Baking Solutions, LLC, a limited liability company formed pursuant to the laws of the State of Colorado and a wholly-owned subsidiary of the Company after the NFL Acquisition.
<b>“GFSM”</b>	means Gluten Free Sprouting and Malting, LLC, a limited liability company formed pursuant to the laws of the State of Colorado and a wholly-owned subsidiary of NFL until its dissolution on December 31, 2020.
<b>“Going Public Transaction”</b>	means an initial public offering of the Subordinate Voting Shares and the listing of the Subordinate Voting Shares on a stock exchange in the United States or Canada.
<b>“GRAS”</b>	means generally recognized as safe by the FDA.
<b>“Insider”</b>	means: <ul style="list-style-type: none"> <li>(a) a director or senior officer of the Company;</li> </ul>

- (b) a director or senior officer of the Company that is an Insider or subsidiary of the Company;
- (c) a Person that beneficially owns or controls, directly or indirectly, Voting Shares carrying more than ten percent (10%) of the voting rights attached to all outstanding voting shares of the Company; or
- (d) the Company itself if it holds any of its own securities.

**“Listing Date”** means the date the Company’s Subordinate Voting Shares are first listed for trading on the CSE.

**“LLC”** means a limited liability company organized under the laws of the jurisdiction in which it was formed.

**“MD&A”** means Management’s Discussion and Analysis.

**“Named Executive Officers” or “NEO”** means:

- (a) each individual who, in respect of the company, during any part of the most recently completed financial year, served as chief executive officer, including an individual performing functions similar to a chief executive officer;
- (b) each individual who, in respect of the company, during any part of the most recently completed financial year, served as chief financial officer, including an individual performing functions similar to a chief financial officer;
- (c) in respect of the company and its subsidiaries, the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than C\$150,000 for that financial year; or
- (d) each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was not an executive officer of the company, and was not acting in a similar capacity, at the end of that financial year.

**“Nepra Financial Statements”** means, collectively:

- (a) the unaudited financial statements of the Company as at March 31, 2021 for the three month period ended March 31, 2021, together with the notes thereto;
- (b) the audited financial statements of the Company as at December 31, 2020 for the period from incorporation to December 31, 2020, together with the notes thereto and the auditors’ report thereon;
- (c) the unaudited consolidated financial statements of NFL as at March 31, 2021 for the three period ended March 31, 2021, together with the notes thereto; and

- (d) the audited combined financial statements of NFL as at December 31, 2020 for the fiscal years ended December 31, 2020 and 2019, together with the notes thereto and the auditors' report thereon,

a copy of each of which is attached hereto at **Schedule "A"**.

<b>"Nepra MD&amp;A"</b>	means the management's discussion and analysis of: (i) the Company for the period from incorporation to December 31, 2020, and for the three month period ended March 31, 2021; and the NFL for the year ended December 31, 2020, and for the three month period ended March 21, 2021, attached hereto at <b>Schedule "B"</b> .
<b>"NFL"</b>	means Nepra Foods, Ltd., a company incorporated pursuant to the laws of the State of Colorado and a wholly-owned subsidiary of the Company after the NFL Acquisition.
<b>"NFL Acquisition"</b>	means the Company's acquisition of all the issued and outstanding securities of NFL pursuant to the Share Exchange Agreement.
<b>"NFL Series I Secured Notes"</b>	means the eight percent (8%) Series I secured convertible promissory notes of NFL.
<b>"NFL Series II Secured Notes"</b>	means the eight percent (8%) Series II secured convertible promissory notes of NFL.
<b>"NFL Unit Exchange Agreement"</b>	means the unit exchange agreement dated June 30, 2020, pursuant to which NFL acquired one hundred percent (100%) ownership of GFBS and GFSM.
<b>"NI 41-101"</b>	means National Instrument 41-101 – <i>General Prospectus Requirements</i> of the Canadian Securities Administrators.
<b>"NI 45-102"</b>	means National Instrument 45-102 – <i>Resale of Securities</i> of the Canadian Securities Administrators.
<b>"NI 51-102"</b>	means National Instrument 51-102 – <i>Disclosure Obligations</i> of the Canadian Securities Administrators.
<b>"NI 52-110"</b>	means National Instrument 52-110 – <i>Audit Committees</i> of the Canadian Securities Administrators.
<b>"Offered Shares"</b>	means the Subordinate Voting Shares offered to potential investors pursuant to this Prospectus.
<b>"Offering"</b>	means the distribution of the Offered Shares pursuant to this Prospectus.
<b>"Offering Jurisdictions"</b>	means British Columbia, Alberta, and Ontario, in which this Prospectus has been filed and in which the Offering will be made.
<b>"Offering Price"</b>	means C\$0.47 per Offered Share.
<b>"Options"</b>	means stock options to acquire Subordinate Voting Shares.
<b>"Over-Allotment Option"</b>	means the over-allotment option granted to the Agents.
<b>"Person"</b>	means a company or individual.

<b>“President’s List”</b>	means the list of certain purchasers designated by the Company pursuant to the Agency Agreement.
<b>“Principal Regulator”</b>	means the British Columbia Securities Commission.
<b>“Proportionate Voting Shares”</b>	means the Class A common shares in the capital of the Company.
<b>“Promoter”</b>	means (i) a person or company who, acting alone or in conjunction with one or more other persons, companies or a combination thereof, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of an issuer, or (ii) a person or company who, in connection with the founding, organizing or substantial reorganizing of the business of an issuer, directly or indirectly, receives in consideration of services or property, or both services and property, ten percent (10%) or more of any class of securities of the issuer or ten percent (10%) or more of the proceeds from the sale of any class of securities of a particular issue, but a person or company who receives such securities or proceeds either solely as underwriting commissions or solely in consideration of property shall not be deemed a promoter within the meaning of this definition if such person or company does not otherwise take part in founding, organizing, or substantially reorganizing the business.
<b>“Regulation S”</b>	means Regulation S promulgated under the U.S. Securities Act.
<b>“RSUs”</b>	means restricted share units of the Company.
<b>“Securities Commissions”</b>	means the securities regulatory authorities of the Offering Jurisdictions.
<b>“SEDAR”</b>	means the System for Electronic Document Analysis and Retrieval maintained by the Canadian Securities Administrators.
<b>“Series III Secured Notes”</b>	means the nine percent (9%) Series III secured convertible promissory notes of the Company.
<b>“Series III Secured Notes Conversion Price”</b>	means the conversion price of the Series III Secured Notes, being the greater of: (i) the Offering Price; and (ii) C\$0.10 per Subordinate Voting Share.
<b>“Share Exchange Agreement”</b>	means the share exchange agreement dated April 6, 2021 between the Company and NFL, pursuant to which the Company acquired all the issued and outstanding securities of NFL.
<b>“Shareholders”</b>	means holders from time to time of Subordinate Voting Shares or Proportionate Voting Shares.
<b>“SKU”</b>	means stock keeping unit.
<b>“Stock and Incentive Plan”</b>	means the fixed stock and incentive plan of the Company adopted on April 6, 2021, to be effective on the Listing Date.
<b>“Subordinate Voting Shares”</b>	means the common shares in the capital of the Company.
<b>“Tax Act”</b>	means the <i>Income Tax Act</i> (Canada) and the regulations promulgated thereunder, as amended.

<b>“TBS”</b>	means Total Blending Solutions, Ltd., a company incorporated pursuant to the laws of the State of Colorado and a wholly-owned subsidiary of the Company after the NFL Acquisition.
<b>“U.S. Exchange Act”</b>	means the <i>U.S. Securities Exchange Act of 1934</i> , as amended.
<b>“U.S. Persons”</b>	has the meaning ascribed to such term in Regulation S of under the U.S. Securities Act.
<b>“U.S. Securities Act”</b>	means the <i>U.S. Securities Act of 1933</i> , as amended.
<b>“USA”, “United States”, “U.S.” or “US”</b>	means the United States of America, its territories and possessions, and any state of the United States, and the District of Columbia.
<b>“US\$”</b>	means United States dollars.
<b>“Warrants”</b>	means share purchase warrants exercisable to acquire Subordinate Voting Shares.

## GENERAL MATTERS

### About this Prospectus

Investors should rely only on the information contained in this Prospectus and are not entitled to rely on certain parts of the information contained in this Prospectus to the exclusion of others. Neither the Company nor the Agents have authorized anyone to provide investors with additional or different information. The information contained on [www.neprafoods.com](http://www.neprafoods.com) or any affiliated website is not intended to be included in or incorporated by reference into this Prospectus and prospective investors should not rely on such information when deciding whether or not to purchase the Subordinate Voting Shares. Any graphs, tables or other information demonstrating the Company's historical performance contained in this Prospectus are intended only to illustrate past performance and are not necessarily indicative of the Company's future performance. The information contained in this Prospectus is accurate only as of the date of this Prospectus or the date otherwise indicated, regardless of the time of delivery of this Prospectus or any sale of the Subordinate Voting Shares. The Company's business, financial condition, results of operations and prospects may have changed since the date of this Prospectus. Investors are urged to read the information under the headings "Risk Factors" and "Forward-Looking Statements" appearing elsewhere in this Prospectus.

If, after the date that the preliminary prospectus is filed but before the filing of a final prospectus, a material adverse change occurs, the Company will be required to file an amendment to the preliminary prospectus as soon as practicable, but in any event, within ten (10) days after the material adverse change occurs. If, after the date that a final prospectus is filed but before the completion of the distribution under the final prospectus, a material change occurs, the Company will be required to file and deliver to investors an amendment to the final prospectus as soon as practicable, but in any event within ten (10) days after the material change occurs.

This Prospectus includes a summary description of certain material agreements of the Company, such as the Agency Agreement. See "Material Contracts". The summary description discloses all attributes that the Company believes would be material to a prospective purchaser of Subordinate Voting Shares but is not complete and is qualified in its entirety by reference to the terms of such material agreements, which will be filed with the Canadian securities regulatory authorities and available on SEDAR. Investors are encouraged to read the full text of such material agreements.

The Company and the Agents are not offering to sell the Subordinate Voting Shares in any jurisdiction where the offer or sale of such securities is not permitted. For investors outside Canada, neither the Company nor the Agents have done anything that would permit the Offering or distribution of this Prospectus in any jurisdiction where action for that purpose is required, other than in Canada. Investors are required to inform themselves about and to observe any restrictions relating to the Offering and the distribution of this Prospectus.

### Interpretation

Unless otherwise noted or the context indicates otherwise "we", "us", "our" or the "Company" refer to Nepra Foods Inc. and its direct and indirect subsidiaries.

Certain capitalized terms and phrases used in this prospectus are defined under "Glossary of Terms". Words importing the singular number include the plural, and *vice versa*, and words importing any gender include all genders".

### Presentation Currency and Exchange Rate Information

Each of the Company and NFL present its financial statements in Canadian dollars ("C\$"); however, NFL's functional currency is United States dollars ("US\$"). Amounts in this Prospectus are stated in United States dollars unless otherwise indicated.

The high, low, average, and closing daily exchange rates for the United States dollar in terms of Canadian dollars for each of the financial periods of the Company and NFL ended December 31, 2020, and 2019, as quoted by the Bank of Canada, were as follows:

	<b>Three Months ended March 31, 2021</b>	<b>Year ended December 31, 2020</b>	<b>Year ended December 31, 2019</b>
	(expressed in Canadian dollars)		
High	1.2828	1.4496	1.3600
Low	1.2455	1.2718	1.2988
Average	1.2660	1.3415	1.3269
Closing	1.2575	1.2732	1.2988

On June 25, 2021, the daily exchange rate for the United States dollar in terms of Canadian dollars, as quoted by the Bank of Canada, was US\$1.00 = C\$1.2294.

### **FINANCIAL STATEMENT PRESENTATION IN THIS PROSPECTUS**

The following financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and are included in this Prospectus (see “*Financial Statements*”):

- the unaudited financial statements of the Company as at March 31, 2021 for the three month period ended March 31, 2021, together with the notes thereto;
- the audited financial statements of the Company as at December 31, 2020 for the period from incorporation to December 31, 2020, together with the notes thereto and the auditors’ report thereon;
- the unaudited consolidated financial statements of NFL as at March 31, 2021 for the three period ended March 31, 2021, together with the notes thereto; and
- the audited combined financial statements of NFL as at December 31, 2020 for the fiscal years ended December 31, 2020 and 2019, together with the notes thereto and the auditors’ report thereon.

### **FORWARD-LOOKING STATEMENTS**

This Prospectus contains “forward-looking statements” or “forward-looking information” within the meaning of applicable securities laws in Canada (collectively “**forward-looking statements**”) that are based on current expectations, estimates, forecasts, projections, beliefs, and assumptions made by management of the Company about the industry in which it operates. Such statements include, in particular, statements about the Company’s plans, strategies and prospects under the headings “Summary”, “Risk Factors” and “Management’s Discussion and Analysis”. Words such as “expect”, “does not expect”, “anticipate”, “intend”, “plan”, “believe”, “seek”, “estimate”, “target”, “outlook”, “prospects”, “strategy”, or variations of such words and similar expressions that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved, have been used to identify forward-looking statements. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed, implied, or forecasted in such forward-looking statements. The Company does not intend, and disclaims any obligation, to update any forward-looking statements after it files this Prospectus, whether as a result of new information, future events or otherwise, except as required by the securities laws. These forward-looking statements are made as of the date of this Prospectus.

The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:



- the intention to complete the listing of the Subordinate Voting Shares on the CSE and all transactions related thereto;
- the completion, size, expenses and timing of the closing of this Offering;
- the use of the net proceeds of this Offering and the use of the available funds following completion of this Offering;
- the Company's expectations regarding its revenue, expenses, and operations;
- the Company's anticipated cash needs and its needs for additional financing;
- the Company's intention to grow the business and its operations;
- development and commercialization of the Company's products;
- protection of the Company's intellectual property;
- the Company's relationship with its principal supplier; the effect of government regulation;
- labelling requirements related to the Company's products;
- the price of raw materials; consumer trends;
- the Company's supply chain;
- the Company's brand value;
- expectations with respect to the success of its research and development on the Company's products;
- the grant and impact of any license or supplemental license to conduct activities with food or any amendments thereof;
- expectations with respect to the future growth of its food ingredient products;
- expectations regarding trends in the plant-based meat alternative industry;
- expectations regarding the production capacity of the Company's existing and future facilities and the Company's ability to increase and/or maximize production:
- effects of the COVID-19 public health crisis;
- the Company's competitive position and the regulatory environment in which the Company operates;
- the Company's ability to attract new and retain current customers;
- the Company's expectation that revenues derived from its operations, together with fund-raising activities, including its initial public offering, will be sufficient to cover its expenses during 2021 and over the next twelve (12) months;
- the Company's expected business objectives for the next twelve (12) months;
- the Company's ability to obtain additional funds through the sale of equity or debt commitments; and

- beliefs and intentions regarding the ownership of material trademarks and domain names used in connection with the design, production, marketing, distribution, and sale of the Company's products.

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate and are subject to risks and uncertainties. In making the forward looking statements included in this Prospectus, the Company has made various material assumptions, including but not limited to: (i) obtaining the necessary regulatory approvals; (ii) that regulatory requirements will be maintained; (iii) general business and economic conditions; (iv) the Company's ability to successfully execute its plans and intentions; (v) the Company's production capacity and supply chain (vi) the price of raw ingredients and materials; (vii) the availability of financing on reasonable terms; (viii) the Company's ability to attract and retain skilled staff; (ix) market competition; (x) the products and technology offered by the Company's competitors; and (xi) that the Company's current good relationships with the Company's service providers and other third parties will be maintained. Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and the Company cannot assure that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties and assumptions, prospective purchasers of Subordinate Voting Shares should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to several known and unknown risks, uncertainties, assumptions, and other factors, including those listed under "Risk Factors", which include:

- the Company is a development stage company with little operating history, a history of losses and the Company cannot assure profitability;
- uncertainty about the Company's ability to continue as a going concern;
- the Company's actual financial position and results of operations may differ materially from the expectations of management;
- the Company expects to incur significant ongoing costs and obligations relating to its investment in infrastructure, growth, regulatory compliance, and operations;
- there are factors which may prevent the Company from the realization of growth targets;
- the Company is subject to changes in Canadian laws, regulations and guidelines, which could adversely affect the Company's future business, financial condition, and results of operations;
- the Company is subject to changes in laws in the State of Colorado, which could adversely affect the Company's future business, financial condition, and results of operations;
- there is no assurance that the Company will turn a profit or generate revenue growth;
- the Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business;
- the Company may be unable to adequately protect its proprietary and intellectual property rights;
- the Company may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights;
- the Company may become subject to litigation, including for possible product liability claims, which may have a material adverse effect on the Company's reputation, business, results from operations, and financial condition;

- the Company faces competition from other companies where it will conduct business that may have a higher capitalization, more experienced management, or may be more mature as a business;
- if the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the food market;
- there is no assurance that the Company will obtain and retain any relevant licenses or certifications;
- failure to successfully integrate acquired businesses, its products and other assets into the Company, or if integrated, failure to further the Company's business strategy, may result in the Company's inability to realize any benefit from such acquisition;
- the size of the Company's target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data;
- the Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition;
- the Company will continue to sell securities for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders;
- the Company is currently reliant on a single product manufacturing location. Adverse changes affecting the Centennial Manufacturing Facility could materially affect the Company's plans;
- the Company is reliant on key inputs, such as utilities, and any interruption of these services, or failure for these services to keep pace with the Company's expected growth, could have a material adverse effect on the Company's finances and operational results;
- the Company currently has a limited customer base for its products and the loss of any material customer or a significant decrease in business from any such customer could have a material adverse effect on the Company's business, finances and operational results;
- the Company is reliant on single suppliers for substantially all of the Company's supply of starch products and hemp hearts and any interruption of these services could have a material adverse effect on the Company's finances and operational results;
- the Company is reliant various third-party shipping and logistics companies for the import and export of the Company's products and any interruptions or delays in these services could have a material adverse effect on the Company's business, finances and operational results;
- the Company could be liable for fraudulent or illegal activity by its employees, contractors, and consultants resulting in significant financial losses to claims against the Company;
- the Company will be reliant on information technology systems and may be subject to damaging cyberattacks;
- the Company may be subject to breaches of security at its facilities, or in respect of electronic documents and data storage, and may face risks related to breaches of applicable privacy laws;
- the Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest;
- in certain circumstances, the Company's reputation could be damaged;

- the Company may be subject to product recalls for product defects self-imposed or imposed by regulators;
- the Company cannot assure you that a market will develop or exist for the Subordinate Voting Shares or what the market price of the Subordinate Voting Shares will be;
- the Company will be subject to additional regulatory burden resulting from its public listing on the CSE;
- the market price for Subordinate Voting Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control;
- the Company does not anticipate paying cash dividends;
- the Company and holders of Subordinate Voting Shares may be subject to certain risks as a result of United States tax classification of the Company;
- significant and complicated U.S. federal income tax consequences which may affect the Company, including the possibility of double taxation, and which may have consequences for certain of its shareholders;
- future sales of Subordinate Voting Shares by existing shareholders could reduce the market price of the Company's shares; and
- no guarantee on the use of available funds by the Company.

These factors should not be considered exhaustive. If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements.

Information contained in forward-looking statements in this Prospectus is provided as of the date of this Prospectus, and we disclaim any obligation to update any forward-looking statements, whether as a result of new information or future events or results, except to the extent required by applicable securities laws. Accordingly, potential investors should not place undue reliance on forward-looking statements, or the information contained in those statements.

***All the forward-looking statements contained in this Prospectus are expressly qualified by the foregoing cautionary statements. Investors should read this entire Prospectus and consult their own professional advisors to assess the income tax, legal, risk factors and other aspects of their investment.***

## MARKET AND INDUSTRY DATA

Unless otherwise indicated, information contained in this Prospectus concerning the Company's industry and the markets in which it operates, including general expectations and market position, market opportunities and market share, is based on information from independent industry organizations, other third-party sources (including industry publications, surveys, and forecasts) and management studies and estimates.

Unless otherwise indicated, the Company's estimates are derived from publicly available information released by independent industry analysts and third-party sources as well as data from the Company's internal research and knowledge of the Colorado, and more generally the United States, food industry and economy, and include assumptions made by the Company which management believes to be reasonable based on their knowledge of the Company's industry and markets. The Company's internal research and assumptions have not been verified by any independent source, and it has not independently verified any third-party information. While the Company believes the market position, market opportunity and market share information included in this Prospectus is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of the Company's future performance and the future performance of the industry and markets in which it operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under the heading "Forward-Looking Statements" and "Risk Factors".

## MARKETING MATERIALS

A “template version” of the following “marketing materials” (as such terms are defined in NI 41-101) to be utilized by the Agents in connection with the Offering is incorporated by reference into this Prospectus:

- the investor presentation dated June 28, 2021 and filed on SEDAR on June 28, 2021 (the “**Investor Presentation**”).

The Investor Presentation referred to above is available under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com). However, any “template version” of any “marketing materials” materials utilized in connection with this Offering are not part of this Prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this Prospectus.

In addition, any template version of any other marketing materials filed with the securities commission or similar regulatory authority in each of the provinces of Canada in connection with this Offering, after the date hereof but prior to the termination of the distribution of the Subordinate Voting Shares under this Prospectus (including any amendments to, or an amended version of, any template version of any marketing materials), is deemed to be incorporated by reference herein.

## PROSPECTUS SUMMARY

*The following is a summary of the principal features of this Prospectus and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus. Certain capitalized terms and phrases used in this Prospectus are defined in the “Glossary of Terms” beginning on page 1.*

### Principal Business of the Company

The Company, through its wholly-owned subsidiary, NFL, operates as a vertically integrated healthy plant-based food and ingredient company. Through its strategic leverage of its manufacturing facilities and co-packers, the Company’s products are offered to commercial food manufacturers and directly to consumers under the Company’s consumer packaged goods (“CPG”) brands. The Company’s products include several products ranging from plant-based meat and dairy alternatives to snacks and baked goods, supported by a lineup of specialty ingredients. The Company’s headquarters and main manufacturing facility is located in Centennial, Colorado.

The Company’s mission is to “promote healthy allergen-free foods”. Milk, eggs, fish, shellfish, tree nuts, peanuts, wheat, and soybeans are all major food allergens pursuant to the FDA and the FALCPA. The Company’s products consist of (i) gluten-free and allergen-free plant-based specialty ingredients, blends and mixes typically sold business-to-business or “B2B” (“**Plant-Based Ingredients**”), (ii) plant-based meat alternatives (“**Plant-Based Proteins**”), (iii) plant-based dairy alternatives products, ranging from milk to cheese, yogurt, dressing, dips, and sour cream (“**Plant-Based Dairy Alternatives**”), and (iv) plant-based baked goods, snacks, and spreads (“**Plant-Based Baked Goods, Snacks and Spreads**”). NFL holds Hazard Analysis and Critical Control Points (“**HACCP**”) and Good Manufacturing Practices (“**GMP**”) certifications for its production facility and is currently pursuing its Global Food Safety Initiative (“**GFSI**”) certification. The Company sells its products directly to food manufacturers or through distributors, retailers and Direct to Consumers (“**DTC**”) across North America. The Company’s product lines currently consist of eighteen (18) Plant-Based Ingredients SKUs, seven (7) Plant-Based Protein SKUs, eight (8) Plant-Based Dairy Alternatives SKUs, and twelve (12) Plant-Based Baked Goods, Snacks and Spreads SKUs. See “*The Business - Principal Products and Services*”.

The Company’s head office is located at 7025 S. Revere Parkway, Unit 100, Centennial, Colorado, USA 80112. The Company’s registered and records office is located at Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

See “*The Business – Overview*”.

### The Offering

Pursuant to the Agency Agreement, the Company has appointed the Agents to act as its agents to offer for sale to the public, on a “commercially reasonable efforts” basis, without underwriter liability, a minimum of 5,319,149 Offered Shares and a maximum of 13,829,787 Offered Shares at an offering price of C\$0.47 per Offered Share, for gross proceeds of a minimum of C\$2,500,000 and a maximum of C\$6,500,000, subject to compliance with all necessary legal requirements and to the conditions of the Agency Agreement.

The Company has agreed to pay to the Agents: (i) the Agents’ Fee which is equal to six percent (6.0%) of the gross proceeds of the Offering (including upon any exercise of the Over-Allotment Option), excluding proceeds received from Presidents List Subscribers, and (ii) two percent (2.0%) of the gross proceeds of the Offering received from Presidents List Subscribers, payable in cash or Subordinate Voting Shares or any combination thereof, all at the option of the Lead Agent, on behalf of the Agents (subject to the prescribed limits on the number of Subordinate Voting Shares, including the Agents’ Warrant Shares and the Corporate Finance Fee Shares, or other securities of the Company that may be issued to the Agents as compensation under Section 11.2 of NI 41-101). As additional compensation, the Company has also agreed to issue to the Agents the Agents’ Warrants on the Closing Date. The Agents’ Warrants will entitle the Agents to purchase such number of Subordinate Voting Shares (the “**Agents’ Warrant Shares**”) equal to six percent (6.0%) of the total number of Offered Shares sold under the Offering (including upon any exercise of the Over-Allotment Option), excluding such Offered Shares subscribed for by Presidents List Subscribers, and two percent (2.0%) of the Offered Shares subscribed for by Presidents List Subscribers, at a price per Agents’ Warrant Share equal to the Offering Price, for a period of twenty-four (24) months

following the Listing Date. The Company has also agreed to pay to the Lead Agent the Corporate Finance Fee, comprised of that number of Corporate Finance Fee Shares which is equal to four percent (4.0%) of the aggregate number of Offered Shares issued pursuant to the Offering (including upon any exercise of the Over-Allotment Option), at a deemed price per Subordinate Voting Share equal to the Offering Price. Notwithstanding the foregoing, the aggregate number of Subordinate Voting Shares, Agents' Warrants or other securities of the Company that may be issued to the Agents as compensation in connection with the Offering (including securities issued in satisfaction of all or a part of the Agents' Fee and the Corporate Finance Fee) may not exceed the amount prescribed by Section 11.2 of NI 41-101. This Prospectus qualifies the distribution of the Corporate Finance Fee Shares and the grant of the Agents' Warrants.

See "*Plan of Distribution*".

## Use of Proceeds

Assuming no exercise of the Over-Allotment Option (in whole or in any part), the net proceeds of the Offering, after deducting the Agents' Fee (assuming the Lead Agent elects, on behalf of the Agents, to receive such fee in cash and that no Offered Shares are purchased by President's List Subscribers) and the estimated expenses of the Offering of C\$185,000 (after deducting the Agents' Expense Deposit previously paid by the Company), are estimated to be C\$2,165,000, in the case of the Minimum Offering, and C\$5,925,000, in the case of the Maximum Offering. Assuming completion of the Maximum Offering, including that the Over-Allotment Option is exercised in full, the net proceeds of the Offering, after deducting the Agents' Fee (assuming the Lead Agent elects, on behalf of the Agents, to receive such fee in cash and that no Offered Shares are purchased by President's List Subscribers) and the estimated expenses of the Offering of C\$185,000 (after deducting the Agents' Expense Deposit previously paid by the Company), are estimated to be C\$6,841,500. Until the Closing Date, all subscription funds received by the Agents will be held in trust, pending the closing of the Offering. If the Minimum Offering is not completed, the subscription proceeds received by the Agents in connection with the Offering will be returned to the subscribers without interest or deduction, unless the subscribers have otherwise instructed the Agents. The net proceeds of the Offering are currently intended to be used for the following purposes:

Use of Proceeds	Amount (Minimum Offering)	Amount (Maximum Offering)
Product Inventory	C\$250,000	C\$700,000
Marketing & Outreach	C\$250,000 <sup>(1)</sup>	C\$1,360,000 <sup>(1)</sup>
Product Sales & Marketing	C\$200,000 <sup>(2)</sup>	C\$300,000 <sup>(2)</sup>
Facilities Buildout	C\$300,000 <sup>(3)</sup>	C\$410,000 <sup>(4)</sup>
R&D/Product Innovation	C\$400,000 <sup>(5)</sup>	C\$500,000 <sup>(5)</sup>
CPG Brand Funding	C\$200,000 <sup>(6)</sup>	C\$610,000 <sup>(6)</sup>
General and administrative expenses	C\$480,000 <sup>(7)</sup>	C\$1,030,000 <sup>(8)</sup>
Unallocated working capital to fund ongoing operations and for reviewing business opportunities	C\$85,000	C\$1,015,000

### Notes:

- (1) Reserved for investor and public relations activities and consultants anticipated over the next 12-18 months. As of the date of this Prospectus, no consultants or engagements have been entered into by the Company.
- (2) The Company anticipates the hiring a head of ingredient sales and sales and marketing support personnel.
- (3) Including build out of development kitchen (C\$75,000) and production facilities (C\$225,000).
- (4) Including build out of development kitchen (C\$100,000) and production facilities (C\$300,000).
- (5) See "*Business Objectives and Milestones*".

- (6) The Company has identified and expects to engage a consultant to assist in brand and packaging development and creation (C\$130,000) with the balance reserved for implementation of the brand and marketing campaigns resulting from such consultant's suggestions. As of the date of this Prospectus, no formal engagement has been agreed to.
- (7) General and administrative costs are broken down as follows: (i) personnel costs (C\$200,000), (ii) professional fees (C\$120,000), and (iii) rent, travel, supplies, and other G&A (C\$160,000).
- (8) General and administrative costs are broken down as follows: (i) personnel costs (C\$480,000), (ii) professional fees (C\$120,000), and (iii) rent, travel, supplies, and other G&A (C\$430,000).

If the Over-Allotment Option is exercised, the Company will use the additional proceeds for working capital. See "*Use of Proceeds*".

### **Restricted Securities**

Upon completion of the Offering, the Company's share capital will consist of two classes of issued and outstanding shares: Subordinate Voting Shares and Proportionate Voting Shares. Generally, the Subordinate Voting Shares and Proportionate Voting Shares have the same rights, are equal in all respects and are treated by the Company as if they were shares of one class only. Proportionate Voting Shares, or fractions thereof, may at any time, subject to the FPI Protective Restriction (as defined herein), at the option of the holder and subject to certain restrictions, be converted into Subordinate Voting Shares at a ratio of 100 Subordinate Voting Shares per Proportionate Voting Share. Prior to conversion, each Proportionate Voting Share, or fraction thereof, carries 100 votes per share (compared to one vote per Subordinate Voting Share) and is entitled to dividends and liquidation distributions in an amount equal to 100 times the amount distributed in respect of each Subordinate Voting Share. Upon completion of the Minimum Offering (assuming no exercise of the Over-Allotment Option, that the Lead Agent elects, on behalf of the Agents, to receive the Agents' Fee in cash and that no Offered Shares are purchased by President's List Subscribers), the Company will have an aggregate of 24,281,070 Subordinate Voting Shares and 273,468.05 Proportionate Voting Shares issued and outstanding (assuming conversion of the NFL Series I Secure Notes and the NFL Series II Secured Notes effective as of June 30, 2021). Upon completion of the Maximum Offering (assuming that the Over-Allotment Option is exercised in full, that the Lead Agent elects, on behalf of the Agents, to receive the Agents' Fee in cash and that no Offered Shares are purchased by President's List Subscribers), the Company will have an aggregate of 35,289,582 Subordinate Voting Shares and 273,468.05 Proportionate Voting Shares issued and outstanding (assuming conversion of the NFL Series I Secure Notes and the NFL Series II Secured Notes effective as of June 30, 2021). See "*Description of the Securities*".

In accordance with applicable regulatory requirement designed to ensure that, in the event of a take-over bid, the holders of Subordinate Voting Shares will be entitled to participate on an equal footing with holders of Proportionate Voting Shares, the Company have entered into a coattail agreement with all the holders of the Proportionate Voting Shares. The coattail agreement contains provisions customary for dual-class publicly-listed corporations, designed to prevent transactions that otherwise would deprive the holders of Subordinate Voting Shares of rights under applicable take-over bid legislation in Canada to which they would have been entitled if the Proportionate Voting Shares had been Subordinate Voting Shares. See "*Description of the Securities – Take-Over Bid Protection*".

Although the Company intends to apply for certain exemptions (see "*Exemption From National Instruments*"), the Subordinate Voting Shares may be considered "restricted securities" within the meaning of such term under applicable Canadian securities laws. As such, in connection with the approval of the Share Exchange Agreement, the Company has elected to have the shareholders of NFL and the holders of NFL Series I Secured Notes and NFL Series II Secured Notes (who are the current shareholders of the Company) approve, among other things, the exchange of Common Stock of NFL for Subordinate Voting Shares and Proportionate Voting Shares of the Company, to comply with the requirements of Section 12.3 of NI 41-101 prior to the Closing Date. See "*Description of the Securities*".

### **The Listing**

The Company has applied to list its Subordinate Voting Shares on the CSE. Listing will be subject to the Company's fulfilling all the listing requirements of the CSE, including, without limitation, the distribution of the Company's Subordinate Voting Shares to a minimum number of public shareholders and the Company meeting the minimum listing requirements.



## **Risk Factors**

An investment in the securities of the Company is highly speculative and involves a high degree of risk, and investors may incur a loss on their investment. The following are a summary of certain of the risk factors described elsewhere herein. Prospective purchasers should carefully consider the information set out under “*Risk Factors*” and the other information in this Prospectus before purchasing securities of the Company.

### Limited Operating History

The Company and NFL were incorporated/formed on November 27, 2020, and August 15, 2019, respectively, and have only recently begun operations. The Company is therefore subject to many of the risks common to early-stage enterprises, including limitations with respect to personnel, financial, and other resources, and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders’ investment and the likelihood of success must be considered in light of the early stage of operations.

### History of Net Losses

The Company does not consistently generate profitability each period. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses into the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to grow its business. If the Company’s does not generate revenues to offset these expected increases in costs and operating expenses, the Company will not be profitable.

### Negative Operating Cash Flow

During the fiscal years ended December 31, 2019, and 2020 and for the three months ended March 31, 2021, the Company (through NFL) had negative cash flow from operating activities. As the Company expands into consumer products and expands the Company’s research and development activities, it is anticipated that the Company will continue to have negative cash flows in the foreseeable future. Continued losses may have the following consequences:

- increasing the Company’s vulnerability to general adverse economic and industry conditions;
- limiting the Company’s ability to obtain additional financing to fund future working capital, capital expenditures, operating costs, and other general corporate requirements; and
- limited the Company’s flexibility in planning for, or reacting to, changes in its business and the industry.

## **Summary Financial Information**

The following selected financial information has been derived from, and is qualified in its entirety by, the Nepra Financial Statements, and the notes thereto (included at **Schedule “A”** to this Prospectus) and should be read in conjunction with the respective MD&A thereto, attached at **Schedule “B”** to this Prospectus.

	<b>NFL for the Year Ended December 31, 2019 (audited) (C\$)</b>	<b>NFL for the Year Ended December 31, 2020 (audited) (C\$)</b>	<b>NFL for the Three Months Ended March 31, 2021 (unaudited) (C\$)</b>	<b>Company for the Period from Incorporation to December 31, 2020 (audited) (C\$)</b>	<b>Company for the Three Months Ended March 31, 2021 (unaudited) (C\$)</b>
<b>Revenue</b>	1,639,501	2,855,386	1,440,338	nil	nil
<b>Total Expenses</b>	490,172	1,124,191	951,192	8,157	10,330
<b>Net Income (Loss)</b>	(217,180)	(542,022)	(914,853)	(8,157)	(10,330)
<b>Current Assets</b>	306,089	1,277,875	2,444,725	1	251
<b>Total Assets</b>	347,323	1,512,869	5,088,317	1	251
<b>Total Liabilities</b>	936,894	1,812,583	5,814,490	8,157	18,737
<b>Shareholders' Equity (Deficiency)</b>	(589,571)	(299,714)	(726,173)	(8,156)	(18,486)

See "Selected Financial Information".

## CORPORATE STRUCTURE

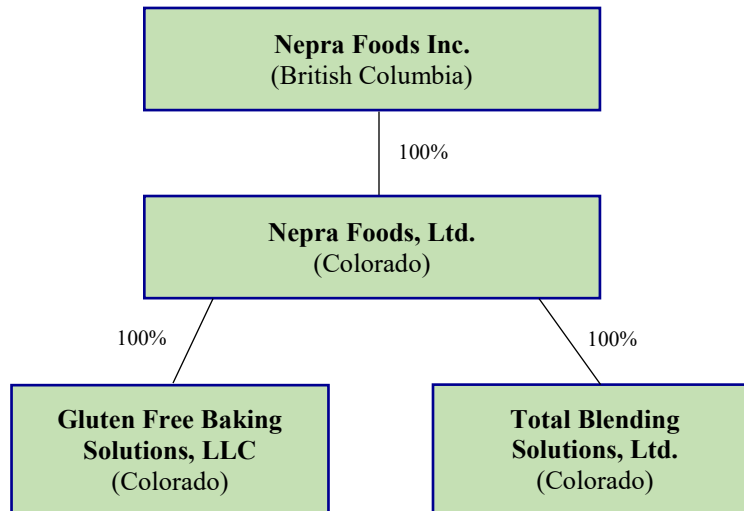
### Name, Address, and Incorporation

The Company was incorporated under the BCBCA on November 27, 2020. On April 15, 2021, the Company completed the NFL Acquisition, and, as a result, NFL became a wholly-owned subsidiary of the Company.

The Company's head office is located at 7025 S. Revere Parkway, Unit 100, Centennial, Colorado, USA 80112. The Company's registered and records office is located at Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

### Intercorporate Relationships

The Company has three wholly-owned subsidiaries, being NFL, GFBS, and TBS. The corporate structure of the Company is outlined in the diagram below and is current as at the date of filing of this Prospectus.



### Subsidiaries

#### *Nepra Foods, Ltd.*

The Company owns one hundred percent (100%) of the issued and outstanding common stock of NFL. NFL was formed on August 15, 2019 as a limited liability company under the laws of the State of Colorado. On October 22, 2020, NFL filed a statement of conversion under the *Colorado Revised States* (United States) pursuant to which NFL converted to a for-profit corporation effective November 1, 2020. The address of NFL's registered agent for service is 7025 S. Revere Parkway, Unit 100, Centennial, Colorado, 80112, United States.

#### *Gluten Free Baking Solutions, LLC*

The Company, through its wholly-owned subsidiary, NFL, owns one hundred percent (100%) of the membership interests of GFBS. GFBS was formed as a limited liability company on August 10, 2016 under the laws of the State of Colorado and has been operating the historical portion of the Company's business since August 10, 2016. The address of GFBS's registered agent for service is 7025 S. Revere Parkway, Unit 100, Centennial, Colorado, 80112, United States.

#### *Total Blending Solutions, Ltd.*

The Company, through its wholly-owned subsidiary, NFL, owns one hundred percent (100%) of the issued and outstanding common stock of TBS. TBS was organized on November 25, 2019 under the laws of the State of Colorado

and is not yet operating. TBS is intended to be used for the commercial blending portion of the Company's business. This involves the Company receiving bulk ingredients and material inputs which it blends with other inputs to create "mixes" of blended products for the Company's end products. The Company also performs this blending service for third parties where customers supply some or all the material inputs and the Company charges a fee for the blending. The address of TBS's registered agent for service is 7025 S. Revere Parkway, Unit 100, Centennial, Colorado, 80112, United States.

## **THE BUSINESS**

### **Overview**

All the Company's products are focused on foods in the healthy lifestyle market segment. The Company, through its wholly-owned subsidiary, NFL, operates as a vertically integrated healthy plant-based food and ingredient company. The Company's products are offered to commercial food manufacturers and directly to consumers under the Company's CPG brands. The Company's products include plant-based meat and dairy alternatives to snacks and baked goods, supported by a lineup of specialty ingredients. The Company's headquarters and main manufacturing facility is located in Centennial, Colorado.

The Company sells its products directly to food manufacturers or through distributors and retailers across North America. The Company's product lines consist of eighteen (18) Plant-Based Ingredients SKUs, seven (7) Plant-Based Protein SKUs, eight (8) Plant-Based Dairy Alternatives SKUs, and twelve (12) Plant-Based Baked Goods, Snacks and Spreads SKUs.

### **Material Transactions and Recent Developments**

#### Formation of GFSM

On January 6, 2018, GFSM was formed under the laws of the State of Colorado for the purposes of developing sprouted and malted grain ingredients.

#### Formation of NFL

NFL was organized as a limited liability company under the laws of the State of Colorado on August 15, 2019, and converted to a Colorado corporation effective November 1, 2020 (the "**NFL Conversion**"). In connection with the NFL Conversion, all the existing membership units of NFL were exchanged one a one-for-one basis for shares of Common Stock.

#### NFL Formation of TBS

On November 25, 2019, NFL formed TBS under the laws of the State of Colorado for the purposes of conducting its commercial blending business. As of the date of this Prospectus, TBS has not conducted business, but the Company anticipates that it will do so in the future.

#### NFL Acquisition of GFBS and GFSM

On June 30, 2020, NFL entered into the NFL Unit Exchange Agreement, pursuant to which NFL acquired one hundred percent (100%) ownership of GFBS and GFSM. Prior to the NFL Unit Exchange Agreement, NFL, through GFBS, held a ten percent (10%) interest in GFSM. In consideration for the acquisition of one hundred percent (100%) of the respective membership interests of GFBS and GFSM, NFL issued to the securityholders of GFBS and GFSM, pro rata in proportion to their holdings of securities of GFBS and GFSM, as applicable, an aggregate of 189,999 membership units (thereafter exchanged for an aggregate of 189,999 shares of Common Stock in connection with the NFL Conversion).

NFL's acquisition of GFBS and GFSM closed on June 30, 2020.

### GFSM Dissolution

Effective December 31, 2020, the operations of GFSM (developing sprouted and malted grain ingredients) ceased and were assumed directly by NFL. Articles of dissolution for GFSM were filed with the Colorado Secretary of State and GFSM ceased doing business as of December 31, 2020.

### NFL Acquisition

On April 6, 2021, the Company entered into the Share Exchange Agreement with NFL, pursuant to which the Company acquired one hundred percent (100%) ownership of NFL. In consideration for the acquisition of one hundred percent (100%) ownership of NFL, the Company issued to the securityholders of NFL, pro rata in proportion to their holdings of NFL securities, the following securities of the Company:

1. an aggregate of 14,653,108 Subordinate Voting Shares to certain holders of Common Stock, on the basis of 56.5082 Subordinate Voting Shares in exchange for one (1) share of Common Stock; and
2. an aggregate of 273,468.05 Proportionate Voting Shares to certain holders of Common Stock who are U.S. Persons, on the basis of 0.565082 Proportionate Voting Shares in exchange for one hundred (100) shares of Common Stock.

In connection with the NFL Acquisition, the Company assumed and will honour the aggregate principal amount of US\$999,990.20 of NFL Series I Secured Notes, such that, upon completion of a Going Public Transaction, the principal amount of NFL Series I Secured Notes, plus accrued and unpaid interest, shall automatically convert into Subordinate Voting Shares at a conversion price equal to the greater of: (i) eighty percent (80%) of the Offering Price; and (ii) C\$0.10 per Subordinate Voting Share. No fractional Subordinate Voting Shares will be issued in connection with such conversion and all fractional shares will be rounded down to the nearest whole number. The NFL Series I Secured Notes accrue interest at a rate of eight percent (8%) per annum, payable upon maturity or in accordance with the conversion rights, and mature two (2) years from the date of issuance of each respective NFL Series I Secured Note. The NFL Series I Secured Notes are secured by a floating charge on all the assets of NFL.

In connection with the NFL Acquisition, the Company assumed and will honour the aggregate principal amount of US\$295,000 of NFL Series II Secured Notes, such that, upon completion of a Going Public Transaction, the principal amount of NFL Series II Secured Notes, plus accrued and unpaid interest, shall automatically convert into Subordinate Voting Shares at a conversion price equal to the greater of: (i) the Offering Price; and (ii) C\$0.10 per Subordinate Voting Share. No fractional Subordinate Voting Shares will be issued in connection with such conversion and all fractional shares will be rounded down to the nearest whole number. The NFL Series II Secured Notes accrue interest at a rate of eight percent (8%) per annum, payable upon maturity or in accordance with the conversion rights, and mature two (2) years from the date of issuance of each respective NFL Series II Secured Note. The NFL Series II Secured Notes are secured by a floating charge on all the assets of NFL.

The NFL Acquisition closed on April 15, 2021.

### Centennial Manufacturing Facility

From August 2016 to December 2020, NFL leased approximately 10,000 square feet of developmental space and warehouse in Englewood, Colorado from 2080 W Cornell, LLC, a company owned by David Wood, the CEO and a director of the Company. In this space, NFL developed many of its product formulations and recipes which today are represented by the Company's products. From this location, NFL also used specific manufacturing processes and methods, and began pilot production of the Plant-Based Ingredients. On January 1, 2021, NFL ceased operations at its Englewood, Colorado facility and moved its operations into its current 31,000 square foot leased facility in Centennial, Colorado which acts as the Company's headquarters, manufacturing, and distribution center (the "**Centennial Manufacturing Facility**"). Utilizing co-production and co-packaging agreements, the Company is able to deliver a highly scalable business model capable of increased volumes of production from its existing footprint. NFL also leases third party warehouse space in Omaha, Nebraska. See "*Facilities, Licensing, and Operations*" below.

Additional details on the Centennial Manufacturing Facility, the manufacturing process and the Company's anticipated additional facilities can be found in "*Facilities, Licensing, and Operations*" below.

### Production Machinery Investments

The Company management has over 100 years of experience in the food industry, collectively, including food development, food manufacturing equipment, design, and fabrication, and as a reseller of other manufacturer's products. The Company's CEO is a third-generation leader in the design, requisition, and installation of commercial food production machinery, including service after installation. The Company has purchased and installed production and packaging equipment to service its existing products and part of the proceeds of the Offering will be used to continue to build out the Company's capabilities, in support of all its products. The Company employs a full-time technician to ensure proper installation and maintenance of the Company's production and developmental kitchen equipment with a goal to mitigating production down time and potential loss of intellectual property using third-party service persons.

### Financings

On June 30, 2020, in connection with the NFL Unit Exchange Agreement, NFL issued an aggregate of 189,999 membership units (thereafter exchanged for 189,999 shares of Common Stock in connection with the NFL Conversion) to certain founders at deemed price of US\$1.00. Pursuant to the Share Exchange Agreement, such securities were exchanged for an aggregate of 1,073,650 Subordinate Voting Shares and 96,628.51 Proportionate Voting Shares. See "*The Business – Material Transaction and Recent Developments – NFL Acquisition*".

Between July 1, 2020 and December 2020, NFL issued an aggregate of 162,001 shares of Common Stock at a price of US\$1.75 to certain persons in connection with the settlement of aggregate indebtedness of US\$283,500. Pursuant to the Share Exchange Agreement, such securities were exchanged for an aggregate of 915,438 Subordinate Voting Shares and 82,389.46 Proportionate Voting Shares. See "*The Business – Material Transaction and Recent Developments – NFL Acquisition*".

On November 20, 2020, NFL issued an aggregate of 10,922 shares of Common Stock at a price of US\$1.75 to one individual in connection with a non-brokered private placement for gross proceeds of US\$19,112. Pursuant to the Share Exchange Agreement, such securities were exchanged for an aggregate of 617,182 Subordinate Voting Shares.

On February 24, 2021, NFL issued an aggregate of 17,651 shares of Common Stock, at a deemed price of US\$1.75 per share, to certain persons in connection with the settlement of aggregate indebtedness of US\$30,888. Pursuant to the Share Exchange Agreement, such securities were exchanged for an aggregate of 997,426 Subordinate Voting Shares.

Between November 2020 and March 2021, NFL issued an aggregate principal amount of US\$999,990.20 of NFL Series I Secured Notes. The NFL Series I Secured Notes accrue interest at a rate of eight percent (8%) per annum, payable upon maturity or in accordance with the conversion rights, and mature two (2) years from the date of issuance of each respective NFL Series I Secured Note. The NFL Series I Secured Notes are secured by a floating charge on all the assets of NFL. Upon the completion of a Going Public Transaction, the principal amount of NFL Series I Secured Notes, plus accrued and unpaid interest, shall automatically convert into Subordinate Voting Shares at a conversion price equal to the greater of: (i) eighty percent (80%) of the Offering Price; and (ii) C\$0.10 per Subordinate Voting Share. No fractional Subordinate Voting Shares will be issued in connection with such conversion and all fractional shares will be rounded down to the nearest whole number. Pursuant to the Share Exchange Agreement, the Company assumed and will honour the NFL Series I Secured Notes and, as of the date hereof (assuming completion of the Offering and the listing of the Subordinate Voting Shares on the CSE) such NFL Series I Secured Notes are convertible into an aggregate of approximately 3,321,756 Subordinate Voting Shares (assuming an exchange rate of US\$1.00 = C\$1.2052, being the daily exchange rate reported by the Bank of Canada for June 2, 2021). See "*The Business – Material Transaction and Recent Developments – NFL Acquisition*".

On March 3, 2021, NFL issued an aggregate of 176,965 shares of Common Stock at a price of US\$1.9778 to six (6) investors for aggregate gross proceeds of approximately US\$350,000 (the "**NFL March 2021 Private Placement**").

Pursuant to the Share Exchange Agreement, such securities were exchanged for an aggregate of 9,999,971 Subordinate Voting Shares. See “*The Business – Material Transaction and Recent Developments – NFL Acquisition*”.

On April 2, 2021, NFL issued an aggregate principal amount of US\$295,000 of NFL Series II Secured Notes. The NFL Series II Secured Notes accrue interest at a rate of eight percent (8%) per annum, payable upon maturity or in accordance with the conversion rights, and mature two (2) years from the date of issuance of each respective NFL Series II Secured Note. The NFL Series II Secured Notes are secured by a floating charge on all the assets of NFL. Upon the completion of a Going Public Transaction, the principal amount of NFL Series II Secured Notes, plus accrued and unpaid interest, shall automatically convert into Subordinate Voting Shares at a conversion price equal to the greater of: (i) the Offering Price; and (ii) C\$0.10 per Subordinate Voting Share. No fractional Subordinate Voting Shares will be issued in connection with such conversion and all fractional shares will be rounded down to the nearest whole number. Pursuant to the Share Exchange Agreement, the Company assumed and will honour the NFL Series II Secured Notes and, as of the date hereof (assuming completion of the Offering and the listing of the Subordinate Voting Shares on the CSE) such NFL Series II Secured Notes are convertible into an aggregate of approximately 774,193 Subordinate Voting Shares (assuming an exchange rate of US\$1.00 = C\$1.2052, being the daily exchange rate reported by the Bank of Canada for June 2, 2021). See “*The Business – Material Transaction and Recent Developments – NFL Acquisition*”.

On June 11, 2021, the Company issued an aggregate principal amount of \$230,000 and US\$15,000 of Series III Secured Notes. The Series III Secured Notes accrue interest at a rate of nine percent (9%) per annum, payable upon maturity or in accordance with the conversion rights, and mature one (1) year from the date of issuance of each respective Series III Secured Note. The Series III Secured Notes are secured by a floating charge on all the assets of the Company. The principal amount of Series III Secured Notes, plus accrued and unpaid interest to the date of maturity, is convertible, in whole or in part, at the option of the holder, at any time following 121 days after the issue date, but prior to the maturity date of such Series III Secured Notes, into Subordinate Voting Shares at the Series III Secured Notes Conversion Price. No fractional Subordinate Voting Shares will be issued in connection with such conversion and all fractional shares will be rounded down to the nearest whole number. Provided, however, that if, at any time following 121 days after the issue date, but prior to the date that is ten (10) days immediately preceding the maturity date of the Series III Secured Notes, the Subordinate Voting Shares are trading on the CSE (or such other stock exchange as the Subordinate Voting Shares may trade on) and the closing price of the Subordinate Voting Shares is equal to or greater than C\$0.60 for a period of ten (10) consecutive trading days, the Company shall have the option to convert the principal amount of Series III Secured Notes, plus accrued and unpaid interest to the date of maturity, at the Series III Secured Notes Conversion Price by providing the holder not less than ten (10) days’ prior written notice. When convertible in accordance with their terms, such Series III Secured Notes are expected to be convertible into an aggregate of approximately 575,327 Subordinate Voting Shares (assuming an exchange rate of US\$1.00 = C\$1.2052, being the daily exchange rate reported by the Bank of Canada for June 2, 2021).

### Robert Hopp

On June 15, 2021, Robert Hopp, the former President, COO and General Counsel of the Company, passed away. As of the date of this Prospectus, the Company has not appointed any individual to the offices previously held by Mr. Hopp.

### **Principal Products and Services**

The Company’s mission is to “promote healthy allergen-free foods”. Its products consist of (i) Plant-Based Ingredients, (ii) Plant-Based Proteins, (iii) Plant-Based Dairy Alternatives, and (iv) Plant-Based Baked Goods, Snacks and Spreads. These products are focused on providing foods high in protein, low in carbohydrates, gluten-free, dairy-free, allergen-free, vegan and kosher. The current Plant-Based Ingredients are primarily sold to food manufacturers and bakeries. Plant-Based Proteins, Plant-Based Dairy Alternatives, and Plant-Based Baked Goods, Snacks and Spreads products are sold direct to consumer and through sales representatives and distributors.

### Plant-Based Ingredients

The Company develops ingredients that are easily interchangeable for soy, dairy, and other animal-based products and integrate these products into commercial food production settings. The Company also delivers its own CPG

products directly to consumers, including the Plant-Based Proteins, Plant-Based Dairy Alternatives, and Plant-Based Baked Goods, Snacks and Spreads products.

The Company’s Plant-Based Ingredients are comprised of gluten-free and allergen-free specialty ingredients and flour mixes for food manufacturers. Gluten-free has been a growing market segment in the food industry for many years now. Management believes that certain gluten-free foods are perceived as being less desirable than the same food in the full gluten category. Gluten-free products tend to be carbohydrate heavy, low in nutrients and lacking in flavor. The Company has developed gluten-free foods that are lower in carbohydrates, nutrient rich and full of flavor. The Company has developed relationships with ingredient manufacturers in the United States and around the world to identify certain quality ingredients. The Company's goal is to provide glute-free foods with the same texture, flavor, and nutrition at a reasonable price upcharge, to take advantage of this market opportunity. The Company has developed a line of gluten-free flours that make the production process easier to manage with less end product waste. The Company has been successful in improving the quality and nutrition of gluten-free bread while reducing costs in the production and distribution process. The Company has curated its specialty products under the *Essential Blends* brand of proprietary starch blends and *Rheoflex*® brand of pre-gel starches and flours. Essential RS-3700 is a resistant starch ideal for use in ketogenic foods.

**Hemp Flours.** The Company’s N-50 White Hemp Heart Flour is a protein-rich plant flour produced from North American grown, de-oiled hemp hearts, containing no cannabidiol (“**CBD**”), tetrahydrocannabinol (“**THC**”) or other cannabinoids, and is a high protein, high fiber flour. Hemp “protein powders” currently exist in the market but are typically a very coarse grind resulting in a gritty mouthfeel and limited application. As such, there are few commercial food producers interested in using such a product. The Company has researched and developed processes using specialized equipment to successfully de-oil the hemp heart and produce a powder like the consistency of wheat flour. This produces an ideal mouthfeel and increased applications, especially for commercial food producers. The Company has been commercially producing and selling this product since Q4 2020.

**Hemp Heart Oil.** Current hemp oil in the market is typically found used in the CBD industry and has a “grassy” taste and dark green opaque color. Through the Company’s proprietary processes, the Company is able to de-oil the hemp hearts resulting in a golden translucent oil with a mild nutty flavor, improving the taste and appearance from existing formulations of hemp oil. The Company has developed hemp oil products including margarine, mayonnaise, dips, salad dressings, and similar oil-based products. As the oil is extremely high in monounsaturated fats and polyunsaturated fats (as indicated by third-party testing completed by Analytical Food Labs of Grand Prairie, Texas), Omega 3 and Omega 6, it can also be concentrated for use in supplements and the health and beauty markets. However, the Company does not have products in the health and beauty markets at this time.

The Plant-Based Ingredients line of the Company’s business currently consists of eighteen (18) SKUs:

<b>Product</b>	<b>Description</b>	<b>Status</b>
EB-10	Essential Blend EB-10. A proprietary blend of the Company’s specialty tapioca starches, and flours. EB-10 is developed for specialty gluten free products like artisan breads.	Currently available
EB-20	Essential Blend EB-20. A variation of the EB-30 product specially formulated for stiffer doughs like pizza and bagels.	Currently available
EB-30	Essential Blend EB-30. A proprietary blend of modified tapioca starch, rice flour, and rice starch. Ideal for all types of gluten free products. Naturally resistant starch slows down retrogradation, increases shelf life and provides wheat like structure.	Currently available



EB-GF	Essential Blend-GF. A grain free version of the EB-30 product.	Currently available
EF-03	EF-03 low fiber cassava flour. The cassava root is made up of mostly starch and fiber. Tapioca starch is just the starch component. EF-03 retains three percent (3%) fiber content which is lower than the raw root, but is ideal for certain snack items where too much fiber causes production issues. Retaining fiber in the product then classifies the product as flour and not starch.	Currently available
EF-08	EF-08 high fiber cassava flour. The EF-08 eight percent (8%) fiber content is a high fiber flour ideal for breads and other baked goods where more fiber is beneficial for the formula and the consumer.	Currently available
EF-HAF	Essential Flour-HAF. A wet-milled high amylose rice flour.	Expected Q4 2021
EF-GR	Essential Flour-GR. A wet-milled glutinous rice flour.	Expected Q4 2021
EF-HAS	Essential Flour-HAS. A high amylose rice starch.	Expected Q4 2021
HHO	Golden hemp heart oil.	Currently available
N-50 Hemp Flour	White hemp heart flour. Low Fat flour with fifty percent (50%) protein, high in fiber and extremely low in carbohydrates. Ideal for baking and snack food applications.	Currently available
N-70 Hemp Flour	White hemp heart flour. Low fat flour with seventy percent (70%) protein, high in fiber and extremely low in carbohydrates. Ideal for baking and snack food applications.	Currently available
Psyllium	PSY-98 Psyllium powder. 98% pure, 100 mesh. White in colour, no off flavors. Ideal for formulation gluten-free baked products.	Currently available
Rheoflex® Native	Pre-gel native tapioca starch. Provides the dough rheology needed to make processing easier with a clean label.	Currently available
Rheoflex® Modified	A pre-gel modified tapioca starch. Provides a wheat dough like rheology to gluten-free doughs. Enzyme resistant. Allows development of products not possible with traditional formulas.	Currently available
Rheoflex® Cassava	A pre-gel low fiber cassava flour. Provides dough-like structure to formulations and eases processing of doughs.	Currently available
RS-3700	An RS4 modified tapioca, long single chain starch that is nutritionally greater than ninety percent (90%) dietary	Currently available

fiber allowing the reduction in carbohydrates in formulations such as ketogenic friendly foods.

TSA                      Acetylated Tapioca Starch.                      Expected Q4 2021

Substantially all the Company’s historical revenue was derived from the sale of the following Plant-Based Ingredient Products, with EB-30 representing the majority thereof: EB-30, EF-03, EF-08, N-50, Psyllium, Rheoflex Native, Rheoflex Modified, RS-3700.

Plant-Based Proteins

The Company’s meat analogues are allergen-free and provide an alternative to animal protein while retaining a complete amino profile and functional nutrition. Primarily hemp based, these products contain bio-available proteins and nutrients which are high in protein and healthy Omegas without cultivation pesticides, chemical fertilizers, and phytoestrogen.

**Hemp Based Proteins.** From the Company’s Hemp Flour, further processing is applied to arrive at higher protein isolates and textured proteins which have broad applications within the food industry. Textured hemp protein (“**THP™**”) is a trademarked name for the Company’s extruded hemp solids as a replacement for textured vegetable protein (“**TVP**”), traditionally made of soy. THP™ can be used as a meat analog or meat free protein that has the texture and mouthfeel of meat. The Hemp protein isolate product (“**NI-90**”) contains a high protein concentration in the eighty-five to ninety-five percent (85-95%) range, with all the liquids being evaporated. As hemp hearts contain some of the same protein structures as eggs, e.g. albumen and globulin, the Company is in the process of developing a dry egg replacer that is expected to have a wide application in food production allowing for the needed functional properties of eggs, without the actual eggs, a recognized allergen.

The Plant-Based Proteins line of the Company’s business currently consists of seven (7) SKUs:

<u>Product</u>	<u>Description</u>	<u>Status</u>
EggFree	A consumer plant-based liquid egg alternative.	Expected Q1 2022
Meatball Alternative Mix	A hemp-based seasoned meatball or meatloaf alternative mix.	Currently available
Neptra Meat Alternative	Including burgers, sausages, crumbles, and deli meats. Provides a complete amino profile, offering a one-to-one substitute for beef.	Expected Q3/Q4 2021
ProCell™	A powdered egg-free plant-based protein product for use as a substitute for powdered egg whites with excellent foaming properties. The primary use is expected to be in baking. We expect the product to be marketed as a commercial product initially, and to consumers at a later date.	Expected Q1 2022
N-70	A powdered seventy percent (70%) hemp protein concentrate.	Expected Q3 2021
NI-90	A powdered ninety percent (90%) hemp protein isolate.	Expected Q1 2022
THP™	Textured hemp protein. An allergen-free substitute for TVP in several applications as an animal protein alternative.	Expected Q3 2021

All the Plant-Based Proteins are presently formulated to include industrial hemp hearts (seeds) falling under the FDA Hemp Seed GRAS Evaluation. See “*FDA Hemp Seed GRAS Evaluation*”.

#### Plant-Based Dairy Alternatives

The Company’s alternative dairy products are focused on being healthy functional foods delivering the same or better nutritional benefits as its traditional counterpart without sacrificing taste or experience.

The Plant-Based Dairy Alternatives line of the Company’s business currently consists of eight (8) SKUs:

<b>Product</b>	<b>Description</b>	<b>Status</b>
Cottage Cheese Alternative	High protein plant-based cottage cheese alternative.	Expected Q4 2021
Dressings	Dressings made from HHO cold pressed hemp oil in a variety of flavors including Italian, Balsamic, Ranch, and Vinaigrette	Expected Q3 2021
Ice Cream Alternative	High protein low carbohydrate ice cream sold in CPG and B2B formats.	Expected Q2 2022
Milk Alternative	Higher protein hemp-based milk.	Expected Q4 2021
Milk (low fat) Alternative	Higher protein hemp-based low-fat milk.	Expected Q4 2021
Mozzarella Cheese Alternative	High protein plant-based mozzarella cheese alternative.	Expected Q4 2021
Sour Cream Alternative	Plant based sour cream alternative.	Expected Q3 2021
Yogurt Alternative	Plant-based yogurt alternative sold in CPG and B2B formats.	Expected Q1 2022

All the Plant-Based Dairy Alternatives are presently formulated to include industrial hemp hearts (seeds) falling under the FDA Hemp Seed GRAS Evaluation. See “*FDA Hemp Seed GRAS Evaluation*”.

#### Plant-Based Baked Goods, Snacks, and Spreads

The Company’s Plant-Based Baked Goods, Snacks, and Spreads are comprised of gluten-free and allergen-free specialty ingredients formulated to be low in carbohydrates while high in protein and dietary fiber for a healthy alternative to traditional snacks and baked goods. Many of these snack offerings, including pretzels, muffins, breads, and butters, are also ketogenic friendly.

The Plant-Based Baked Goods, Snacks, and Spreads line of the Company’s business currently consists of twelve (12) SKUs:

<b>Product</b>	<b>Description</b>	<b>Status</b>
Baking Mixes	These mixes include variations for waffles, cakes, brownies, bread, pizza crust, and all-purpose baking which are sold in CPG and B2B formats.	Expected Q3 2021
Cheese Crackers	Cheese snack crackers.	Expected Q3 2021
Hemp Butter	A butter made from hemp hearts. A nut free alternative to peanut butter that can be used as a filling in snack items such as pretzels or protein bars or sold on its own as a spread. Sold in CPG and B2B quantities.	Currently available
Chocolate Hemp Butter	A chocolate flavored butter made from hemp hearts. An allergen-free alternative to peanut butter that can be used as a filling in snack items such as pretzels or protein bars or sold on its own as a spread. Sold in CPG and B2B quantities.	Expected Q3 2021
Cookies	Cookies in a variety of shapes, sizes and flavors tailored to dietary requirements. Sold in CPG packaging and private label formats.	Currently available
Donuts	Low carbohydrate high protein donuts.	Expected Q4 2021
Hemp Dips	Hemp based snack dips and spreads, similar to vegetable dips, salsa, etc.	Expected Q3 2021
Hemp Margarine	Hemp oil-based margarine sold in CPG and B2B formats.	Currently available
Keto Chips	Reduced carbohydrate chip with increased protein and fiber.	Expected Q4 2021
Hemp Pasta	Hemp based pasta with increased protein and reduced carbohydrates.	Expected Q4 2021
Prepared Meals/Bowls	Balanced nutrition prepared meals or bowls featuring Neptra products such as hemp pasta and meat alternatives with increased protein and reduced carbohydrates.	Expected Q1 2022
Pretzels	Pretzel twists and filled nuggets. Nuggets can be filled with Hemp Nut Butter or cheese filling.	Expected Q3 2021

Certain of the Plant-Based Baked Goods, Snacks, and Spreads are presently formulated to include industrial hemp hearts (seeds) falling under the FDA Hemp Seed GRAS Evaluation, including (i) certain Baking Mixes formulated with a higher protein content, such as waffle and bread mixes, (ii) Hemp Butter, (iii) Chocolate Hemp Butter, (iv) Hemp Margarine, and (v) Pretzels. See “*FDA Hemp Seed GRAS Evaluation*”.

#### **FDA Hemp Seed GRAS Evaluation**

On December 20, 2018, the FDA issued a constituent update discussing its evaluation of three GRAS notices for hemp seed-derived food ingredients. The GRAS notices were submitted by Fresh Hemp Foods, Ltd. (Manitoba Harvest)

(“**Fresh Hemp Foods**”) on March 1, 2018, as amended September 14, 2018 and November 2, 2018. The agency has no questions about Fresh Hemp Foods’ conclusion that the following ingredients are GRAS under their intended conditions of use: hulled hemp seed (GRN765), hemp seed protein powder (GRN771), and hemp seed oil (GRN778). See FDA Response Letter GRAS Notice No. GRN 000765, Notice No. GRN 000771, and Notice No. GRN 000778.

Foods containing hemp seed and hemp seed-derived ingredients are currently marketed in the United States only. Hemp seeds are the seeds of the hemp plant, *Cannabis sativa*. Although hemp is from the same species as cannabis, the seeds themselves do not naturally contain THC, the main psychoactive ingredient in cannabis. The hemp seed derived ingredients that are the subject of these GRAS notices contain only trace amounts of THC and CBD, which the seeds may pick up during harvesting and processing when they are in contact with other parts of the plant. Consumption of these hemp seed-derived ingredients do not affect the customer in the same manner as ingesting cannabis.<sup>1</sup>

The GRAS notices are for three (3) different hemp seed-derived ingredients. The GRAS conclusions can apply to ingredients from other companies, if they are manufactured in a way that is consistent with the notices and they meet the listed specifications. Some of the intended uses for these ingredients include adding them as source of protein, carbohydrates, oil, and other nutrients to beverages juices, smoothies, protein drinks, plant-based alternatives to dairy products, soups, dips, spreads, sauces, dressings, plant-based alternatives to meat products, desserts, baked goods, cereals, snacks, and nutrition bars. Products that contain any of these hemp seed-derived ingredients must declare them by name on the ingredient list.

### **Future Products**

The Company has partially developed the following additional products and categories of product, which currently do not have an estimated release date and will be evaluated as future Company product offerings:

#### Sprouted Ancient Gluten Free Grains

Sprouted ancient grains include millet, oats, buckwheat, quinoa, rice, hemp, and amaranth. Most grains, seeds, and beans have a natural defense mechanism against insects, pests and microorganisms that protect the seed while it is dormant. These same defenses also prevent access to all the nutrients in the grain when consumed by humans and animals if eaten in the dormant stage. By sprouting the grain, nature drops the defense barrier and unlocks the nutrients in the grain that the future plant would need to grow. It also unlocks nutritional benefits for humans that consume the sprouted grain as “the germinating process breaks down some of the starch, which makes the percentage of nutrients higher. It also breaks down phytate, a form of phytic acid that normally decreases absorption of vitamins and minerals in the body. So sprouted grains have more available nutrients than mature grains.”<sup>2</sup> These sprouted grains and seeds can be further processed into flours for baking or used in the whole grain state.

#### Malted Gluten-Free Grains and Alternative Sweeteners

The Company is using the process of malting (*i.e.* converting the starches in grain to sugar) with ancient gluten-free grains to create new ingredients for use in the baking and snack foods categories. This process creates new flavors and new sources of sweetness. The Company has also developed processes to convert the starches in the grain to liquid sugars. These can then be reduced into a liquid form much like a honey or maple syrup. Uses for these syrups include baking, food development, and beverages.

#### Alternative Chocolates

The Company has developed several varieties of chocolate analogues –using gluten-free ancient grains that do not contain any natural chocolate. These can be used for adding as chips to bars and baking, used for coating, or eaten as

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<sup>1</sup> FDA Constituent Notice, December 20, 2018. <https://www.fda.gov/food/sfsan-constituent-updates/fda-responds-three-gras-notices-hemp-seed-derived-ingredients-use-human-food>

<sup>2</sup> Kristina Secinaro, a registered dietitian at Harvard-affiliated Beth Israel Deaconess Medical Center, November 6, 2017. <https://www.health.harvard.edu/blog/sprouted-grains-nutritious-regular-whole-grains-2017110612692#>

candy. In addition to new flavors, some producers are looking for alternatives for chocolate due to cost, sustainability concerns, or allergies.

### Fermented Foods

The Company recognizes emerging awareness and interest in “gut health” and the health benefits offered through the addition of fermented foods in a healthy diet. The Company expects to evaluate fermented foods for inclusion in its future product offerings, and such product offerings currently do not have an estimated release date.

### **Supply Agreements**

The Company, through its wholly-owned subsidiaries, has been engaged in the importation and production of its Plant-Based Ingredients since 2016 and has established relationships with its supplier, Starch Products Co. (“**Starch Products**”) in Thailand for most of its specialty ingredient inputs. With respect to the Company’s inputs for its Plant-Based Ingredients, the Company has identified and approved multiple suppliers including General Food Products. At present, the majority of the Company’s hemp hearts come from a large non-exclusive supplier, Hemp Production Services (“**HPS**”) in Saskatoon, Saskatchewan, that is able to consistently supply materials in truck-load quantities of the same lot number, which enhances production consistency and efficiencies. The Company continues to evaluate varieties of hemp hearts in the future which may be selected or tailored to maximize oil and protein content without being genetically modified.

The Company has a policy of dual sourcing for all inputs to manage and mitigate potential disruptions in its supply chain.

### **Distribution Agreements**

The Company has multiple distribution relationships in North America. British Canadian Imports (“**BCI**”) supports sales and distribution of many of the Plant-Based Ingredients to food manufacturers throughout Canada. Distribution throughout the United States is primarily handled by the Company directly, however, the Company does have non-exclusive verbal arrangements with regional sales representatives who may act in a brokering capacity to assist with sales and distribution of the Company’s products to end-users. All such orders are negotiated and accepted at the discretion of the Company on the terms as agreed and reflected on individual purchase orders.

The Company has worked with a variety of food manufacturers, co-packers and grocery stores across North America (including, but not limited to, Whole Foods, Safeway, Walmart, Kroger, Target, CVS Pharmacy, Kinnikinnick Foods, Quinn Snacks, Tone It Up, Fit Joy Foods, Pretzels Inc., and Rotella’s Bakery) which are producing or selling products formulated by the Company and include the Company’s ingredients.

### **Research and Development**

While the Company is primarily a food technology and production company, it believes that continued product development and innovation is essential. The Company employs two individuals with responsibility for developing new and innovative uses for the Company’s products. The primary focus of the Company’s research and development relates to expansion of the Company’s existing product lines. The innovation team also supports the sales team by assisting customers with product applications or inclusion, and on a consultative basis will even go on-site to assist with customer product pilot production.

### **Facilities, Licensing and Operations**

#### Centennial Manufacturing Facility

From August 2016 to December 2020, NFL leased approximately 10,000 square feet of developmental and warehouse space in Englewood, Colorado from 2080 W Cornell, LLC, a company owned by David Wood, the CEO and a director of the Company. In this space, NFL developed many of its product formulations and recipes which today are

represented by the Company's products. From this location, NFL also used specific manufacturing processes and methods and began pilot production of the Plant-Based Ingredients.

On January 1, 2021, NFL ceased operations at its Englewood, Colorado facility and began leasing its current 31,000 square foot Centennial Manufacturing Facility, which acts as the Company's headquarters, manufacturing, and distribution center. Pursuant to the lease agreement (the "**Centennial Lease Agreement**"), NFL currently pays US\$9.50 per square foot per annum, with annual escalations, with the first year of rent abated by fifty percent (50%). The term of the Centennial Lease Agreement is for ten (10) years, ending December 2030.

Utilizing co-production and co-packaging agreements, the Company is able to deliver a highly scalable business model capable of increased volumes of production from its existing footprint. The Centennial Manufacturing Facility features 28-foot ceilings (permitting a potential second story manufacturing floor) and several shipping docks accommodating office and administrative staff, production, warehousing, and distribution. This facility has allocated 10,000 square feet (expandable to 20,000 square feet by using a mezzanine system) for production and approximately 3,000 square feet allocated to a development and test kitchen where new CPG products are created, tested, and showcased. This developmental kitchen allows the Company's innovation team the ability to retain intellectual property and recipes and may enable customers to visit and sample products in a safe and secure facility.

The Company also leases flexible warehousing in strategic locations around the United States to leverage shipping routes and costs. These warehouses are certified food storage facilities with the necessary controls and staff in place to ensure proper product storage. The Company pays for the facilities when used. The facility locations are near rail lines, interstate highways, and major customers. The Company is utilizing such a facility in Omaha, Nebraska currently and is considering options for a similar facility in close proximity to the Long Beach, California and New York/New Jersey ports.

The Centennial Manufacturing Facility is adequate to meet the Company's product manufacturing requirements for the next three to five (3-5) years when coupled with strategic third-party co-packers. After completion of the Offering, the Company expects to build out the Centennial Manufacturing Facility to accommodate expanded manufacturing capacity, completed over a series of planned phases. Highly specialized manufacturing processes may require collaboration with third-party contract manufacturers.

There can be no assurances that the Company will be able to achieve such additional production capacity and annual revenue and that the plans, initiatives, or expectations upon which they are based will occur. See "*Risk Factors*".

#### Food Manufacturing Licenses and Certifications

The Company operates its Centennial Manufacturing Facility with a registration number issued by the FDA. The Company complies with all regulations under the Food Safety Modernization Act ("**FSMA**"), and the Foreign Supplier Verification Program ("**FSVP**") set up under the FDA. The facility and the products are Kosher certified. The Company has had a third-party auditor certify its operations, manufacturing procedures, employees, and facility under the GMP system. GMP regulations are a system set up under the FDA that ensure the Company's food manufacturing products are consistently produced and controlled according to set quality standards. NFL's HACCP program is part of that audit. NFL is working towards GFSI certification. The process to attain this certification typically takes nine to twelve (9-12) months to attain. The Company is expected to certify under one of three globally recognized systems, namely SQF, BRC, or the FSSC2200 program. The Company also expects that the Centennial Manufacturing Facility will soon be certified gluten-free.

#### Canadian Legislation and Regulation

The *Safe Food for Canadians Act* (the "**SFCA**"), the *Safe Food for Canadians Regulations* (the "**SFCR**"), the *Food and Drugs Act* (the "**FADA**") and the *Food and Drugs Regulations* (the "**FDR**") are the main federal food laws and regulations (collectively, the "**Canadian Federal Food Laws**"). The responsibility for food labelling is shared between the CFIA and Health Canada.

Under the FADA, Health Canada administers regulations relating to the health, safety, and nutritional quality of food sold in Canada. This includes labelling requirements about the nutrients in food, claims about nutrients, the presence of food allergens, and safety-related expiration dates. Under the FADA and FDR, the CFIA administers non-health

and safety food labelling regulations related to misrepresentation, labelling, advertising, and standards of identity. The CFIA is responsible for the enforcement of all the Canadian Federal Food Laws.

In recent years, a number of plant-based meat and dairy alternative companies have been the subject of CFIA investigations relating to the use of words such as dairy and meat in connection with plant-based products. In certain instances, the matter was resolved through the use of a hyphenated modifier such as “plant-based” or “dairy-free” but in others, revisions to the labelling of products were required in order to distinguish the products at issue from the conventional understanding of meat and cheese products.<sup>3</sup>

Accordingly, while the Company believes that its product labels and marketing materials are not misleading or deceptive, there is a risk that the CFIA could take up enforcement action against the Company. Non-compliance with the labelling requirements would be a breach of Section 5(2) of the FADA and could lead to fraudulent labelling charges with fines of up to \$50,000 (summary conviction) and \$250,000 (conviction by indictment). The CFIA can also recall products and has the power to revoke the licenses required by most food businesses under the new SFCA and SFCR.

The Company is also aware of the proposed updated guidelines (and corresponding consultation) undertaken by the CFIA in November and December 2020 regarding “simulated meat and poultry” products and “other products which do not substitute for meat or poultry products” and will continue to monitor the regulatory requirements on this topic.

### Operations

The Company currently manufactures many of its products at the Centennial Manufacturing Facility and intends to use the proceeds of the Offering to expand its production. The Company’s specialty ingredients are currently produced in Thailand. The Company currently has blending capabilities which it uses to produce its mixes which are anticipated to be expanded during the second and third quarters of 2021. The Centennial Manufacturing Facility also serves as the Company’s headquarters for management and support personnel. The day-to-day operations are managed by the CEO through a production manager and production supervisor overseeing production employees. The facility typically operates Monday to Saturday with three overlapping shifts. Deviations from this schedule are made, when necessary, by operating shorter shifts or longer hours during the weekends. Maintenance is performed on Sundays and scheduled during production gap hours.

The Company manufactures and packages its products through a combination of state-of-the-art equipment and skilled labour at its Centennial Manufacturing Facility. The Company also anticipates the use of third-party co-packers and manufacturers for some of its CPGs.

The Company operates a food manufacturing facility with policies and procedures compliant with industry standards and governing agency requirements. The Centennial Manufacturing Facility is a Kosher, HACCP, and GMP certified compliant facility.

### **Employees, Specialized Skill and Knowledge**

As of the date of this Prospectus, the Company has eleven (13) employees and an additional two (2) contracted service providers. All employees and contractors are subject to confidentiality and non-disclosure restrictions. The operations of the Company are managed by its directors and officers.

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<sup>3</sup> “Vegan food producer ordered to drop the word ‘cheese’ from its marketing”, *The Globe and Mail* (last updated 20 February 2019), online: <[www.theglobeandmail.com/business/small-business/marketing/article-vegan-food-producer-ordered-to-drop-the-word-cheese-from-its/](http://www.theglobeandmail.com/business/small-business/marketing/article-vegan-food-producer-ordered-to-drop-the-word-cheese-from-its/)>; “Vegan cheese is pleasing the appetites of all kinds of eaters”, *The Globe and Mail* (18 January 2020), online: <[www.theglobeandmail.com/life/food-and-wine/article-vegan-cheese-is-pleasing-the-appetites-of-all-kinds-of-eaters/](http://www.theglobeandmail.com/life/food-and-wine/article-vegan-cheese-is-pleasing-the-appetites-of-all-kinds-of-eaters/)>.



The nature of the Company's business requires specialized knowledge and technical skill around the manufacturing, packaging, and regulations of food and nutrition industries.

The required skills and knowledge to succeed in this industry are available to the Company through certain members of the Company's management, directors, officers, and advisory teams.

### **Competitive Conditions**

The Company's competitive landscape is unique to each of its product channels: commercial food manufacturers and consumer packaged goods. For commercial food manufacturers, the Company sells speciality ingredients, proprietary mixes and blends unique to the Company. Other competitors in this segment include Ingredion,<sup>4</sup> ADM,<sup>5</sup> Cargill,<sup>6</sup> and Agrident.<sup>7</sup> The Company's Plant-Based Ingredients compete well against the competition by focusing on specific functionality for the gluten and allergen free bakery and snack food markets whereas the competitive products are more generalized. The majority of ingredients sold by the competition do not fall under the gluten and allergen-free category and are made from traditional sources of wheat, corn and soy.

The Company's CPG items include plant-based animal protein substitutes, as well as finished products including plant-based dairy alternatives, snack foods and spreads. The Company also offers its CPG items to others under private label programs and under partnerships with commercial food manufacturers. Competition in the plant protein consumer products markets include products from companies such as Beyond Meat<sup>8</sup>, Impossible Foods<sup>9</sup>, and Daiya<sup>10</sup>. None of these competitors are currently utilizing hemp as their protein source and some are not allergen free. Competitive allergen free protein sources would be mostly from pea and potato. The Company's hemp-based protein and the unique and proprietary methods used in producing it affords both neutral taste and coloring profiles allowing for a broader range of applications. The aforementioned taste and nutritional benefits, for its Plant-Based Power Foods<sup>TM</sup>, allows the Company to differentiate its offerings from the competition and be the first to market in many segments.

### **Intellectual Property**

The Company holds intellectual property in the form of recipes, formulations, and proprietary processes. The Company has retained eIP, an international patent and intellectual property law firm to assist with building its intellectual property protection strategy and implementing the same. The trademarking process can take up to twenty-four (24) months to complete and can be challenged during the process. At this time, the Company is unable to confirm whether the trademarks it has applied for will be approved, refused, and/or ultimately registered. Depending on the jurisdiction, trademarks are valid as long as they are used in the regular course of trade and/or their registrations are properly maintained. The Company holds the following trademarks and tradenames:

#### Trade Names and Trademarks:

- "*Carb Savvy*", common law trademark
- "*ProCell*", common law trademark

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<sup>4</sup> Ingredion is a multinational starch company with estimated annual revenues of US\$6 billion focused on volume distribution of starch food ingredients.

<sup>5</sup> Archer Daniels Midland is a multinational food and ingredient business with estimated annual revenues of US\$65 billion also focused on volume distribution of its ingredients.

<sup>6</sup> Cargill is a privately held multinational agricultural products company with estimated revenue of US\$115 billion.

<sup>7</sup> Agrident is a private company with estimated revenues of US\$22 million that sells gluten free starches and plant proteins made from wheat, potato soy and pea.

<sup>8</sup> Beyond Meat is a publicly traded company that sells alternative meat products made from plants.

<sup>9</sup> Impossible Foods is a privately held company that sells alternative meat products made from plants.

<sup>10</sup> Daiya Foods is a privately held company that produces dairy alternative products made from plants.

- “*Essential Blends*”, common law trademark
- “*Rheoflex*”, as registered January 22, 2019 and issued federal trademark USPTO Reg. No. 5661252
- “*THP*”, as filed on April 23, 2019 and pending federal trademark USPTO Serial No. 88398846

Slogan:

- “*Plant Based Power Foods*”, as filed on March 31, 2021 pending federal trademark USPTO Serial No. 90616136

Trade Secrets:

- Hemp Heart Oil Extraction Process
- Hemp Protein Isolation Method
- Hemp Flour Purification Process

Proprietary Formulations. The Company also holds over fifty (50) proprietary formulations based on variations of known formulations and are considered trade secrets that may be filed as patent applications. However, the Company believes it is in its best interest to not publish the formulations through a patent application as the process of doing so would reveal the secret itself.

IP Protection. The Company currently considers its processes to be trade secrets for which no formal patent protection has been sought to date. The Company requires non-disclosure agreements from all its employees and contractors as a condition of employment or engagement. In addition to non-disclosure, the Company, with the guidance of patent counsel, is evaluating and may in the future pursue patent protection on certain processes and methods used in the Company’s manufacture of its product. The Company expects that any such patent protection would be initially sought under the US Patent and Trademark Office and then through reciprocating offices in major jurisdictions around the world through treaties and international agreements.

**Foreign Operations**

The Company currently conducts its business in the State of Colorado in the United States. Through its verbal distribution arrangement with BCI, the Company sells its Plant-Based Ingredients in Canada to food manufacturers on a non-exclusive basis. All such orders are negotiated and accepted at the discretion of the Company on the terms as agreed and reflected on individual purchase orders.

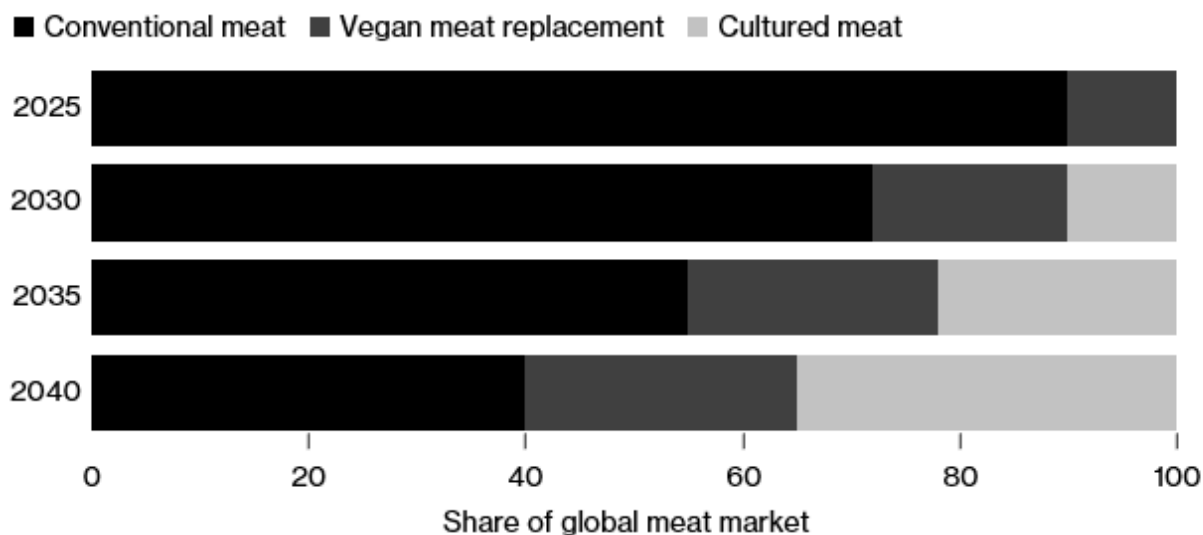
**Bankruptcy and Similar Procedures**

The Company has not been involved in any bankruptcy, receivership or similar proceedings or any voluntary bankruptcy, receivership or similar proceedings since incorporation or completed during or proposed for the current financial year.

**Our Industry and Principal Markets**

The plant-based protein and meat alternatives market is projected to grow to between US\$450-\$480.43 billion by

2024<sup>11</sup> and make up a quarter of the estimated \$1.8 trillion dollar meat market by 2040.<sup>12</sup> As shown in the figure below, by 2040, conventional meat is expected to only account for 40% of the global meat market.<sup>13</sup>



The plant-based dairy alternative market is expected to hit US\$44.9 billion by 2027.<sup>14</sup> The primary consumers of the plant-based foods market include vegans, vegetarians, and flexitarians (those wanting to increase their intake of plant-based meals without completely eliminating meat) with the latter representing the most significant segment of growth.

There is a movement toward plant-based proteins and being vegan part-time. The International Food Information Council (“IFIC”) published a report in January 2021 stating that three in four consumers identify as omnivores, meaning eating both plants and animal proteins with approximately twenty-four percent (24%) identifying as vegetarian (9%), pescatarian (7%), vegan (2%), or part-time vegan (5%). The report states that sixty-five percent (65%) of consumers have tried at least one new plant-based protein in the last year, of those twenty-eight percent (28%) reported having tried plant-based meat, twenty-four percent (24%) milk alternatives, twenty-one percent (21%) other dairy alternatives, and twenty-one percent (21%) packaged foods high in plant proteins.<sup>15</sup>

While many meat alternative buyers also purchase meat, key drivers of the shift in the market include increasing allergenic and food sensitivities, in addition to the increased sustainability of plant-based food sources. While all proteins have the potential to become allergens, in practice the ability of animal proteins to act as allergens depends on their evolutionary distance from a human equivalent. For example, dairy and eggs are common causes of allergies

<sup>11</sup> <https://tastingthefuture.com/2020/11/04/6-plant-based-food-and-beverage-trends-for-2021/>, citing investment firm UBS, November 4, 2020.

<sup>12</sup> <https://www.bloomberg.com/news/articles/2021-05-03/tyson-takes-on-beyond-meat-impossible-foods-with-plant-based-burger-fake-meat#:~:text=By%202040%2C%20conventional%20meat%20will%20only,be%2040%25%20of%20the%20global%20market,> citing Kearney Research, May 3, 2021.

<sup>13</sup> *Ibid.*

<sup>14</sup> <https://www.globenewswire.com/en/news-release/2021/03/22/2196687/0/en/Dairy-Alternatives-Market-to-Reach-44-89-billion-by-2027-Exclusive-Report-by-Meticulous-Research-Covering-Emerging-Growth-Factors-Latest-Trends-and-Forecasts-and-Pre-and-Post-COVID.html>, March 22, 2021.

<sup>15</sup> See International Food Information Council research <https://foodinsight.org/plant-and-animal-protein-consumer-survey/> referring to January 2021 Consumer Research Report found at <https://foodinsight.org/wp-content/uploads/2021/01/Protein-Task-Force-Survey-January-2021-1.pdf> also citing from foodinsight.org.

in infants whereas the most common animal food allergens in adults are fish and seafood. According to the World Allergy Organization, food allergy affects approximately two and one-half percent (2.5%) of the general population<sup>16</sup> with the US National Institute of Allergy and Infectious Diseases (“**NIAID**”) cites ninety percent (90%) of these food allergies are caused by eggs, milk, fish, red meat, soy, nuts, and wheat.<sup>17</sup> While not specifically a food allergy, the Association of UK Dietitians estimates that twenty percent (20%) of the population experience hypersensitivity or reactions to foods.<sup>18</sup> Therefore, due to the major contribution of animal protein in the overall food allergies, most of the meat consumers have started preferring meat substitutes made of vegan proteins, which, in turn, is expected to drive the demand for plant-based protein products.<sup>19</sup> Furthermore, increased recognition of plant-based products in offering similar comprehensive proteins, vitamins, and amino acid profiles – or ‘complete proteins’ – comparable to their animal counterparts<sup>20</sup> is expected to further enhance demand.

The global plant-based food market is typically segmented into the following: dairy alternatives, meat substitutes, egg substitute, confectionary, and other types. The dairy alternatives accounted for the largest segment of the market in 2019, whereas the meat substitutes market is forecast to have the highest growth rate.<sup>21</sup> The plant-based food market input sources include soy, almond, wheat, pea, rice, and other sources. Soy accounts for the largest segment of this market due to its abundant availability, lower cost (relative to other sources of protein),<sup>22</sup> number of soy-based meat alternative products, and higher consumer acceptance levels. While consumer awareness for health-conscious trends increases, it is important to note that the largest sources of plant-based proteins, soybeans, tree nuts and peanuts, which are all USDA recognized allergens. Soy is most commonly genetically-modified.<sup>23</sup>

### Plant-Based Ingredients

Gluten-free is a key market segment in the food industry.<sup>24</sup> Unfortunately, most gluten-free foods are still considered less desirable than the same food in the full gluten category. Gluten-free products tend to be carbohydrate heavy, low in nutrients and lacking in flavor. The Company's goal is to develop gluten-free foods that are lower in carbohydrates, nutrient rich and full of flavor. The Company believes that if people have a choice of buying gluten-free foods with the same textures, flavor, and nutrition as full gluten products with a reasonable price upcharge, the gluten-free option will have the advantage. The Company has developed relationships with ingredient manufacturers in the United States and around the world to identify the ideal ingredients to confront this problem. The Company's customers have reported experiencing up to forty percent (40%) loss on their gluten-free lines due to ingredient irregularities or

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<sup>16</sup> <https://www.worldallergy.org/education-and-programs/education/allergic-disease-resource-center/professionals/food-allergy>)

<sup>17</sup> [Plant Based Food Market | Meticulous Market Research Pvt. Ltd. \(meticulousresearch.com\) citing www.niaid.nih.gov/](#)

<sup>18</sup> <https://www.bda.uk.com/resource/food-allergy-food-intolerance.html>

<sup>19</sup> [Plant Based Food Market | Meticulous Market Research Pvt. Ltd. \(meticulousresearch.com\)](#)

<sup>20</sup> Journal of the academy of nutrition and dietetics, Dec 2016 Volume 116 number 12

<sup>21</sup> SPINS Natural Enhanced Channel, SPINS Conventional Multi Outlet Channel (powered by IRI) | 104 Weeks Ending 12-27-2020.

<sup>22</sup> McKinsey & Co., 2019, “Alternative Proteins: The race for market share is on”.

<sup>23</sup> Milk, Eggs, Fish, Shellfish, Tree Nuts, Peanuts, Wheat, Soybeans are all Major Food Allergens pursuant to the U.S. FDA and the Food Allergen Labeling and Consumer Protection Act of 2004, Public Law 108-282, Title II, as amended (“**FALCPA**”). Soy harvested in the United States is also ninety-four percent (94%) GMO, USDA's National Agricultural Statistics Service (“**NASS**”) in the June Agricultural Survey for 2000 through 2019.

<sup>24</sup> Gluten-Free products market size estimated at US\$21.61B in 2019 with a CAGR of 9.2%. Grand View Research, February 2020. <https://www.grandviewresearch.com>

formulation failures. The Company sells a line of specialty flours and mixes that make the production process easier to manage with less end product waste, including its *Essential Blends* and *Rheoflex®* products.

### Plant Based Proteins and Dairy

The Company's Plant-Based Proteins and Dairy are specifically formulated alternatives to animal protein and dairy products. The Company is currently manufacturing and developing new ingredients that are easily interchangeable for soy, dairy, and other plant products. Dairy and soy are widely used in many commercially processed foods, with soy being one of eight recognized major food allergens. Ninety-four percent (94%) of soy harvested in the United States is genetically-modified.<sup>25</sup> With a push by many consumers to avoid allergens, consumers are trying to reduce their animal protein intake, which includes dairy, with some striving for a diet containing no animal proteins at all. An increased awareness of and focus on the impact of diet for health and wellness is driving consumers to seek alternative and plant-based protein sources. The federal legalization of industrial hemp in the U.S., pursuant to the 2018 Farm Bill, has revealed the benefits of hemp as a protein source and elevates it as an ideal plant-based protein alternative. Hemp contains all twenty (20) amino acids including all nine (9) essential amino acids and a 3-1 ratio of essential Omega 3 and Omega 6 fatty acids.<sup>26</sup> Hemp has long been a staple food in many cultures around the world and is known as the "oldest domesticated crop line in the world"<sup>27</sup> and, not until 1937, did the U.S. Congress categorize Hemp under the *Marijuana Tax Act* and in 1970 declare it illegal as a Schedule I Controlled Substance. As Hemp has recently re-emerged on the scene in many markets, its long-standing benefits as a food source are also coming back to light. Hemp is considered a complete plant-based protein and is ideal for today's health-conscious consumer. Hemp plants are eco-friendly needing less water, and they often leave the soil in a better condition after they are harvested than before.<sup>28</sup> Hemp is ideal for organic farming techniques. The Company is manufacturing and distributing high quality hemp-based ingredients.

### Consumer Packaged Goods

According to the Grocery Manufacturers Associate ("GMA"), the CPG industry supports one in ten jobs in the United States and remains the largest manufacturing employer in the United States; it is estimated that the US domestic CPG industry is valued at \$2 trillion and supports over 20.4 million jobs.<sup>29</sup> The CPG industry encompasses food, beverage, household, and personal care products.

The primary goal of the Company's development team is creating new food products that can be launched as individual brands or new products under existing Company product lines. Target market segments and products are focused on healthy functional foods. These brands support a healthy lifestyle and include high protein and healthy fats, dietary fiber and low carbohydrates through product categories including meat and dairy products, snacks, baked goods, dressings, and sauces.

### **Future Developments**

The Company is continuing to innovate new healthy foods and ingredients while monitoring and evaluating the changing landscape in the healthy food industry. The Company anticipates expanding its operations and regional manufacturing facilities to capitalize on local markets and leverage factors such as labour and shipping costs to maximize revenues and bottom-line profits. The Company will also evaluate new technologies which may be utilized

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<sup>25</sup> Source: USDA's National Agricultural Statistics Service in the June Agricultural Survey for 2000 through 2019.

<sup>26</sup> Hempseed as a nutritional resource: An overview J.C. Callaway Department of Pharmaceutical Chemistry, University of Kuopio, FIN-70211 Kuopio, Finland.

<sup>27</sup> History of Hemp in the US, Ministry of Hemp, <https://www.ministryofhemp.com>.

<sup>28</sup> Industrial hemp (*Cannabis sativa* L.) growing on heavy metal contaminated soil: fibre quality and hytoremediation potential. P Lingera, J Müssig, H Fischer and J Koberta.

<sup>29</sup> Consumer Brands Association, The Economic Contributions of the U.S. Consumer Packaged Goods Industry (2019), [https://consumerbrandsassociation.org/wp-content/uploads/2019/11/ConsumerBrands\\_EconImpact.pdf](https://consumerbrandsassociation.org/wp-content/uploads/2019/11/ConsumerBrands_EconImpact.pdf).  
<https://www.consumerbrandsassociation.org/industry-impact>.

in the Company's facilities in the future. Additionally, the Company intends to secure additional facilities to undertake its CPG product manufacturing. See "*Business Objectives and Milestones*". See also "*Facilities, Licensing, and Operations*".

## USE OF PROCEEDS

### Use of Proceeds

Assuming no exercise of the Over-Allotment Option (in whole or in any part), the net proceeds of the Offering, after deducting the Agents' Fee (assuming the Lead Agent elects, on behalf of the Agents, to receive such fee in cash and that no Offered Shares are purchased by President's List Subscribers) and the estimated expenses of the Offering of C\$185,000 (after deducting the Agents' Expense Deposit previously paid by the Company), are estimated to be C\$2,165,000, in the case of the Minimum Offering, and C\$5,925,000, in the case of the Maximum Offering. Assuming completion of the Maximum Offering, including that the Over-Allotment Option is exercised in full, the net proceeds of the Offering, after deducting the Agents' Fee (assuming the Lead Agent elects, on behalf of the Agents, to receive such fee in cash and that no Offered Shares are purchased by President's List Subscribers) and the estimated expenses of the Offering of C\$185,000 (after deducting the Agents' Expense Deposit previously paid by the Company), are estimated to be C\$6,841,500. Until the Closing Date, all subscription funds received by the Agents will be held in trust, pending the closing of the Offering. If the Minimum Offering is not completed, the subscription proceeds received by the Agents in connection with the Offering will be returned to the subscribers without interest or deduction, unless the subscribers have otherwise instructed the Agents. See "*Plan of Distribution*".

The net proceeds of the Offering are currently intended to be used for the purposes described below in "*Total Funds Available*". If the Over-Allotment Option is exercised, the Company expects to use the additional proceeds for working capital.

Upon completion of the Offering, the Company's working capital available to fund ongoing operations is expected to be sufficient to meet the Company's administrative costs for at least twelve (12) months. The Company intends to spend the net funds available to it as stated in this Prospectus. However, there may be circumstances, where for sound business reasons, a reallocation of funds may be necessary. See "*Risk Factors*".

Certain COVID-19 related risks could result in delays or additional costs for the Company to achieve its business objectives. The extent to which the COVID-19 pandemic 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, the United States, and other countries to contain and treat the disease. The outbreak has resulted in governments implementing numerous measures to contain COVID-19, such as travel bans and restrictions, particularly quarantines, shelter-in-place or total lock-down orders and business limitations and shutdowns. These containment measures are subject to change and the respective government authorities may tighten the restrictions at any time. The Company's facilities continue to be operational, and management is working closely with local regulatory bodies to ensure that the Company continues to meet and exceed the standards in markets in which the Company operates. While it is difficult to predict the impact of the COVID-19 pandemic on the Company's business, measures taken by the Canadian and United States governments and voluntary measures undertaken by the Company with a view to the safety of the Company's employees, may adversely impact the Company's business, for instance by impeding the labour required to produce, market, and distribute the Company's products and disrupting the Company's critical supply chains. In addition, while food products industry has been declared an essential service in many provinces and states, including the states in which the Company operates, there is no assurance that the Company's operations will continue to be deemed essential and/or the Company will continue to be permitted to operate in the future. See "*Risk Factors*".

The Company and its wholly-owned subsidiaries, NFL, GFBS and TBS, have incurred total losses since inception of US\$(1,134,232) through December 31, 2020. Although the Company expects to become profitable, there is no guarantee that will happen, and the Company may never become profitable. The Company anticipates it will continue to have negative cash flow from operating activities unless and until commercial production is achieved. The Company does not expect to use any proceeds from the Offering to fund negative cash flow from operating activities in future periods. See "*Risk Factors*".

## Total Funds Available

Assuming completion of the Minimum Offering (assuming no exercise of the Over-Allotment Option, that the Lead Agent elects, on behalf of the Agents, to receive the Agents' Fee in cash and that no Offered Shares are purchased by President's List Subscribers), the Company will have approximately C\$2,620,000 in available funds (net proceeds of the Offering and approximately \$455,000 in estimated working capital as at March 31, 2021).

Assuming completion of the Maximum Offering (assuming that the Over-Allotment Option is exercised in full, that the Lead Agent elects, on behalf of the Agents, to receive the Agents' Fee in cash and that no Offered Shares are purchased by President's List Subscribers), the Company will have approximately C\$6,380,000 in available funds (net proceeds of the Offering and approximately \$650,000 in estimated working capital as at March 31, 2021).

Based upon management's current intentions, the estimated expenditures for which the total available funds will be used in the twelve (12) months after the date hereof are as follows:

Sources	Funds (Minimum Offering)	Funds (Maximum Offering)
Working capital as of May 31, 2021	C\$455,000 <sup>(1)</sup>	C\$455,000 <sup>(1)</sup>
Net proceeds of the Offering	C\$2,165,000 <sup>(2)</sup>	C\$5,925,000 <sup>(3)</sup>
<b>Total Available Funds</b>	<b>C\$2,620,000</b>	<b>C\$6,380,000</b>
Expenditures	Funds (Minimum Offering)	Funds (Maximum Offering)
Product Inventory	C\$250,000	C\$700,000
Marketing & Outreach	C\$250,000 <sup>(4)</sup>	C\$1,360,000 <sup>(4)</sup>
Product Sales & Marketing	C\$200,000 <sup>(5)</sup>	C\$300,000 <sup>(5)</sup>
Facilities Buildout	C\$300,000 <sup>(6)</sup>	C\$410,000 <sup>(7)</sup>
R&D/Product Innovation	C\$400,000 <sup>(8)</sup>	C\$500,000 <sup>(8)</sup>
CPG Brand Funding	C\$200,000 <sup>(9)</sup>	C\$610,000 <sup>(9)</sup>
General and administrative expenses	C\$480,000 <sup>(10)</sup>	C\$1,030,000 <sup>(11)</sup>
Unallocated working capital to fund ongoing operations and for reviewing business opportunities	C\$85,000	C\$1,015,000

### Notes:

- (1) Consists of C\$67,000 in cash.
- (2) Consisting of gross proceeds of C\$2,500,000 (assuming completion of the Minimum Offering and no exercise of the Over-Allotment Option), less expected costs of the Offering of C\$335,000, consisting of the Agents' Fee of C\$150,000 (assuming the Lead Agent elects, on behalf of the Agents, to receive such fee in cash and no Offered Shares are purchased by President's List Subscribers) and the estimated expenses of the Offering of C\$185,000 (after deducting the Agents' Expense Deposit previously paid by the Company).
- (3) Consisting of gross proceeds of C\$7,475,000 (assuming completion of the Maximum Offering and that the Over-Allotment Option is exercised in full), less expected costs of the Offering of C\$633,500, consisting of the Agents' Fee of C\$448,500 (assuming the Lead Agent elects, on behalf of the Agents, to receive such fee in cash and no Offered Shares are purchased by President's List Subscribers) and the estimated expenses of the Offering of C\$185,000 (less the Agents' Expense Deposit previously paid by the Company).
- (4) Reserved for investor and public relations activities and consultants anticipated over the next 12-18 months. As of the date of this Prospectus, no consultants or engagements have been entered into by the Company.
- (5) The Company anticipates the hiring a head of ingredient sales and sales and marketing support personnel.

- (6) Including build out of development kitchen (C\$75,000) and production facilities (C\$225,000).]
- (7) Including build out of development kitchen (C\$100,000) and production facilities (C\$300,000).
- (8) See “*Business Objectives and Milestones*”.
- (9) The Company has identified and expects to engage a consultant to assist in brand and packaging development and creation (C\$130,000) with the balance reserved for implementation of the brand and marketing campaigns resulting from such consultant’s suggestions. As of the date of this Prospectus, no formal engagement has been agreed to.
- (10) General and administrative costs are broken down as follows: (i) personnel costs (C\$200,000), (ii) professional fees (C\$120,000), and (iii) rent, travel, supplies, and other G&A (C\$160,000).
- (11) General and administrative costs are broken down as follows: (i) personnel costs (C\$480,000), (ii) professional fees (C\$120,000), and (iii) rent, travel, supplies, and other G&A (C\$430,000).

If the Over-Allotment Option is exercised, the Company expects to use the additional proceeds for working capital.

The Company intends to spend its available funds as set out in this Prospectus. However, there may be situations where, due to changes in the Company’s circumstances, business outlook, research results and or for other reasons, that a reallocation of funds is necessary in order for the Company to achieve its overall business objectives. Management has, and will continue to have, the discretion to modify the allocation of the Company’s available funds, including the net proceeds of the Offering, if necessary. If management determines that a reallocation of funds is necessary, the Company may redirect its available funds, including the net proceeds of the Offering, to purposes other than as described in this Prospectus. The actual amount that the Company spends in connection with each of the intended uses of funds may vary significantly from the amounts specified above and will depend on a number of factors, including those referred to under “*Risk Factors*”.

### Business Objectives and Milestones

Assuming completion of the Minimum Offering, the primary business objectives for the Company over the next twelve (12) months are:

Milestone	Timeline	Expected Cost
Production Facilities Buildout	Q3 2021	C\$300,000
Launch Meat Analog Product <sup>(1)</sup>	Q4 2021	C\$120,000
Launch Carb Savvy™ Snacks <sup>(2)</sup>	Q3 2021	C\$180,000
Marketing & Outreach <sup>(3)</sup>	Q3 2021 – Q4 2022	C\$200,000

Notes:

- (1) Existing hemp protein and THP™ are expected to be formed in different configurations and presented to consumer panels. Flavor profiles are expected to be developed and then tested in consumer panels as well. Packaging will be arranged and completed. Product samples are expected to be presented to existing and new retail contacts and distribution channels. These samples may also be made available to other commercial food manufacturers for inclusion in their products.
- (2) Co-packers have been identified and formulations are complete for Carb Savvy cookies and pretzels. Similar products created from the Company formulations have already been consumer panel tested and are being well received. Packaging needs to be arranged and completed. Product samples are expected to be presented to existing and new retail contacts and distribution channels.
- (3) Engaging an investor relations and marketing team and carrying out related activities.

Assuming completion of the Maximum Offering, the primary business objectives for the Company over the next twelve (12) months are:

Milestone	Timeline	Expected Cost
Launch THP™ Product <sup>(1)</sup>	Q4 2021	C\$48,000
Launch Hemp Milk <sup>(2)</sup>	Q4 2021	C\$12,000
Development Kitchen Buildout	Q3 2021	C\$100,000



<b>Milestone</b>	<b>Timeline</b>	<b>Expected Cost</b>
Production Facilities Buildout	Q3 2021	C\$320,000
Branding Development (Consulting)	Q3 2021	C\$130,000
Direct to Consumer Platform Buildout	Q3 2021	C\$30,000
Launch Meat Analog Product <sup>(3)</sup>	Q4 2021	C\$120,000
Launch Carb Savvy™ Snacks <sup>(4)</sup>	Q3 2021	C\$180,000
CPG Packaging & Product Rollout	Q4 2021/Q1 2022	C\$500,000
Launch ProCell™ <sup>(5)</sup>	Q1 2022	C\$120,000
Launch Plant-Based EggFree <sup>(6)</sup>	Q1 2022	C\$24,000
Marketing & Outreach <sup>(7)</sup>	Q3 2021 – Q4 2022	C\$1,410,000

Notes:

- (1) The Company must test and select an existing de-fatting process that will yield the most desirable result and then extrude the de-fatted material producing the THP™. Following this selection process, the Company expects to acquire readily available equipment and begin pilot production leading up to full commercialized production. De-fatting process is expected to be initially performed by third-party contractors.
- (2) Product samples are currently in hand; consumer panel testing, and packaging need to be arranged and completed. Product samples are expected to be presented to existing and new retail contacts and distribution channels.
- (3) Existing hemp protein and THP™ are expected to be formed in different configurations and presented to consumer panels. Flavor profiles are expected to be developed and then tested in consumer panels as well. Packaging will be arranged and completed. Product samples are expected to be presented to existing and new retail contacts and distribution channels. These samples may also be made available to other commercial food manufacturers for inclusion in their products.
- (4) Co-packers have been identified and formulations are complete for Carb Savvy cookies and pretzels. Similar products created from the Company formulations have already been consumer panel tested and are being well received. Packaging needs to be arranged and completed. Product samples are expected to be presented to existing and new retail contacts and distribution channels.
- (5) Upon completion of the de-fatting process for THP™, the protein isolate is expected to be further developed to arrive at the necessary components for ProCell™. When product samples are in hand, they will be tested commercially and then packaging will be arranged and completed. Product samples are expected to be presented to existing and new retail contacts and distribution channels.
- (6) Following the completion of the ProCell™ development a plant-based CPG egg analogue product is expected to be launched. This will include consumer product testing and packaging development before distribution for sale.
- (7) Engaging an investor relations and marketing team and carrying out related activities.

## **DIVIDENDS OR DISTRIBUTIONS**

The Company has not declared dividends on any of their shares in the past and does not intend to pay any in the foreseeable future. Any future determination to pay dividends will be at the discretion of the Board of Directors and will depend on the financial condition, business environment, operating results, capital requirements, any contractual restrictions on the payment of dividends and any other factors that the Board of Directors deems relevant.

## **SELECTED FINANCIAL INFORMATION**

The following tables set forth selected financial information for the Company and NFL, summarized from the Nepra Financial Statements, attached as **Schedule “A”**.

	NFL for the Year Ended December 31, 2019 (audited) (C\$)	NFL for the Year Ended December 31, 2020 (audited) (C\$)	NFL for the Three Months Ended March 31, 2021 (unaudited) (C\$)	Company for the Period from Incorporation to December 31, 2020 (audited) (C\$)	Company for the Three Months Ended March 31, 2021 (unaudited) (C\$)
<b>Revenue</b>	1,639,501	2,855,386	1,440,338	nil	nil
<b>Total Expenses</b>	490,172	1,124,191	951,192	8,157	10,330
<b>Net Income (Loss)</b>	(217,180)	(542,022)	(914,853)	(8,157)	(10,330)
<b>Current Assets</b>	306,089	1,277,875	2,306,719	1	251
<b>Total Assets</b>	347,323	1,512,869	5,088,317	1	251
<b>Total Liabilities</b>	936,894	1,812,583	5,814,490	8,157	18,737
<b>Shareholders' Equity (Deficiency)</b>	(589,571)	(299,714)	(726,173)	(8,156)	(18,486)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Attached to this Prospectus at **Schedule "B"** is the Nepra MD&A. The Nepra MD&A provides an analysis of: (i) the Company's financial results for the period from the date of incorporation on November 27, 2020 to December 31, 2020, and for the three month period ended March 31, 2021; and (ii) NFL's financial results for the year ended December 31, 2020, and the three month period ended March 31, 2021, which should be read in conjunction with the respective Nepra Financial Statements for the corresponding period, and the notes thereto respectively.

Certain information included in the Nepra MD&A is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "*Forward-Looking Statements*" for further details.

## DESCRIPTION OF THE SECURITIES

The following describes the material terms of the Company's share capital and the number of Subordinate Voting Shares and Proportionate Voting Shares anticipated to be issued and outstanding upon completion of the Offering. The following description may not be complete and is subject to, and qualified in its entirety by reference to, the terms and provisions of the Company's articles (as amended, the "**Articles**").

Although the Company intends to apply for certain exemptions (see "*Exemption From National Instruments*"), the Subordinate Voting Shares may be considered "restricted securities" within the meaning of such term under applicable Canadian securities laws. As such, in connection with the approval of the Share Exchange Agreement, the Company has elected to have the shareholders of NFL and the holders of NFL Series I Secured Notes and NFL Series II Secured Notes (who are the current shareholders of the Company) approve, among other things, the exchange of Common Stock of NFL for Subordinate Voting Shares and Proportionate Voting Shares of the Company, to comply with the requirements of Section 12.3 of NI 41-101 prior to the Closing Date.

Upon completion of the Minimum Offering (assuming no exercise of the Over-Allotment Option, that the Lead Agent elects, on behalf of the Agents, to receive the Agents' Fee in cash and that no Offered Shares are purchased by President's List Subscribers), the Company will have an aggregate of 24,281,070 Subordinate Voting Shares and

273,468.05 Proportionate Voting Shares issued and outstanding (assuming conversion of the NFL Series I Secure Notes and the NFL Series II Secured Notes effective as of June 30, 2021), representing 47% and 53% of the aggregate voting rights of the Company, respectively. Upon completion of the Maximum Offering (assuming that the Over-Allotment Option is exercised in full, that the Lead Agent elects, on behalf of the Agents, to receive the Agents' Fee in cash and that no Offered Shares are purchased by President's List Subscribers), the Company will have an aggregate of 35,289,582 Subordinate Voting Shares and 273,468.05 Proportionate Voting Shares issued and outstanding (assuming conversion of the NFL Series I Secure Notes and the NFL Series II Secured Notes on the date hereof), representing 56% and 44% of the aggregate voting rights of the Company, respectively.

#### Authorized and Outstanding Securities

The authorized capital of the Company includes: (i) an unlimited number of Subordinate Voting Shares; and (ii) an unlimited number of Proportionate Voting Shares.

As of the date of this Prospectus, there are: (i) 14,653,208 Subordinate Voting Shares; and (ii) 273,468.05 Proportionate Voting Shares, issued and outstanding (equivalent to an aggregate of 42,000,013 Subordinate Voting Shares on an as-converted to Subordinate Voting Shares basis). See below for detail on the conversion of Proportionate Voting Shares to Subordinate Voting Shares and "*Capitalization*" for further information regarding the outstanding shares on an as-converted to Subordinate Voting Shares basis.

#### Subordinate Voting Shares

The holders of common shares of the Company (referred to herein as "**Subordinate Voting Shares**") are entitled to receive notice of and to attend and vote at all meetings of the Company Shareholders and each Subordinate Voting Share confers the right to one vote in person or by proxy at all meetings of the Company Shareholders.

The holders of the Subordinate Voting Shares are entitled to receive such dividends in any financial year as the Company's board may by resolution determine.

In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, holders of Subordinate Voting Shares are entitled to share ratably in such assets of the Company as are available for distribution.

#### Proportionate Voting Shares

The holders of Class A common shares of the Company (referred to herein as "**Proportionate Voting Shares**"), shall have the right to receive dividends, out of any cash or other assets legally available therefor, *pari passu* (on an as converted basis, assuming conversion of all shares of Proportionate Voting Shares into Subordinate Voting Shares at the applicable Conversion Ratio (as defined below)) as to dividends and any declaration or payment of any dividend on the Subordinate Voting Shares.

In the event of the liquidation, dissolution or winding-up of the Company, either voluntary or involuntary, the holders of Proportionate Voting Shares and Subordinate Voting Shares shall be entitled to receive the assets of the Company available for distribution to shareholders, distributed among the holders of Proportionate Voting Shares and Subordinate Voting Shares on a pro rata basis, based on (i) the number of Subordinate Voting Shares and (ii) the number of Proportionate Voting Shares (on an as converted basis, assuming conversion of all shares of Proportionate Voting Shares into Subordinate Voting Shares at the applicable Conversion Ratio) issued and outstanding on the record date.

The holders of Proportionate Voting Shares shall have the right to one vote for each Subordinate Voting Share into which such Proportionate Voting Shares could then be converted, and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the holders of Subordinate Voting Shares, and shall be entitled, notwithstanding any provision hereof, to notice of any shareholders' meeting and shall be entitled to vote, together with holders of Subordinate Voting Shares, with respect to any question upon which holders of Subordinate Voting Shares have the right to vote.

Subject to certain conversion limitations, Proportionate Voting Shares shall be convertible, at the option of the holder of such Proportionate Voting Shares, at any time after the date of issuance of such share at the office of the Company or any transfer agent for such shares, into such number of fully paid and non-assessable Subordinate Voting Shares as is determined by multiplying the number of Proportionate Voting Share by the Conversion Ratio applicable to such share, determined as hereafter provided, in effect on the date the Proportionate Voting Share is surrendered for conversion. The initial “**Conversion Ratio**” for each Proportionate Voting Share shall be as follows: each Proportionate Voting Share shall be convertible into one hundred (100) Subordinate Voting Shares; provided, however, that the applicable Conversion Ratio shall be subject to certain adjustments as provided in the Company’s articles.

Before any holder of Proportionate Voting Shares shall be entitled to convert Proportionate Voting Shares into Subordinate Voting Shares, the Board of Directors (or a committee thereof) shall designate an officer of the Company to determine if any Conversion Limitation shall apply to the conversion of Proportionate Voting Shares. Such “Conversion Limitations” include, among others, that the Company shall not affect any conversion of Proportionate Voting Shares, and the holders of Proportionate Voting Shares shall not have the right to convert any portion of the Proportionate Voting Shares, to the extent that after giving effect to such issuance after conversions, the aggregate number of Subordinate Voting Shares and Proportionate Voting Shares held of record, directly or indirectly, by residents of the United States (as determined in accordance with Rule 3b-4 under the Exchange Act) would exceed forty percent (40%) (the “**40% Threshold**”) of the aggregate number of Subordinate Voting Shares and Proportionate Voting Shares issued and outstanding (the “**FPI Protective Restriction**”).

Notwithstanding the foregoing, the Company may require each holder of Proportionate Voting Shares to convert all, and not less than all, the Proportionate Voting Shares at the applicable Conversion Ratio (a “**Mandatory Conversion**”) if at any time after September 30, 2022, all the following conditions are satisfied:

- (i) the Subordinate Voting Shares issuable upon conversion of all the Proportionate Voting Shares are registered for resale and may be sold by the holder of Proportionate Voting Shares pursuant to an effective registration statement and/or prospectus covering the Subordinate Voting Shares under the U.S. Securities Act;
- (ii) the Company is subject to the reporting requirements of Section 13 or 15(d) of the U.S. Exchange Act; and
- (iii) the Subordinate Voting Shares are listed or quoted (and are not suspended from trading) on a national securities exchange in the United States registered under Section 6 of the U.S. Exchange Act, or quoted in a “U.S. automated inter-dealer quotation system”, as such term is used for purposes of Rule 144A(d)(3)(i).

#### Take-Over Bid Protection

Under applicable securities laws in Canada, an offer to purchase Proportionate Voting Shares would not necessarily require that an offer be made to purchase Subordinate Voting Shares. In accordance with the rules of the CSE designed to ensure that, in the event of a take-over bid, the holders of Subordinate Voting Shares will be entitled to participate on an equal footing with holders of Proportionate Voting Shares, all the holders of the outstanding Proportionate Voting Shares have entered into a customary coattail agreement with the Company and a trustee (the “**Coattail Agreement**”). The Coattail Agreement contains provisions customary for dual-class, publicly-traded corporations designed to prevent transactions that otherwise would deprive the holders of Subordinate Voting Shares of rights under applicable securities laws in Canada to which they would have been entitled if the Proportionate Voting Shares had been Subordinate Voting Shares.

The undertakings in the Coattail Agreement do not apply to prevent a sale by the holders of Proportionate Voting Shares if concurrently an offer is made to purchase Subordinate Voting Shares that:

- (a) offers a price per Subordinate Voting Share at least as high as the highest price per share to be paid pursuant to the take-over bid for the Proportionate Voting Shares;
- (b) provides that the percentage of outstanding Subordinate Voting Shares to be taken up (exclusive of shares owned immediately prior to the offer by the offeror or persons acting jointly or in concert with the offeror)

is at least as high as the percentage of Proportionate Voting Shares to be sold (exclusive of Proportionate Voting Shares owned immediately prior to the offer by the offeror and persons acting jointly or in concert with the offeror);

(c) has no condition attached other than the right not to take up and pay for Subordinate Voting Shares tendered if no shares are purchased pursuant to the offer for Proportionate Voting Shares; and

(d) is in all other material respects identical to the offer for Proportionate Voting Shares.

The conversion of Proportionate Voting Shares into Subordinate Voting Shares, whether or not such Subordinate Voting Shares are subsequently sold, would not constitute a disposition of Proportionate Voting Shares for the purposes of the Coattail Agreement.

Under the Coattail Agreement, any sale of Proportionate Voting Shares by a holder of Proportionate Voting Shares party to the Coattail Agreement is conditional upon the transferee becoming a party to the Coattail Agreement, to the extent such transferred Proportionate Voting Shares are not automatically converted into Subordinate Voting Shares in accordance with the Company's articles.

The Coattail Agreement contains provisions for authorizing action by the trustee to enforce the rights under the Coattail Agreement on behalf of the holders of the Subordinate Voting Shares. The obligation of the trustee to take such action is conditional on us or holders of the Subordinate Voting Shares providing such funds and indemnity as the trustee may reasonably require. No holder of Subordinate Voting Shares will have the right, other than through the trustee, to institute any action or proceeding or to exercise any other remedy to enforce any rights arising under the Coattail Agreement unless the trustee fails to act on a request authorized by holders of not less than ten percent (10%) of the outstanding Subordinate Voting Shares and reasonable funds and indemnity have been provided to the trustee.

The Coattail Agreement may not be amended, and no provision thereof may be waived, unless, prior to giving effect to such amendment or waiver, the following have been obtained: (a) the consent of the CSE and any other applicable securities regulatory authority in Canada and (b) the approval of at least sixty-six and two-thirds percent ( $66\frac{2}{3}\%$ ) of the votes cast by holders of Subordinate Voting Shares represented at a meeting duly called for the purpose of considering such amendment or waiver, excluding votes attached to Subordinate Voting Shares held directly or indirectly by holders of Proportionate Voting Shares, their affiliates and related parties and any persons who have an agreement to purchase Proportionate Voting Shares on terms which would constitute a sale for purposes of the Coattail Agreement other than as permitted thereby.

No provision of the Coattail Agreement limits the rights of any holders of Subordinate Voting Shares under applicable law.

#### Agents' Warrants

On the Closing Date, the Company will issue Agents' Warrants to the Agents. The Agents' Warrants will be qualified by this Prospectus. Each Agents' Warrant will be exercisable at a price per Agents' Warrant Share equal to the Offering Price, for a period of twenty-four (24) months following the Listing Date.

The certificates representing the Agents' Warrants will, among other things, include provisions for the appropriate adjustment in the class, number, and price of the Subordinate Voting Shares to be issued on exercise of such options upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the Subordinate Voting Shares, the payment of stock dividends, and corporate reorganization of the Company. The issue of Agents' Warrants will not restrict or prevent the Company from obtaining any other financing, or from issuing additional securities or rights, during the period within which the options may be exercised. This Prospectus qualifies the grant of the Agents' Warrants. See "*Plan of Distribution*".

## CAPITALIZATION

Other than as disclosed below, there have been no material changes in the share capitalization or in the indebtedness of the Company since incorporation on November 27, 2020.

On March 29, 2021, in connection with the Share Exchange Agreement, the Company amended its articles to create the Proportionate Voting Shares in addition to Subordinate Voting Shares.

The following chart sets out the capitalization of the Company as at the dates indicated and after giving effect to the Offering.

	<b>Amount Authorized</b>	<b>Amount Outstanding as of December 31, 2020</b>	<b>Amount Outstanding as of the date of this Prospectus</b>	<b>Amount Outstanding as of the date of this Prospectus after giving effect to the Minimum Offering <sup>(1)</sup></b>	<b>Amount Outstanding as of the date of this Prospectus after giving effect to the Maximum Offering <sup>(2)</sup></b>
Subordinate Voting Shares	Unlimited	100	14,653,208	24,281,070 <sup>(3)</sup>	35,289,582 <sup>(4)</sup>
Proportionate Voting Shares	Unlimited	nil	273,468.05	273,468.05 <sup>(5)</sup>	273,468.05 <sup>(5)</sup>
Options	Up to 11,789,310 Subordinate Voting Shares <sup>(6)</sup>	nil	nil	nil <sup>(7)</sup>	nil <sup>(7)</sup>
Agents' Warrants	N/A	nil	nil	954,255	954,255
NFL Series I Secured Notes	N/A	nil	US\$999,990.20 <sup>(8)</sup>	nil	nil
NFL Series II Secured Notes	N/A	nil	US\$295,000 <sup>(9)</sup>	nil	nil
Series III Secured Notes <sup>(10)</sup>	N/A	nil	US\$15,000 \$230,000	US\$15,000 \$230,000	US\$15,000 \$230,000

Notes:

- (1) Assuming no exercise of the Over-Allotment Option, the Lead Agent elects, on behalf of the Agents, to receive the Agents' Fee in cash and no Offered Shares are purchased by President's List Subscribers.
- (2) Assuming the Over-Allotment Option is exercised in full, the Lead Agent elects, on behalf of the Agents, to receive the Agents' Fee in cash and no Offered Shares are purchased by President's List Subscribers.
- (3) Includes (i) 212,765 Corporate Finance Fee Shares issued to the Agents in full satisfaction of the Corporate Finance Fee, (ii) approximately 3,321,756 Subordinate Voting Shares issued to holders of NFL Series I Secured Notes, and (iii) approximately 774,193 Subordinate Voting Shares issued to holders of NFL Series II Secured Notes.
- (4) Includes (i) 636,170 Corporate Finance Fee Shares issued to the Agents in full satisfaction of the Corporate Finance Fee, (ii) approximately 3,321,756 Subordinate Voting Shares issued to holders of NFL Series I Secured Notes, and (iii) approximately 774,193 Subordinate Voting Shares issued to holders of NFL Series II Secured Notes.
- (5) Equivalent to 27,346,805 Subordinate Voting Shares of the Company on an as-converted basis.
- (6) See "Executive Compensation – Compensation Discussion and Analysis – Stock and Incentive Plan" for more details with respect to the authorized number of Options.
- (7) The Company expects to issue an aggregate of 4,010,000 Options immediately upon closing of the Offering. Each such Option will vest according to the following schedule: (i) ten percent (10%) on the grant date; and (ii) thirty percent (30%) every six (6) months after the grant date. See "Executive Compensation – Stock Options and Other Compensation Securities".
- (8) Pursuant to the NFL Acquisition, the Company agreed to assume and honour the NFL Series I Secured Notes. Assuming completion of the Offering and the listing of the Subordinate Voting Shares on the CSE, the principal amount of NFL Series I Secured Notes, plus accrued and unpaid interest, shall automatically convert into Subordinate Voting Shares at a conversion price equal to eighty percent (80%) of the Offering Price. See "The Business – Material Transactions and Recent Developments – NFL Acquisition".

- (9) Pursuant to the NFL Acquisition, the Company agreed to assume and honour the NFL Series II Secured Notes. Assuming completion of the Offering and the listing of the Subordinate Voting Shares on the CSE, the principal amount of NFL Series II Secured Notes, plus accrued and unpaid interest, shall automatically convert into Subordinate Voting Shares at a conversion price equal to the Offering Price. See “*The Business – Material Transactions and Recent Developments – NFL Acquisition*”.
- (10) The principal amount of Series III Secured Notes, plus accrued and unpaid interest to the date of maturity, is convertible, in whole or in part, at the option of the holder, at any time following 121 days after the issue date, but prior to the maturity date of such Series III Secured Notes, into Subordinate Voting Shares at the Series III Secured Notes Conversion Price. No fractional Subordinate Voting Shares will be issued in connection with such conversion and all fractional shares will be rounded down to the nearest whole number. Provided, however, that if, at any time following 121 days after the issue date, but prior to the date that is ten (10) days immediately preceding the maturity date of the Series III Secured Notes, the Subordinate Voting Shares are trading on the CSE (or such other stock exchange as the Subordinate Voting Shares may trade one) and the closing price of the Subordinate Voting Shares is equal to or greater than C\$0.60 for a period of ten (10) consecutive trading days, the Company shall have the option to convert the principal amount of Series III Secured Notes, plus accrued and unpaid interest to the date of maturity, at the Series III Secured Notes Conversion Price by providing the holder not less than ten (10) days’ prior written notice. When convertible in accordance with their terms, such Series III Secured Notes are expected to be convertible into an aggregate of approximately 575,327 Subordinate Voting Shares (assuming an exchange rate of US\$1.00 = C\$1.2052, being the daily exchange rate reported by the Bank of Canada for June 2, 2021).

## OPTIONS TO PURCHASE SHARES

The Board of Directors has adopted the Stock and Incentive Plan, effective as of the Listing Date, under which Options to purchase Subordinate Voting Shares and other Awards (as defined in the Stock and Incentive Plan) may be granted to the Company’s directors, officers, employees, and consultants. See “*Executive Compensation – Compensation Discussion and Analysis – Stock and Incentive Plan*”.

As of the date of this Prospectus, there are no Options to purchase Subordinate Voting Shares issued and outstanding under the Stock and Incentive Plan. However, upon completion of the Offering, the Company expects to issue a total of 4,010,000 Options to purchase Subordinate Voting Shares. See “*Executive Compensation – Stock Options and Other Compensation Securities*”.

## PRIOR SALES

Since incorporation, the Company issued the following Subordinate Voting Shares and securities convertible into Subordinate Voting Shares:

Date of Issuance	Security Type <sup>(5)(6)</sup>	Number of Securities	Issue/Conversion Price
November 27, 2020	Subordinate Voting Shares	100 <sup>(1)</sup>	\$0.01
April 15, 2021	Subordinate Voting Shares	14,653,108 <sup>(2)</sup>	Various <sup>(2)</sup>
April 15, 2021	Proportionate Voting Shares	273,468.05 <sup>(3)(4)</sup>	Various <sup>(3)</sup>
June 11, 2021	Series III Secured Notes	US\$15,000 \$230,000 <sup>(7)</sup>	\$0.47 <sup>(7)</sup>

Notes:

- (1) Issued to the initial shareholder of the Company.
- (2) Issued upon completion of the NFL Acquisition to prior holders of 259,309.56 shares of Common Stock of NFL, on a one (1) Subordinate Voting Shares for each one (1) share of Common Stock basis, pursuant to the Share Exchange Agreement. See “*The Business – Material Transactions and Recent Developments – Financings*” for further information with respect to securities issued by NFL prior to the NFL Acquisition.
- (3) Issued upon completion of the NFL Acquisition to certain prior holders of 483,944.02 shares of Common Stock of NFL who were U.S. Persons, on a one (1) Proportionate Voting Shares for each one hundred (100) shares of Common Stock basis, pursuant to the Share Exchange Agreement. See “*The Business – Material Transactions and Recent Developments – Financings*” for further information with respect to securities issued by NFL prior to the NFL Acquisition.
- (4) Equivalent to 27,346,805 Subordinate Voting Shares of the Company on an as-converted to Subordinate Voting Shares basis.
- (5) Pursuant to the Share Exchange Agreement, the Company assumed and will honour the aggregate principal amount of US\$999,990.20 of NFL Series I Secured Notes originally issued by NFL on December 22, 2020 (US\$658,990.20) and March 3, 2021 (US\$341,000). See “*The Business – Material Transactions and Recent Developments – NFL Acquisition*”. As of the date hereof (assuming completion of the Offering

and the listing of the Subordinate Voting Shares on the CSE) such NFL Series I Secured Notes are convertible into an aggregate of approximately 3,321,756 Subordinate Voting Shares (assuming an exchange rate of US\$1.00 = C\$1.2052, being the daily exchange rate reported by the Bank of Canada for June 2, 2021).

- (6) Pursuant to the Share Exchange Agreement, the Company assumed and will honour the aggregate principal amount of US\$295,000 of NFL Series II Secured Notes originally issued by NFL on April 2, 2021. See “*The Business – Material Transactions and Recent Developments – NFL Acquisition*”. As of the date hereof (assuming completion of the Offering and the listing of the Subordinate Voting Shares on the CSE) such NFL Series II Secured Notes are convertible into an aggregate of approximately 774,193 Subordinate Voting Shares (assuming an exchange rate of US\$1.00 = C\$1.2052, being the daily exchange rate reported by the Bank of Canada for June 2, 2021).
- (7) The principal amount of Series III Secured Notes, plus accrued and unpaid interest to the date of maturity, is convertible, in whole or in part, at the option of the holder, at any time following 121 days after the issue date, but prior to the maturity date of such Series III Secured Notes, into Subordinate Voting Shares at the Series III Secured Notes Conversion Price. No fractional Subordinate Voting Shares will be issued in connection with such conversion and all fractional shares will be rounded down to the nearest whole number. Provided, however, that if, at any time following 121 days after the issue date, but prior to the date that is ten (10) days immediately preceding the maturity date of the Series III Secured Notes, the Subordinate Voting Shares are trading on the CSE (or such other stock exchange as the Subordinate Voting Shares may trade on) and the closing price of the Subordinate Voting Shares is equal to or greater than C\$0.60 for a period of ten (10) consecutive trading days, the Company shall have the option to convert the principal amount of Series III Secured Notes, plus accrued and unpaid interest to the date of maturity, at the Series III Secured Notes Conversion Price by providing the holder not less than ten (10) days’ prior written notice. When convertible in accordance with their terms, such Series III Secured Notes are expected to be convertible into an aggregate of approximately 575,327 Subordinate Voting Shares (assuming an exchange rate of US\$1.00 = C\$1.2052, being the daily exchange rate reported by the Bank of Canada for June 2, 2021).

## PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and senior officers of the Company as of the date hereof, the following are the only persons that beneficially own, directly or indirectly, or exercise control or direction over voting securities carrying more than ten percent (10%) of the voting rights attached to any class of voting securities of the Company:

Name	Number and Class of Securities Owned, Controlled or Directed	% of Class				
		Prior to the Offering <sup>(1)</sup>	After giving effect to the Minimum Offering <sup>(2)</sup>	After giving effect to the Minimum Offering and as converted to Subordinate Shares basis <sup>(3)</sup>	After giving effect to the Maximum Offering <sup>(4)</sup>	After giving effect to the Maximum Offering (on a fully-diluted and as converted to Subordinate Shares basis) <sup>(5)</sup>
Chadwick White	72,589.91 Proportionate Voting Shares	26.54% <sup>(6)</sup>	26.54%	N/A	26.54%	N/A
	806,654 Subordinate Voting Shares	5.50%	3.32%	15.58%	2.29%	12.92%
David Wood	97,283.20 Proportionate Voting Shares	35.57% <sup>(7)</sup>	35.57%	N/A	35.57%	N/A
	1,080,923 Subordinate Voting Shares	7.38%	4.45%	20.43%	3.06%	16.94%
Everestt, LLC	35,891.07 Proportionate Voting Shares <sup>(9)</sup>	13.12% <sup>(8)</sup>	13.12%	N/A	13.12%	N/A
	398,789 Subordinate Voting Shares <sup>(9)</sup>	2.72%	1.64%	7.05%	1.13%	5.85%
Barry Larson	2,149,967 Subordinate Voting Shares	14.67% <sup>(10)</sup>	8.85%	3.80%	6.09%	3.15%
A2 Capital Management Inc.	2,549,989 Subordinate Voting Shares	17.40% <sup>(11)</sup>	10.50%	4.51%	7.23%	3.74%
Jeremy Poirier	2,549,989 Subordinate Voting Shares	17.40% <sup>(12)</sup>	10.50%	4.51%	7.23% <sup>(9)</sup>	3.74%



Notes:

- (1) Percentage is based on 14,653,208 Subordinate Voting Shares and 273,468.05 Proportionate Voting Shares issued and outstanding as of the date hereof. See “*Capitalization*”.
- (2) Percentage is based on 24,281,070 Subordinate Voting Shares (including 212,765 Corporate Finance Fee Shares) and 273,468.05 Proportionate Voting Shares, expected to be issued and outstanding after completion of the Minimum Offering (assuming no exercise of the Over-Allotment Option, the Lead Agent elects, on behalf of the Agents, to receive the Agents’ Fee in cash and no Offered Shares are purchased by President’s List Subscribers), including conversion of the NFL Series I Secured Notes and the NFL Series II Secured Notes. See “*Capitalization*”.
- (3) Percentage is based on 24,281,070 Subordinate Voting Shares (including 212,765 Corporate Finance Fee Shares), 273,468.05 Proportionate Voting Shares, 319,148 Agents’ Warrants, 4,010,000 Options, and US\$15,000 and \$230,000 principal amounts of Series III Secured Notes (convertible into approximately 575,329 Subordinate Voting Shares) expected to be issued and outstanding after completion of the Minimum Offering (assuming no exercise of the Over-Allotment Option, the Lead Agent elects, on behalf of the Agents, to receive the Agents’ Fee in cash and no Offered Shares are purchased by President’s List Subscribers), including conversion of the NFL Series I Secured Notes and the NFL Series II Secured Notes, and the granting of 4,010,000 Options expected to be granted immediately after closing of the Offering. See “*Capitalization*” and “*Options to Purchase Securities*”.
- (4) Percentage is based on 35,289,582 Subordinate Voting Shares (including 636,170 Corporate Finance Fee Shares) and 273,468.05 Proportionate Voting Shares, expected to be issued and outstanding after completion of the Maximum Offering (assuming the Over-Allotment Option is exercised in full, the Lead Agent elects, on behalf of the Agents, to receive the Agents’ Fee in cash and no Offered Shares are purchased by President’s List Subscribers), including conversion of the NFL Series I Secured Notes and the NFL Series II Secured Notes. See “*Capitalization*”.
- (5) Percentage is based on 38,289,582 Subordinate Voting Shares (including 636,170 Corporate Finance Fee Shares), 273,468.05 Proportionate Voting Shares, 954,255 Agents’ Warrants, 4,010,000 Options, and US\$15,000 and \$230,000 principal amounts of Series III Secured Notes (convertible into approximately 575,329 Subordinate Voting Shares) expected to be issued and outstanding after completion of the Maximum Offering (assuming the Over-Allotment Option is exercised in full, the Lead Agent elects, on behalf of the Agents, to receive the Agents’ Fee in cash and no Offered Shares are purchased by President’s List Subscribers), including conversion of the NFL Series I Secured Notes and the NFL Series II Secured Notes, and the granting of 4,010,000 Options expected to be granted immediately after closing of the Offering. See “*Capitalization*” and “*Options to Purchase Securities*”.
- (6) On a fully-diluted and as converted to Subordinate Voting Share basis, Chadwick White holds, or exercises control or direction over, 18.94% of the Subordinate Voting Shares prior to the Offering.
- (7) Includes 516,648 Subordinate Voting Shares and 46,498.40 Proportionate Voting Shares held indirectly by David Wood through Robert G. Wood and Co., Inc. On a fully-diluted and as converted to Subordinate Voting Share basis, David Wood holds, or exercises control or direction over, 25.39% of the Subordinate Voting Shares prior to the Offering.
- (8) On a fully-diluted and as converted to Subordinate Voting Share basis, Everestt, LLC holds, or exercises control or direction over, 9.37% of the Subordinate Voting Shares prior to the Offering. To the Company’s knowledge, the principal securityholder of Everestt, LLC is Lori Hopp.
- (9) Not including the 242,178 Subordinate Voting Shares and 21,796.09 Proportionate Voting Shares held by Robert Hopp, the former President, COO and General Counsel of the Company and the late spouse of Lori Hopp, the principal of Everestt, LLC. The number of securities held, directly or indirectly, by Lori Hopp may change pending resolution of the estate proceedings with respect to Robert Hopp, the former President, COO and General Counsel of the Company.
- (10) On a fully-diluted and as converted to Subordinate Voting Share basis, Barry Larson holds, or exercises control or direction over, 5.05% of the Subordinate Voting Shares prior to the Offering.
- (11) On a fully-diluted and as converted to Subordinate Voting Share basis, A2 Capital Management Inc. holds, or exercises control or direction over, 5.99% of the Subordinate Voting Shares prior to the Offering. To the Company’s knowledge, the principal securityholder of A2 Capital Management Inc. is Gino Demichele.
- (12) On a fully-diluted and as converted to Subordinate Voting Share basis, Jeremy Poirier holds, or exercises control or direction over, 5.99% of the Subordinate Voting Shares prior to the Offering.

## **ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER**

### **Escrow**

As at the date of this Prospectus, the securities of the Company expected to be subject to escrow upon completion of the Offering and listing of the Subordinate Voting Shares on the CSE are shown in the following table:

Designation of Class <sup>(1)</sup>	After giving effect to the Minimum Offering <sup>(2)</sup>			After giving effect to the Maximum Offering <sup>(3)</sup>		
	Total number of securities held in escrow	Percentage of Class <sup>(4)</sup>	Equivalent number of Subordinate Voting Shares (on an as-converted to Subordinate Voting Shares basis)	Total number of securities held in escrow	Percentage of Class <sup>(6)</sup>	Equivalent number of Subordinate Voting Shares (on an as-converted to Subordinate Voting Shares basis)
Subordinate Voting Shares	3,126,675	12.88%	3,126,675 <sup>(5)</sup>	3,126,675	12.88%	3,126,675 <sup>(7)</sup>
Proportionate Voting Shares	191,623.63	70.07%	19,162,363 <sup>(5)</sup>	191,623.63	70.07%	19,162,363 <sup>(7)</sup>

Notes:

- (1) Subordinate Voting Shares, Proportionate Voting Shares, and any other securities of the Company convertible into Subordinate Voting Shares or Proportionate Voting Shares (the “Escrowed Securities”) held in Escrow and released over a 36-month period pursuant to an escrow agreement dated [◆], 2021 (the “Escrow Agreement”) between directors, officers, and Olympia Trust Company, as escrow agent. The release of the Escrowed Securities under the Escrow Agreement is as follows: ten percent (10%) on the Listing Date and thereafter fifteen percent (15%) released every six (6) months over a 36-month period; provided, however, that the initial ten percent (10%) of Escrowed Securities to be released will consist of Subordinate Voting Shares only and all other releases will consist of Subordinate Voting Shares and Proportionate Voting Shares (some of which may have been converted to Subordinate Voting Shares by the time of release), on a pro rata basis as between each class of remaining Escrowed Securities.
- (2) Assuming no exercise of the Over-Allotment Option, the Lead Agent elects, on behalf of the Agents, to receive the Agents’ Fee in cash and no Offered Shares are purchased by President’s List Subscribers.
- (3) Assuming the Over-Allotment Option is exercised in full, the Lead Agent elects, on behalf of the Agents, to receive the Agents’ Fee in cash and no Offered Shares are purchased by President’s List Subscribers.
- (4) Percentages are based on 24,281,070 Subordinate Voting Shares and 273,468.05 Proportionate Voting Shares expected to be outstanding upon completion of the Minimum Offering (assuming no exercise of the Over-Allotment Option, that the Lead Agent elects, on behalf of the Agents, to receive the Agents’ Fee in cash and that no Offered Shares are purchased by President’s List Subscribers) and listing on the CSE.
- (5) There are expected to be an aggregate of 22,289,038 Subordinate Voting Shares held in escrow (43.17%), on an as-converted to Subordinate Voting Shares basis, upon completion of the Minimum Offering.
- (6) Percentages are based on 35,289,582 Subordinate Voting Shares and 273,468.05 Proportionate Voting Shares expected to be outstanding upon completion of the Maximum Offering (assuming that the Over-Allotment Option is exercised in full, that the Lead Agent elects, on behalf of the Agents, to receive the Agents’ Fee in cash and that no Offered Shares are purchased by President’s List Subscribers) and listing on the CSE.
- (7) There are expected to be an aggregate of 22,289,038 Subordinate Voting Shares held in escrow (35.58%), on an as-converted to Subordinate Voting Shares basis, upon completion of the Maximum Offering.

Section 3.5 of National Policy 46-201 – *Escrow for Initial Public Offerings* (“NP 46-201”) provides that all securities of a company owned or controlled by Principals (as defined in NP 46-201) must be escrowed at the time of the company’s initial public offering, unless the securities held by the Principal or issuable to the Principal upon conversion of convertible securities held by the Principal collectively represent less than one percent (1%) of the total issued and outstanding shares of the Company after giving effect to the initial public offering.

Directors and executive officers and certain shareholders of the Company (the “Escrow Shareholders”) have entered into the Escrow Agreement with the Company pursuant to which the Escrow Shareholders have agreed to deposit the securities of the Company which they hold (the “Escrowed Securities”) with Olympia Trust Company, as escrow agent, until they are released in accordance with terms of the Escrow Agreement, CSE Policy, NP 46-201 and applicable securities law as follows:

<u>Release Date</u>	<u>Amount of Securities to be Released</u>
On the date the Company's securities are listed on the CSE	10% of Escrowed Securities
6 months after the Listing Date	15% of Escrowed Securities
12 months after the Listing Date	15% of Escrowed Securities
18 months after the Listing Date	15% of Escrowed Securities
24 months after the Listing Date	15% of Escrowed Securities
30 months after the Listing Date	15% of Escrowed Securities
36 months after the Listing Date	15% of Escrowed Securities

The Escrow Agreement is available for inspection at the registered and records office of the Company during regular business hours and will also be made available electronically at [www.sedar.com](http://www.sedar.com).

### Lock-Up Period

Pursuant to the Agency Agreement, each of the Company's officers, directors, and certain shareholders holding ten percent (10%) or more of the Subordinate Voting Shares, or other securities of the Company convertible into, exchangeable for or exercisable to acquire, ten percent (10%) or more of the Subordinate Voting Shares (collectively, the "**Locked-Up Persons**") have agreed that they will not, for a period commencing on the closing of the Offering and ending one hundred eighty days (180) from the date of listing on the CSE, directly or indirectly, offer, sell, contract to sell, grant or sell any option to purchase, purchase any option or contract to sell, hypothecate, pledge, transfer, assign, lend, swap, or enter into any other agreement to transfer the economic consequences of, or otherwise dispose of or deal with (or agree to or publicly announce any intention to do any of the foregoing) whether through the facilities of a stock exchange, by private placement or otherwise, any Subordinate Voting Shares or other securities of the Company convertible into, exchangeable for or exercisable to acquire, Subordinate Voting Shares, directly or indirectly, unless (i) they first obtain the prior consent of the Lead Agent, such consent not to be unreasonably withheld, or (ii) there occurs a take-over bid or similar transaction involving a change of control of the Company. It will be a condition of closing that lock-up agreements, in a form satisfactory to the Lead Agent in respect of the foregoing be delivered by each of the Locked-Up Persons.

### Contractual Restrictions on Transfer

As at the date of this Prospectus, the securities of the Company expected to be subject to contractual restrictions on transfer upon completion of the Offering and listing of the Subordinate Voting Shares on the CSE are shown in the following table:

<u>Designation of Class</u>	<u>After giving effect to the Minimum Offering <sup>(1)</sup></u>		<u>After giving effect to the Maximum Offering <sup>(2)</sup></u>	
	<u>Total number of securities that are subject to a contractual restriction on transfer</u>	<u>Percentage of Class <sup>(3)</sup></u>	<u>Total number of securities that are subject to a contractual restriction on transfer</u>	<u>Percentage of Class <sup>(4)</sup></u>
Subordinate Voting Shares	8,749,186 <sup>(5)(6)(7)</sup>	36.03%	8,749,186 <sup>(5)(6)</sup>	24.79%

Designation of Class	After giving effect to the Minimum Offering <sup>(1)</sup>		After giving effect to the Maximum Offering <sup>(2)</sup>	
	Total number of securities that are subject to a contractual restriction on transfer	Percentage of Class <sup>(3)</sup>	Total number of securities that are subject to a contractual restriction on transfer	Percentage of Class <sup>(4)</sup>
Proportionate Voting Shares	273,468.05 <sup>(8)(9)</sup>	100%	273,468.05 <sup>(7)(8)</sup>	100%

Notes:

- (1) Assuming no exercise of the Over-Allotment Option, the Lead Agent elects, on behalf of the Agents, to receive the Agents' Fee in cash and no Offered Shares are purchased by President's List Subscribers.
- (2) Assuming the Over-Allotment Option is exercised in full, the Lead Agent elects, on behalf of the Agents, to receive the Agents' Fee in cash and no Offered Shares are purchased by President's List Subscribers.
- (3) Percentages are based on 24,281,070 Subordinate Voting Shares and 273,468.05 Proportionate Voting Shares expected to be outstanding upon completion of the Minimum Offering (assuming no exercise of the Over-Allotment Option, that the Lead Agent elects, on behalf of the Agents, to receive the Agents' Fee in cash and that no Offered Shares are purchased by President's List Subscribers) and listing on the CSE.
- (4) Percentages are based on 35,289,582 Subordinate Voting Shares and 273,468.05 Proportionate Voting Shares expected to be outstanding upon completion of the Maximum Offering (assuming that the Over-Allotment Option is exercised in full, that the Lead Agent elects, on behalf of the Agents, to receive the Agents' Fee in cash and that no Offered Shares are purchased by President's List Subscribers) and listing on the CSE.
- (5) In connection with the Share Exchange Agreement, all shareholders of NFL entitled to receive Subordinate Voting Shares (other than purchasers under the NFL March 2021 Private Placement and shareholders party to the Escrow Agreement) agreed to a contractual restriction on such shareholders' ability to sell their securities for a period of eighteen (18) months following the closing of the Offering concurrent with the listing of the Subordinate Voting Shares on a recognized stock exchange, such as the CSE. The release of such Subordinate Voting Shares is as follows: ten percent (10%) on the date of listing on the CSE and thereafter thirty percent (30%) released every six (6) months over an 18-month period.
- (6) In connection with the Share Exchange Agreement, all holders of NFL Series I Secured Notes and NFL Series II Secured Notes entered into a voluntary pooling agreement with the Company, pursuant to which they agreed to a contractual restriction on such securityholder's ability to sell the Subordinate Voting Shares to which they are eligible to receive upon conversion of the NFL Series I Secured Notes and NFL Series II Secured Notes for a period of eighteen (18) months following the closing of the Offering concurrent with the listing of the Subordinate Voting Shares on a recognized stock exchange, such as the CSE. The release of such Subordinate Voting Shares is as follows: ten percent (10%) on the date of listing on the CSE and thereafter thirty percent (30%) released every six (6) months over an 18-month period.
- (7) In connection with the Share Exchange Agreement, all shareholders entitled to receive Proportionate Voting Shares agreed to a contractual restriction on such shareholders' ability to sell their securities for a period of eighteen (18) months following the closing of the Offering concurrent with the listing of the Subordinate Voting Shares on a recognized stock exchange, such as the CSE. The release of such Proportionate Voting Shares is as follows: ten percent (10%) on the date of listing on the CSE and thereafter thirty percent (30%) released every six (6) months over an 18-month period.
- (8) All the holders of the issued outstanding Proportionate Voting Shares have also entered into the Coattail Agreement, pursuant to which they have agreed not to sell their Proportionate Voting Shares under a take-over bid unless a concurrent offer is made to the Subordinate Voting Shares. See "Description of the Securities – Take-Over Bid Protection."

## TRADING PRICE AND VOLUME

None of the Company's securities, including the Subordinate Voting Shares and the Proportionate Voting Shares, has been previously traded on any market or exchange.

## DIRECTORS AND EXECUTIVE OFFICERS

The Company's directors and officers as a group, beneficially own, directly and indirectly, or exercise control or direction over, 22,288,038 Subordinate Voting Shares (on an as-converted to Subordinate Voting Shares basis), representing 52.35% of the issued and outstanding Subordinate Voting Shares as of the date of this Prospectus (on an as-converted to Subordinate Voting Shares basis), 39.43% of the expected issued and outstanding Subordinate Voting Shares assuming completion of the Minimum Offering (assuming no exercise of the Over-Allotment Option, that the Lead Agent elects, on behalf of the Agents, to receive the Agents' Fee in cash and that no Offered Shares are purchased by President's List Subscribers) and listing on the CSE (on an as-converted to Subordinate Voting Shares basis) and 35.26% of the expected issued and outstanding Subordinate Voting Shares assuming completion of the Maximum Offering (assuming that the Over-Allotment Option is exercised in full, that the Lead Agent elects, on behalf of the

Agents, to receive the Agents' Fee in cash and that no Offered Shares are purchased by President's List Subscribers) and listing on the CSE (on an as-converted to Subordinate Voting Shares basis).

The names, municipalities of residence, number of Subordinate Voting Shares (on an as-converted to Subordinate Voting Shares basis) beneficially owned, directly or indirectly, or over which each exercises control or direction, and the offices held by each in the Company and the principal occupation of the directors and senior officers of the Company during the past five (5) years are as follows:

Name and Municipality of Residence <sup>(1)</sup>	Position Held <sup>(2)</sup>	Principal Occupation for Last Five Years <sup>(1)</sup>	Number of Subordinate Voting Shares (on an as-converted to Subordinate Voting Shares basis) Held Directly or Indirectly as of the date of this Prospectus	
			Subordinate Voting Shares	% of Subordinate Voting Shares <sup>(3)</sup>
David Wood <sup>(8)(9)</sup> Colorado, United States	CEO and Chairman of the Board, since April 15, 2021  Former President (April to June 2021)	President, Chief Executive Officer, and chairman of the board of directors of NFL from August 15, 2019 to present; Co-Founder and CEO of GFBS from August 10, 2016 to July 1, 2020; CEO of Robert G. Wood and Co. Incorporated from 1987 to December 31, 2020.	10,809,242 Subordinate Voting Shares <sup>(4)</sup>	25.40%
Alex McAulay <sup>(9)</sup> British Columbia, Canada	CFO, since March, 2021, and Director, since November 2020	Chief Financial Officer and director of NFL from November 2020 to present; CEO of ACM Management Inc., a licensed accounting firm from July 2016 to present; Chief Financial Officer with Garmatex Technologies Inc. from 2013 to June 2016.	997,526 Subordinate Voting Shares <sup>(5)</sup>	2.34%
Chadwick White <sup>(9)</sup> Colorado, United States	CIO and Director, since April 15, 2021	Chief Innovation Officer and director of NFL from July 1, 2020 to present; Co-Founder and CIO of GFBS from August 10, 2016 to July 1, 2020; Consultant for gluten-free and allergen-free food manufacturers 2012 to 2016.	8,065,645 Subordinate Voting Shares <sup>(6)</sup>	18.95%
Marc Olmsted <sup>(9)</sup> Colorado, United States	Director, since April 15, 2021	R&D Manager and Director of NFL from July 1, 2020 to present; Co-Founder and R&D of Gluten Free Sprouting and Malting, LLC from January 6, 2018 to July 1, 2020; R&D of GFBS from September 2017 to July 1, 2020; Pastry Chef with R&B Distribution from 2016 to September 2017.	2,415,725 Subordinate Voting Shares <sup>(7)</sup>	5.68%
Joel Leonard <sup>(8)</sup> British Columbia, Canada	Director, since April 15, 2021	Managing Partners of JCL Partners CPA, a licensed accounting firm from December 10, 2016 to current. Senior Accountant with Daley and Company LLP (n/k/a Grant Thornton LLP) from May 2011 to December 2016.	Nil Subordinate Voting Shares	N/A
David Breda <sup>(8)</sup> Colorado, United States	Director, since May 17, 2021	Partner at Accel Management Group, Inc, a management consulting firm March 2014 to Present.	Nil Subordinate Voting Shares	N/A

Notes:

- (1) Information as to municipality of residence, principal occupation, securities beneficially owned or over which a director or officer exercises control or direction has been furnished by the respective individuals as of the date of this Prospectus.
- (2) The term of office of each of the directors expires on the earlier of the Company's next annual general meeting, or upon resignation. The term of office of the officers expires at the discretion of the directors.
- (3) Percentage is based on 42,000,013 Subordinate Voting Shares issued and outstanding as of the date of this Prospectus (on an as-converted to Subordinate Voting Shares basis). See "Capitalization".
- (4) David Wood currently holds or controls, directly or indirectly, 1,080,923 Subordinate Voting Shares (7.38% of the Subordinate Voting Shares) and 97,283.19 Proportionate Voting Shares (35.57% of the Proportionate Voting Shares) as of the date of this Prospectus, which are

- equivalent to 9,728,319 Subordinate Voting Shares (23.16% of the Subordinate Voting Shares) on an as-converted to Subordinate Voting Shares basis.
- (5) Alex McAulay currently holds 997,526 Subordinate Voting Shares (6.81% of the Subordinate Voting Shares) and nil Proportionate Voting Shares as of the date of this Prospectus.
  - (6) Chadwick White currently holds 806,654 Subordinate Voting Shares (5.50% of the Subordinate Voting Shares) and 72,598.91 Proportionate Voting Shares (26.55% of the Proportionate Voting Shares) as of the date of this Prospectus, which are equivalent to an aggregate of 7,259,891 Subordinate Voting Shares (17.29% of the Subordinate Voting Shares) on an as-converted to Subordinate Voting Shares basis.
  - (7) Marc Olmsted currently holds 241,572 Subordinate Voting Shares (1.65% of the Subordinate Voting Shares) and 21,741.53 Proportionate Voting Shares (7.95% of the Proportionate Voting Shares) as of the date of this Prospectus, which are equivalent to an aggregate of 2,174,153 Subordinate Voting Shares (5.18% of the Subordinate Voting Shares) on an as-converted to Subordinate Voting Shares basis.
  - (8) As of the date hereof, the members of the Company's Audit Committee are Joel Leonard (Chair), David Breda, and David Wood.
  - (9) David Wood also serves as a director and Chairman of NFL, and Chadwick White, Alex McAulay, and Marc Olmsted serve as directors of NFL.

## **Biographies of Directors and Officers**

The following are brief profiles of the Company's executive officers and directors, including a description of each individual's principal occupation within the past five (5) years.

### ***David Wood (Age 55) – CEO and Director***

Mr. Wood resides in the Denver metropolitan area and has been in the food industry since 1987 as President and CEO of Robert G. Wood & Co, Inc., an 87-year-old specialty food equipment and supplies supplier started by his grandfather where he has actively participated in and managed daily operations, including financial and accounting operations. Mr. Wood received his Bachelors of Business Administration in Small business from the University of Colorado in Boulder. In addition to experience in the food service and food retail markets, Mr. Wood has helped numerous CPG brands commercialize their product production with equipment selection and process methods. His extensive knowledge in a wide array of specialty food processing equipment and manufacturing processes has been beneficial to consumer brands to streamline operations, reduce waste and labour in their facilities. Mr. Wood has worked with brands such as Udi's Gluten-Free, Bobo's Oat Bars, Capello's, Canyon Bakehouse, Tres Latin Cuisine, Made in Nature, SR Original Desserts, and Freshly.com.

Mr. Wood is an employee of the Company and has entered into a non-competition or confidentiality agreement with the Company. It is expected that he will devote one hundred percent (100%) of his time to the business of the Company to effectively fulfill his duties as CEO and Director of the Company.

### ***Alex McAulay (Age 37) – CFO and Director***

Mr. McAulay resides in Vancouver, British Columbia and is a Chartered Professional Accountant.

Mr. McAulay holds a Bachelor of Business Administration from the University of the Fraser Valley, and is the CEO of ACM Management Inc., a private firm providing accounting and financial services to developing and mature stage companies in all industries and sectors and by working as their chief financial officer.

Mr. McAulay is an employee of the Company and has entered into a non-competition or confidentiality agreement with the Company. It is expected that he will devote approximately twenty percent (20%) of his time to the business of the Company to effectively fulfill his duties as CFO and Director of the Company.

### ***Chadwick White (Age 48) – CIO and Director***

Mr. White resides in the Denver metropolitan area and has been in the food industry for 34 years. Beginning his baking career at the age of fifteen, Mr. White learned scratch baking and quickly identified he had an aptitude for formula development. Working as a consultant and bakery instructor, he developed bakery programs for many companies, such as Cinnatwister (Oklahoma City), Snyder's IGA, Horner Foods (Tulsa Oklahoma), La Mesa Bakery (El Paso, TX), and others. In addition to conducting baking classes at Johnson & Wales and the University of Texas, El Paso, he also helped write a baking curriculum for the El Paso Community College. In 1997, Chadwick entered into the Certified Master Baker program developed by the American Institute of Baking and administered by the Retail Baker's

Association. In 1998, at the age of 26, Chadwick earned certification as the 84th and youngest C.M.B. in the United States. In 1999, he moved to Phoenix, AZ, where he worked as the Executive Pastry Chef for the Ritz Carlton. During his time there, he developed an internal bakery program that was benchmarked and carried to the other Ritz properties, globally. Moving to Colorado in 2001, he took a position as the Bread Production Manager at the Il Fornaio Panificio. Specializing in account product development, Chadwick developed formulas for companies such as Wolfgang Puck, California Pizza Kitchen, Mimi's Cafe, and Buca di Beppo, among many others. Leaving Il Fornaio in 2003, Chadwick opened a retail bakery in Castle Rock, Colorado; at the Castle Creek Bakery, he met a woman with severe food allergies who would open his eyes to the needs of the free-from market. Intrigued by the opportunity, he began developing a line of gluten-free breads and sweet goods that would satisfy the needs of the burgeoning GF market. After two failed attempts to form partnerships capable of introducing the products to market, Chadwick met Udi and Etai Bar-on. Udi's Gluten-Free Foods was formed in 2008 and was eventually sold to Boulder Brands in 2012, for \$125 million. Having gained unique expertise in gluten-free formulations, Chadwick understood the limitations of the ingredients available to gluten-free bakeries and set about finding and developing new, better functioning ingredients, formulations, and standardization for the greater space. In 2016, after working primarily as a product development consultant, he partnered with David Wood and Paul Feldman, a member of the Company's innovation team, in a natural-foods and ingredient company called Gluten Free Baking Solutions. In addition to providing food product development for companies such as Rudi's Organic Bakery, Modern Market, Quinn Snacks, Fit-Joy Nutrition, Tone It Up, and many others, He also helped launch a new CPG company focused on the nutritional benefits of hemp seed, called Let There Be Hemp.

Mr. White is an employee of the Company and has entered into a non-competition or confidentiality agreement with the Company. It is expected that he will devote approximately one hundred percent (100%) of his time to the business of the Company to effectively fulfill his duties as CIO and Director of the Company.

***Marc Olmsted (Age 53) – R&D Manager and Director***

Mr. Olmsted resides in the Denver metropolitan area and has been in the food industry for almost thirty-five (35) years with much of that time acting in an Executive Chef role. Mr. Olmsted has spent the majority of his last five (5) years focused on the development of gluten-free sprouting methods and how to utilize non-traditional products in food production. His development projects include healthy allergen-free food products built upon vegan, low carbohydrate, alternative chocolate, non-dairy, and plant-based proteins. These products have been developed for the Company as well as other various customers of the Company using Neptra's specialty ingredients.

Mr. Olmsted's expertise is using sprouted and fermentable grains in the baking and brewing industry.

Mr. Olmsted attended the Ewald School of Confectionary Arts studying and perfecting his skills through the following programs: Chocolate Sculptures, Chocolate Production, Cake Decorating from an International Perspective, Petit Fours and Small Desserts Production, Sugar Art, Painting with Chocolate and Gluten-Free High End Desserts. Mr. Olmsted also studied Brewing Micro Biology at the Brewing Science Institute.

Mr. Olmsted has entered into a non-competition or confidentiality agreement with the Company. It is expected that he will devote approximately one hundred percent (100%) of his time to the business of the Company to effectively fulfill his duties as a Director of the Company.

***Joel Leonard (Age 35) – Director***

Mr. Leonard resides in Vancouver, British Columbia and graduated from Thompson Rivers University with a Bachelor of Business Administration, majoring in Accounting, having received his CPA designation from the Chartered Professional Accountants of British Columbia in 2014. Mr. Leonard is the founding Partner of JCL Partners Chartered Professional Accountants ("**JCL**") located in Vancouver. JCL works with both Private and Publicly traded entities (including in the food and beverage industries) on a variety of engagements including: financial statement preparation, internal control implementation, tax filings and contract CFO engagements. Mr. Leonard has spent the past five years consulting for publicly traded entities listed on various exchanges including the NYSE, TSX, TSX-V and the CSE. Most notably, Mr. Leonard was the CFO of Stillcanna Inc from September 2018 until December of 2020 and is currently the CFO of Golden Independence Mining Corp.

Mr. Leonard has not entered into a non-competition or confidentiality agreement with the Company. It is expected that he will devote approximately five percent (5%) of his time to the business of the Company to effectively fulfill his duties as a Director of the Company.

***David Breda (Age 55) – Director***

Mr. Breda resides in the Denver Metropolitan area and graduated from the University of Colorado with a Bachelor of Science in Engineering and the University of Virginia, Darden Business School with a Master of Business Administration, Masters Project with Solomon Brothers in Tokyo, Japan. Mr. Breda was the twenty-fifth partner when he joined PRTM Management Consultants, Inc. participating heavily in the growth of the firm to 125 partners and over 900 employees worldwide, culminating in a successful exit with the sale to Price Waterhouse Coopers in 2011 where he remained a partner until 2013. In 2014 Mr. Breda engaged as a partner in Accell Management Group where he provides management consulting specializing in global operations management and gross margin improvement as he has over the course of his management consulting career.

Mr. Breda has not entered into a non-competition or confidentiality agreement with the Company. It is expected that he will devote approximately five percent (5%) of his time to the business of the Company to effectively fulfill his duties as a Director of the Company.

**Additional Management and Board Support**

Management of the Company and the Board are supported by a number of key personnel and consultants, including the following

***Mike Goose – Head of Sales***

Mr. Goose has over 13 years of consumer package goods experience as a new product innovator and leader. Mr. Goose has held numerous positions at The Hain Celestial Group (NASDAQ: HAIN) from 2002 until 2014, including Director of Marketing for Strategic Brands where he was responsible for over 1,000 different SKUs, and later served as President of USA Ingredients.

***Marc Olmstead – Co-Founder, R&D, and member of the Company’s Innovation Team***

Mr. Olmsted has been in the food industry for almost 40 years. Much of that time in the Executive Pastry Chef role. His expertise is in practical implementation of new ingredients into traditional products in the baking, savory sweet and snack food industry.

***Paul Feldman – Co-Founder, Process Engineer, and member of the Company’s Innovation Team***

Mr. Feldman has over 35 years’ experience in the food industry. From the production side, Mr. Feldman’s background in process design, and engineering coupled with practical equipment maintenance and repair knowledge enables him to implement new food process facilities from initial concept through installation up to actual day to day production.

***Kimberly Mayo – Registered Dietician Nutritionist and member of the Company’s Innovation Team***

Ms. Mayo participates as a member of our innovation team providing guidance and input as to the nutritional characteristics and values of our products. Drawing upon her diverse career experience including development of functional plant-based and allergen-free products and applying knowledge of FDA and other governing bodies Ms. Mayo is an effective member of the team.

***Roi Wurgafft – Protein Specialist, Advisor, and member of the Company’s Innovation Team***

Mr. Roi Wurgafft, the founder of Wurgafft Ingredients is an acknowledged expert and leader in the plant protein industry. His last 20 years have been spent crafting vast expertise and skill with protein technologies.



***Alan Cowell – Starch Chemist, Advisor, and member of the Company’s Innovation Team***

Mr. Alan Colwell is the founder of Starch Products Co., a strategic partner and supplier of base ingredients located in Thailand. Mr. Colwell is an acknowledged expert in the food starch industry. His 30 year’s experience spans across all facets of the starch industry-processing, applications technology, sales & marketing, and distribution.

***Clay White – Product Developer and member of the Company’s Innovation Team***

With over 15 years of experience within the food and beverage industry as a classically trained chef, Clayton has worked in several celebrity and Michelin restaurants. Throughout his career he has developed thousands of custom dishes and beverages, perfecting his skills in flavor balancing through ingredient use and innovation.

***Chuck McBride – Board Advisor***

Mr. McBride is the Chief Creative Officer of Cutwater advertising and 30-year veteran in the business. Winning hundreds of industry awards including an Emmy, Chuck is best known for his work on Ray-Ban, Levi’s, Nike, adidas, Got milk?, Jeep and many others. In 2010, he took his agency, Cutwater, private from Omnicom and now has operations in San Francisco and New York. Chuck has been advising and consulting with start-up companies for the past 8 years.

***George Achilleos – Board Advisor***

Mr. Achilleos is a seasoned business executive and entrepreneur. Over the last 25+ years, he has led over \$50M of business deals / transactions / financings and his businesses have generated over \$70M of cumulative revenue. He has participated in and built businesses in the verticals of Technology, E-commerce (DTC), Communications and Nano-Technology.

***Ilan Waskow – Board Advisor***

Dr. Waskow has been practicing veterinary medicine for over 25 years. His interest in nutrition started in veterinary school at Oregon State University, where he represented Iams Pet Foods as a student liaison and where he earned the Small Animal Veterinary Nutrition Student of Excellence Award. Dr. Waskow founded a multi-doctor animal hospital serving both dogs and cats as well as a feline-only specialized practice, both in Aurora, Colorado. He has a special interest in veterinary nutrition and has successfully utilized novel protein diets to address multiple medical issues, ranging from dermatological concerns to gastroenteritis and inflammatory bowel syndrome.

**Corporate Cease Trade Orders and Bankruptcies**

To the Company’s knowledge, no existing or proposed director, officer, or promoter of the Company or a securityholder anticipated to hold a sufficient number of securities of the Company to affect materially the control of the Company, within ten (10) years of the date of this Prospectus, has been a director, officer or promoter of any person or company that, while that person was acting in that capacity,

- (a) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under applicable securities law, for a period of more than thirty (30) consecutive days; or
- (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

## **Penalties or Sanctions**

To the Company's knowledge, no existing or proposed director, officer, or promoter of the Company, or a securityholder anticipated to hold sufficient securities of the Company to affect materially the control of the Company, has:

- (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body that would be likely to be considered important to a reasonable securityholder making a decision in regards to the Company.

## **Personal Bankruptcies**

To the Company's knowledge, no existing or proposed director, officer, or promoter of the Company, or a securityholder anticipated to hold sufficient securities of the Company to affect materially the control of the Company, or a personal holding company of such persons has, within the ten (10) years before the date of this Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or promoter.

## **Conflicts of Interest**

Members of management of the Company are, and may in future be, associated with other firms involved in a range of business activities. Consequently, there are potential inherent conflicts of interest in their acting as officers and directors of the Company. Although the officers and directors are engaged in other business activities, the Company anticipates they will devote an important amount of time to the Company's affairs.

The Company's officers and directors are now and may in the future become shareholders, officers, or directors of other companies, which may be formed for the purpose of engaging in business activities similar to the Company's. Accordingly, additional direct conflicts of interest may arise in the future with respect to such individuals acting on behalf of us or other entities. Moreover, additional conflicts of interest may arise with respect to opportunities which come to the attention of such individuals in the performance of their duties or otherwise. Currently, the Company does not have a right of first refusal pertaining to opportunities that come to their attention and may relate to the Company's business operations.

The Company's directors and officers are subject to fiduciary obligations to act in the best interest of the Company. Conflicts, if any, will be subject to the procedures and remedies of the BCBCA or other applicable corporate legislation.

## **EXECUTIVE COMPENSATION**

Prior to obtaining a receipt for this Prospectus from securities regulatory authorities in the Offering Jurisdictions, the Company was not a reporting issuer in any jurisdiction. As a result, certain information required by Form 51-102F6V – *Statement of Executive Compensation – Venture Issuers* (“**Form 51-102F6V**”) has been omitted pursuant to Section 1.3(8) of Form 51- 102F6V.

### **Compensation Discussion and Analysis**

The purpose of this Compensation Discussion and Analysis is to provide information about the Company's executive compensation objectives and processes and to discuss compensation decisions relating to its NEOs listed in the Summary Compensation Table set out below. In accordance with applicable securities legislation, as of the date hereof, the Company currently has four Named Executive Officers; being David Wood, CEO and a director, Alex McAulay,

CFO and a director, Chadwick White, CIO and a director, and Robert Hopp, the former President, COO and General Counsel of the Company. In addition, each of the following individuals are directors of the Company, but not a NEO: Marc Olmsted, David Breda, and Joel Leonard.

The Board assumes responsibility for reviewing and monitoring the long-range compensation strategy for the senior management of the Company. In determining executive compensation, the Board considers the Company's financial circumstances at the time decisions are made regarding executive compensation, and the anticipated financial situation of the Company in the mid and long-term.

### *Compensation Objectives and Principles*

The compensation program for the senior management of the Company is designed to ensure that the level and form of compensation achieves certain objectives, including:

- (a) attracting and retaining qualified executives;
- (b) motivating the short and long-term performance of these executives; and
- (c) better aligning their interests with those of the Company's shareholders.

In compensating its senior management, the Company has employed a combination of base salary, bonus compensation and equity participation through its Stock and Incentive Plan. The Company does not provide any retirement benefits for its directors or officers.

### *Elements of Compensation*

#### Base Salary

In the Board's view, paying base salaries which are reasonable in relation to the level of service expected while remaining competitive in the markets in which the Company operates is a first step to attracting and retaining qualified and effective executives. Competitive salary information on comparable companies within the Company's industry is compiled from a variety of sources, including national and international publications.

#### Bonus Incentive Compensation

The Board will consider executive bonus compensation dependent upon the Company meeting its strategic objectives and milestones and sufficient cash resources being available for the granting of bonuses.

#### Equity Participation

The Company believes that encouraging its executives and employees to become shareholders is the best way of aligning their interests with those of its shareholders. Equity participation is accomplished through the Company's Stock and Incentive Plan (as described below). Options may be granted to executives and employees taking into account a number of factors, including the amount and term of options previously granted, base salary and bonuses and competitive factors. The amounts and terms of options granted are determined by the Board.

#### *Stock and Incentive Plan*

Effective as of the conclusion of the Going Public Transaction (the "**Implementation Date**"), the Board of Directors have adopted the Stock and Incentive Plan under which Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Awards, Dividend Entitlements or Other Stock-Based Awards may be granted to the Company's directors, officers, employees, and consultants.

The purpose of the Stock and Incentive Plan is to promote the interests of the Company and its shareholders by aiding the Company in attracting and retaining employees, directors, officers, consultants, and advisors capable of assuring

the future success of the Company, to offer such persons incentives to put forth maximum efforts for the success of the Company's business and to compensate such persons through various stock and cash-based arrangements and provide them with opportunities for stock ownership in the Company, thereby aligning the interests of such persons with the Company's shareholders.

The aggregate number of Subordinate Voting Shares which are reserved for issuance pursuant to all Awards granted under the Stock and Incentive Plan is fixed at 11,789,310 Subordinate Voting Shares (being approximately twenty percent (20%) of the number of Subordinate Voting Shares expected to be outstanding as of the Implementation Date, and for clarity, including the number of Subordinate Voting Shares issuable on conversion of the Proportionate Voting Shares expected to be outstanding as of the Implementation Date).

The following is a summary of material terms of the Stock and Incentive Plan:

- (i) subject to adjustment as provided in Stock and Incentive Plan, the aggregate number of Subordinate Voting Shares that may be issued under all Awards under the Stock and Incentive Plan shall be 11,789,310 Subordinate Voting Shares (being approximately twenty percent (20%) of the number of Subordinate Voting Shares expected to be outstanding as of the Implementation Date, and for clarity, including the number of Subordinate Voting Shares issuable on conversion of the Proportionate Voting Shares expected to be outstanding as of the Implementation Date);
- (ii) with respect to Options:
  - (A) the purchase price per Subordinate Voting Share purchasable under an Option shall be determined by a committee of the Board (the "**Committee**") and shall not be less than 100% of the Fair Market Value (as defined in the Stock and Incentive Plan) of a Subordinate Voting Share on the date of grant of such Option; and
  - (B) the term of each Option shall be fixed by the Committee at the date of grant but shall not be longer than ten (10) years from the date of grant;
- (iii) with respect to Incentive Stock Options (as defined in the Stock and Incentive Plan):
  - (A) the maximum number of Subordinate Voting Shares that may be issued pursuant to Incentive Stock Options shall not exceed 11,789,310 Subordinate Voting Shares (being approximately twenty percent (20%) of the number of Subordinate Voting Shares expected to be outstanding as of the Implementation Date, and for clarity, including the number of Subordinate Voting Shares issuable on conversion of the Proportionate Voting Shares expected to be outstanding as of the Implementation Date);
  - (B) all Incentive Stock Options must be granted within ten (10) years from the earlier of the date on which the Stock and Incentive Plan was adopted by the Board or the date the Stock and Incentive Plan was approved by the shareholders of the Company;
  - (C) all Incentive Stock Options shall expire and no longer be exercisable no later than ten (10) years after the date of grant; *provided, however*, that in the case of a grant of an Incentive Stock Option to a participant who, at the time such Option is granted, owns (within the meaning of Section 422 of the U.S. Internal Revenue Code of 1986 (the "**Code**")) shares possessing more than ten percent (10%) of the total combined voting power of all classes of shares of the Company, such Incentive Stock Option shall expire and no longer be exercisable no later than five (5) years from the date of grant; and

- (D) the purchase price per Subordinate Voting Share for an Incentive Stock Option shall be not less than one hundred percent (100%) of the Fair Market Value of a Subordinate Voting Share on the date of grant of the Incentive Stock Option; *provided, however*, that, in the case of the grant of an Incentive Stock Option to a participant who, at the time such Option is granted, owns (within the meaning of Section 422 of the Code) shares possessing more than ten percent (10%) of the total combined voting power of all classes of shares of the Company, the purchase price per Subordinate Voting Share purchasable under an Incentive Stock Option shall be not less than one hundred ten percent (110%) of the Fair Market Value of a Subordinate Voting Share on the date of grant of the Incentive Stock Option;
- (iv) with respect to Stock Appreciation Rights(as defined in the Stock and Incentive Plan);
  - (A) Stock Appreciation Rights granted under the Stock and Incentive Plan shall confer on the holder thereof a right to receive upon exercise thereof the excess of (i) the Fair Market Value of one Share on the date of exercise over (ii) the grant price of the Stock Appreciation Right as specified by the Committee, which price shall not be less than one hundred percent (100%) of the Fair Market Value of one Share on the date of grant of the Stock Appreciation Right; and
  - (B) the grant price, term, methods of exercise, dates of exercise, methods of settlement and any other terms and conditions of any Stock Appreciation Right shall be as determined by the Committee;
  - (C) shares of Restricted Stock and Restricted Stock Units shall be subject to such restrictions as the Committee may impose;
- (v) with respect to Performance Awards (as defined in the Stock and Incentive Plan);
  - (A) Performance Awards granted under the Stock and Incentive Plan (i) may be denominated or payable in cash, Subordinate Voting Shares (including, without limitation, Restricted Stock and Restricted Stock Units), other securities, other Awards, or other property and (ii) shall confer on the holder thereof the right to receive payments, in whole or in part, upon the achievement of one or more objective performance goals during such performance periods as the Committee shall establish; and
  - (B) the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Award granted, the amount of any payment or transfer to be made pursuant to any Performance Award and any other terms and conditions of any Performance Award shall be determined by the Committee;
- (vi) with respect to Dividend Entitlements (as defined in the Stock and Incentive Plan);
  - (A) holders of Dividend Entitlements shall be entitled to receive payments (in cash, Subordinate Voting Shares, other securities, other Awards, or other property as determined in the discretion of the Committee) equivalent to the amount of cash dividends paid by the Company to holders of Subordinate Voting Shares with respect to a number of Subordinate Voting Shares determined by the Committee; and
  - (B) such Dividend Equivalents may have such terms and conditions as the Committee shall determine;

- (vii) with respect to Other-Stock Based Awards (as defined in the Stock and Incentive Plan);
- (A) the Committee is authorized to grant such other Awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Subordinate Voting Shares (including, without limitation, securities convertible into Subordinate Voting Shares), as are deemed by the Committee to be consistent with the purpose of the Stock and Incentive Plan; and
- (B) the Committee shall determine the terms and conditions of such Awards; however, no Other-Stock Based Award shall contain a purchase right or an option-like exercise feature.

### Compensation Risks

The Board is keenly aware of the fact that compensation practices can have unintended risk consequences. The Board will continually review the Company's compensation policies to identify any practice that might encourage an employee to expose the Company to unacceptable risk. At the present time the Board is satisfied that the current executive compensation program does not encourage the executives to expose the business to inappropriate risk. The Board takes a conservative approach to executive compensation rewarding individuals for the success of the Company once that success has been demonstrated and incenting them to continue that success through the grant of long-term incentive awards.

### Hedging Policy

The Company has no policy on whether an NEO or director is permitted to purchase certain financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars or units of exchange funds which are designed to hedge or offset a decrease in the market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director.

### ***Compensation Process***

In establishing compensation for executive officers, the Board as a whole seeks to accomplish the following goals:

- To recruit and subsequently retain highly qualified executive officers by offering competitive compensation and benefits;
- To motivate executives to achieve important corporate and personal performance objectives and reward them when such objectives are met; and
- To align the interests of executive officers with the long-term interests of shareholders through participation in the Company's Stock and Incentive Plan.

When considering the appropriate executive compensation to be paid to the Company's officers, the Board have regard to a number of factors including: (i) recruiting and retaining executives critical to the success of the Company and the enhancement of shareholder value; (ii) providing fair and competitive compensation; (iii) balancing the interests of management and the Company's shareholders; (iv) rewarding performance, both on an individual basis and with respect to operations generally; and (v) available financial resources.

### ***Option-Based Awards***

Long-term incentives in the form of Options are intended to align the interests of the Company's directors and executive officers with those of the Company's Shareholders and to provide a long-term incentive to reward those individuals for their contribution to the generation of shareholder value, while reducing the burden of cash compensation that would otherwise be payable by the Company.

The Stock and Incentive Plan is administered by the Board. In determining the number of incentive Options to be granted to the Named Executive Officers, the Board has regard to several considerations including previous grants of Options and the overall number of outstanding Options relative to the number of outstanding Subordinate Voting Shares, as well as the degree of effort, time, responsibility, ability, experience, and level of commitment of the executive officer. For a detailed discussion of the Stock and Incentive Plan, please see “*Compensation Discussion and Analysis – Equity Participation*”.

## Compensation of Directors

Other than as disclosed, the only arrangements we have, standard or otherwise, pursuant to which we compensated directors for their services in their capacity as directors, or for committee participation, involvement in special assignments or for services as a consultant or expert during the most recently completed financial year or subsequently, are by (i) the issuance of incentive stock options; and (ii) reimbursement for out-of-pocket expenses incurred on behalf of the Company.

## Summary Compensation Table

The Company was not a reporting issuer at any time during its most recently completed financial year. Accordingly, the following table sets forth information with respect to the anticipated compensation of each Named Executive Officer and directors of the Company once the Company becomes a reporting issuer:

**Table of Compensation Excluding Compensation Securities**

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary, consulting fee, retainer, or commission (US\$)</b>	<b>Bonus (US\$)</b>	<b>Committee or meeting fees (US\$)</b>	<b>Value of perquisites (US\$)</b>	<b>Long-term incentive plans (US\$)</b>	<b>Value of all other compensation (US\$)</b>	<b>Total compensation (US\$)</b>
David Wood CEO and Director	2021	150,000 <sup>(1)</sup>	nil	nil	nil	nil	nil	150,000
Alex McAulay CFO and Director	2021	36,000 <sup>(2)</sup>	nil	nil	nil	nil	nil	36,000
Chadwick White CIO and Director	2021	150,000 <sup>(3)</sup>	nil	nil	nil	nil	nil	150,000
Robert Hopp Former President, COO and General Counsel <sup>(4)</sup>	2021	150,000	nil	nil	nil	nil	nil	150,000
Marc Olmsted R&D Manager and Director	2021	88,000 <sup>(4)</sup>	nil	nil	nil	nil	nil	88,000
Joel Leonard Director	2021	nil	nil	nil	nil	nil	nil	nil
David Breda Director	2021	nil	nil	nil	nil	nil	nil	nil

Notes:

- (1) David Wood is expected to receive US\$150,000 in relation to his position as CEO and nil in relation to his position as a director of the Company. Mr. Wood resigned as President of the Company on June 7, 2021 and received no consideration in relation to his position as President of the Company.
- (2) Alex McAulay is expected to receive US\$36,000 in relation to his position as CFO and nil in relation to his position as a director of the Company.
- (3) Chadwick White is expected to receive US\$150,000 in relation to his position as CIO and nil in relation to his position as a director of the Company.

- (4) On June 15, 2021, Robert Hopp passed away. Pursuant to the Hopp Employment Agreement (as defined below), the Company is required to pay Robert Hopp (or his estate) his annual compensation package for the term of the Hopp Employment Agreement. See “*Employment, Consulting and Management Agreements – Robert Hopp*”.
- (5) Marc Olmsted is expected to receive US\$88,000 in relation to his position as R&D Manager and nil in relation to his position as a director of the Company.

### Stock Options and Other Compensation Securities

The following table discloses all compensation securities to be granted or issued to each Named Executive Officer and directors by the Company during the period from NFL’s formation on August 15, 2019 to the date of this Prospectus for services provided or to be provided, directly or indirectly, to the Company:

<b>Compensation Securities</b>							
<b>Name and Position</b>	<b>Type of compensation security</b>	<b>Number of compensation securities and percentage of class</b>	<b>Date of issue or grant</b>	<b>Issue conversion or exercise price (\$)</b>	<b>Closing price of security on date of grant (\$)</b>	<b>Closing price of security at year-end (\$)</b>	<b>Expiry Date</b>
David Wood CEO and Director	Options	740,000 (18.45%)	[◆], 2021 <sup>(1)</sup>	\$0.47	N/A	N/A	[◆], 2031
Alex McAulay CFO and Director	Options	500,000 (12.47%)	[◆], 2021 <sup>(1)</sup>	\$0.47	N/A	N/A	[◆], 2031
Chadwick White CIO and Director	Options	740,000 (18.45%)	[◆], 2021 <sup>(1)</sup>	\$0.47	N/A	N/A	[◆], 2031
Robert Hopp Former President, COO and General Counsel	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Marc Olmsted R&D Manager and Director	Options	740,000 (18.45%)	[◆], 2021 <sup>(1)</sup>	\$0.47	N/A	N/A	[◆], 2031
Joel Leonard Director	Options	150,000 (3.74%)	[◆], 2021 <sup>(1)</sup>	\$0.47	N/A	N/A	[◆], 2031
David Breda Director	Options	150,000 (3.74%)	[◆], 2021 <sup>(1)</sup>	\$0.47	N/A	N/A	[◆], 2031

Notes:

- (1) The Company expects to issue such Options immediately upon closing of the Offering. Each such Option will vest according to the following schedule: (i) ten percent (10%) on the grant date; and (ii) thirty percent (30%) every six (6) months after the grant date.

As of the date hereof, the Company has not issued Options to purchase Subordinate Voting Shares to its directors or officers; however, upon completion of the Offering, the Company expects to issue a total of 4,010,000 Options to purchase Subordinate Voting Shares to its directors and officers.

The following table discloses all exercise by the Named Executive Officers and directors of compensation securities during the period from the NFL’s formation on August 15, 2019 (and assumed by the Company pursuant to the Share Exchange Agreement) to the date of this Prospectus for services provided or to be provided, directly or indirectly, to the Company:



## Exercise of Compensation Securities by Directors and NEOs

Name and Position	Type of compensation security	Number of compensation securities exercised	Date of exercise	Closing price per security on date of exercise (\$)	Difference between exercise price and closing price on the date of exercise (\$)	Total value on exercise date (\$)
David Wood CEO and Director	-	-	-	-	-	-
Alex McAulay CFO and Director	-	-	-	-	-	-
Chadwick White CIO and Director	-	-	-	-	-	-
Robert Hopp Former President, COO and General Counsel	-	-	-	-	-	-
Marc Olmsted R&D Manager and Director	-	-	-	-	-	-
Joel Leonard Director	-	-	-	-	-	-
David Breda Director	-	-	-	-	-	-

### Employment, Consulting and Management Agreements

Other than as set out herein, the Company has no agreements or arrangements under which compensation was provided during the most recently completed financial year or is payable in respect of services provided to the Company or any of its subsidiaries that were performed by a director or NEO, or performed by any other party but are services typically provided by a director or NEO.

#### *David Wood*

On October 31, 2020, NFL entered into an employment agreement effective as of October 31, 2020, with David Wood (the “**Wood Employment Agreement**”), pursuant to which Mr. Wood serves as NFL’s (and now the Company’s) CEO. The term of the Wood Employment Agreement will continue for a period of two (2) years and two (2) months, after which it automatically continues indefinitely, until either party delivers written notice of termination in sixty (60) days. Pursuant to the terms of the Wood Employment Agreement, Mr. Wood shall receive, upon the board of directors of NFL’s approval (now the Board’s approval), (i) a base salary of US\$90,000; (ii) annual cash bonus(es) to be determined by the Board; and (iii) stock options, restricted stock or other equity-related awards from NFL’s various equity compensation plans as determined by the Board (together, the “**Wood Compensation**”). Under the Wood Employment Agreement, Mr. Wood was also granted a signing bonus of 25,714.29 shares of Common Stock.

In the event that NFL completes a US\$10,000,000 capital raise, Mr. Wood’s base salary will increase to US\$250,000.

In the event the Company terminates Mr. Wood’s employment for Cause (as defined in the Wood Employment Agreement), the Company shall pay Mr. Wood (i) accrued but unpaid base salary until the date of termination; (ii) any accrued but unpaid PTO (as defined in the Wood Employment Agreement); (iii) any accrued benefits (e.g. medical, dental) provided for in the Wood Employment Agreement; and (iv) any expense reimbursements due and owing to Mr. Wood as of the date of termination.

In the event Mr. Wood’s employment is terminated by the Company for Inability to Perform (as defined in the Wood Employment Agreement), or death, the Company shall pay Mr. Wood (i) the Wood Compensation for the term of the

Wood Employment Agreement; (ii) as a lump sum, the greater of (A) 100% of Mr. Wood's target bonus for the term of the Wood Employment Agreement, if any, or (B) a bonus for such years as determined by the Board based on the metrics/bonus pool of all employees, payable as soon as practicable after the date of termination, but no later than March 15 of the year following the year of termination; (iii) provided that Mr. Wood or his representative signs a Release (as defined in the Wood Employment Agreement), all options and other equity-related awards held by Mr. Wood, which will be considered fully vested and immediately exercisable; (iv) if elected to continue coverage under a group health insurance plan sponsored by NFL or one of its affiliates, and premiums are paid in a timely manner, reimbursements for the cost of continued coverage under the *Consolidated Omnibus Budget Reconciliation Act of 1985* ("**COBRA**") for Mr. Wood and his eligible dependents, until the earlier of (A) the date Mr. Wood is no longer entitled to continuation coverage under *COBRA* or (B) six (6) months after the date of termination.

In the event Mr. Wood's employment is terminated by the Company without Cause (as defined in the Wood Employment Agreement), and at a time in which there has not been a Change in Control (as defined in the Wood Employment Agreement), the Company shall pay Mr. Wood the Wood Compensation, and provided that Mr. Wood signs a Release (as defined in the Wood Employment Agreement), the Company shall also pay Mr. Wood (i) the greater of (A) twelve (12) months base salary at the time of termination or (B) Mr. Wood's base salary remaining under the term of the Wood Employment Agreement, payable over a three (3) month period; (ii) as a lump sum, the greater of (A) Mr. Wood's target bonus for the term of the Wood Employment Agreement, if any, or (B) a bonus for such years as determined by the Board based on the bonus pool of all employees, payable as soon as practicable after the date of termination, but no later than March 15 of the year following the year of termination; (iii) if elected to continue coverage under a group health insurance plan sponsored by NFL or one of its affiliates, and premiums are paid in a timely manner, reimbursements for the cost of continued coverage under *COBRA* for Mr. Wood and his eligible dependents, until the earlier of (A) the date Mr. Wood is no longer entitled to continuation coverage under *COBRA* or (B) twelve (12) months after the date of termination; and (iv) unless otherwise provided in the equity award agreement, all options and other equity-related awards held by Mr. Wood, which will be considered fully vested and immediately exercisable, provided that Mr. Wood will not be released from the black-out periods for the next financial reporting quarter (together, the "**Wood Without Cause Compensation**").

In the event Mr. Wood's employment is terminated by the Company without Cause (as defined in the Wood Employment Agreement) during the Protection Period (as defined in the Wood Employment Agreement), the Company shall pay Mr. Wood the Wood Without Cause Compensation, plus a cash payment of US\$100,000, payable within thirty (30) days of the date of termination.

### ***Marc Olmsted***

On December 1, 2020, NFL entered into an employment agreement effective as of December 1, 2020, with Marc Olmsted (the "**Olmsted Employment Agreement**"), pursuant to which Mr. Olmsted agreed to work in NFL's (and now the Company's) product development and quality assurance departments, reporting to the Company's CEO. The term of the Olmsted Employment Agreement will continue for a period of one (1) year and one (1) month, after which it automatically continues indefinitely, until either party delivers written notice of termination in sixty (60) days. Pursuant to the terms of the Olmsted Employment Agreement, Mr. Olmsted shall receive (i) a base salary of US\$88,000; (ii) annual cash bonus(es) to be determined by the Board based on performance criteria adopted by the Board; and (iii) stock options, restricted stock or other equity-related awards from NFL's various equity compensation plans as determined by the Board (together, the "**Olmsted Compensation**").

In the event that NFL completes a US\$10,000,000 capital raise, Mr. Olmsted's base salary will increase to US\$100,000.

In the event the Company terminates Mr. Olmsted's employment for Cause (as defined in the Olmsted Employment Agreement), the Company shall pay Mr. Olmsted (i) accrued but unpaid base salary until the date of termination; (ii) any accrued but unpaid PTO (as defined in the Olmsted Employment Agreement); (iii) any accrued benefits (e.g. medical, dental) provided for in the Olmsted Employment Agreement; and (iv) any expense reimbursements due and owing to Mr. Olmsted as of the date of termination.

In the event Mr. Olmsted's employment is terminated by the Company for Inability to Perform (as defined in the Olmsted Employment Agreement), or death, the Company shall pay Mr. Olmsted (i) the Olmsted Compensation for

the term of the Olmsted Employment Agreement; (ii) as a lump sum, the greater of (A) 100% of Mr. Olmsted's target bonus for the term of the Olmsted Employment Agreement, if any, or (B) a bonus for such years as determined by the Board based on the metrics/bonus pool of all employees, payable as soon as practicable after the date of termination, but no later than March 15 of the year following the year of termination; (iii) provided that Mr. Olmsted or his representative signs a Release (as defined in the Olmsted Employment Agreement), all options and other equity-related awards held by Mr. Olmsted, which will be considered fully vested and immediately exercisable; (iv) if elected to continue coverage under a group health insurance plan sponsored by NFL or one of its affiliates, and premiums are paid in a timely manner, reimbursements for the cost of continued coverage under *COBRA* for Mr. Olmsted and his eligible dependents, until the earlier of (A) the date Mr. Olmsted is no longer entitled to continuation coverage under *COBRA* or (B) six (6) months after the date of termination.

In the event Mr. Olmsted's employment is terminated by the Company without Cause (as defined in the Olmsted Employment Agreement), the Company shall pay Mr. Olmsted the Olmsted Compensation, and provided that Mr. Olmsted signs a Release (as defined in the Olmsted Employment Agreement), the Company shall also pay Mr. Olmsted (i) the greater of (A) six (6) months base salary at the time of termination or (B) Mr. Olmsted's base salary remaining under the term of the Olmsted Employment Agreement, payable over a three (3) month period; (ii) as a lump sum, the greater of (A) Mr. Olmsted's target bonus for the term of the Olmsted Employment Agreement, if any, or (B) a bonus for such years as determined by the Board based on the bonus pool of all employees, payable as soon as practicable after the date of termination, but no later than March 15 of the year following the year of termination; (iii) if elected to continue coverage under a group health insurance plan sponsored by NFL or one of its affiliates, and premiums are paid in a timely manner, reimbursements for the cost of continued coverage under *COBRA* for Mr. Olmsted and his eligible dependents, until the earlier of (A) the date Mr. Olmsted is no longer entitled to continuation coverage under *COBRA* or (B) six (6) months after the date of termination; and (iv) unless otherwise provided in the equity award agreement, all options and other equity-related awards held by Mr. Olmsted, which will be considered fully vested and immediately exercisable, provided that Mr. Olmsted will not be released from the black-out periods for the next financial reporting quarter.

#### *Chadwick White*

On October 31, 2020, NFL entered into an employment agreement effective as of October 31, 2020, with Chadwick White (the "**White Employment Agreement**"), pursuant to which Mr. White serves as NFL's (and now the Company's) CIO. The term of the White Employment Agreement will continue for a period of two (2) years and two (2) months, after which it automatically continues indefinitely, until either party delivers written notice of termination in sixty (60) days. Pursuant to the terms of the White Employment Agreement, Mr. White shall receive, upon the board of directors of NFL's approval (now the Board's approval), (i) a base salary of US\$120,000; (ii) annual cash bonus(es) to be determined by the Board; and (iii) stock options, restricted stock or other equity-related awards from NFL's various equity compensation plans as determined by the Board (together, the "**White Compensation**").

In the event that NFL completes a US\$10,000,000 capital raise, Mr. White's base salary will increase to US\$250,000.

In the event the Company terminates Mr. White's employment for Cause (as defined in the White Employment Agreement), the Company shall pay Mr. White (i) accrued but unpaid base salary until the date of termination; (ii) any accrued but unpaid PTO (as defined in the White Employment Agreement); (iii) any accrued benefits (e.g. medical, dental) provided for in the White Employment Agreement; and (iv) any expense reimbursements due and owing to Mr. White as of the date of termination.

In the event Mr. White's employment is terminated by the Company for Inability to Perform (as defined in the White Employment Agreement), or death, the Company shall pay Mr. White (i) the White Compensation for the term of the White Employment Agreement; (ii) as a lump sum, the greater of (A) 100% of Mr. White's target bonus for the term of the White Employment Agreement, if any, or (B) a bonus for such year as determined by the Board based on the metrics/bonus pool of all employees, payable as soon as practicable after the date of termination, but no later than March 15 of the year following the year of termination; (iii) provided that Mr. White or his representative signs a Release (as defined in the White Employment Agreement), all options and other equity-related awards held by Mr. White, which will be considered fully vested and immediately exercisable; (iv) if elected to continue coverage under a group health insurance plan sponsored by NFL or one of its affiliates, and premiums are paid in a timely manner, reimbursements for the cost of continued coverage under *COBRA* for Mr. White and his eligible dependents, until the

earlier of (A) the date Mr. White is no longer entitled to continuation coverage under *COBRA* or (B) six (6) months after the date of termination.

In the event Mr. White's employment is terminated by the Company without Cause (as defined in the White Employment Agreement), and at a time in which there has not been a Change in Control (as defined in the White Employment Agreement), the Company shall pay Mr. White the White Compensation, and provided that Mr. White signs a Release (as defined in the White Employment Agreement), the Company shall also pay Mr. White (i) the greater of (A) twelve (12) months base salary at the time of termination or (B) Mr. White's base salary remaining under the term of the White Employment Agreement, payable over a three (3) month period; (ii) as a lump sum, the greater of (A) Mr. White's target bonus for the term of the White Employment Agreement, if any, or (B) a bonus for such years as determined by the Board based on the bonus pool of all employees, payable as soon as practicable after the date of termination, but no later than March 15 of the year following the year of termination; (iii) if elected to continue coverage under a group health insurance plan sponsored by NFL or one of its affiliates, and premiums are paid in a timely manner, reimbursements for the cost of continued coverage under *COBRA* for Mr. White and his eligible dependents, until the earlier of (A) the date Mr. White is no longer entitled to continuation coverage under *COBRA* or (B) twelve (12) months after the date of termination; and (iv) unless otherwise provided in the equity award agreement, all options and other equity-related awards held by Mr. White, which will be considered fully vested and immediately exercisable, provided that Mr. White will not be released from the black-out periods for the next financial reporting quarter (together, the "**White Without Cause Compensation**").

In the event Mr. White's employment is terminated by the Company without Cause (as defined in the White Employment Agreement) during the Protection Period (as defined in the White Employment Agreement), the Company shall pay Mr. White the White Without Cause Compensation, plus a cash payment of US\$100,000, payable within thirty (30) days of the date of termination.

### ***Robert Hopp***

On October 31, 2020, NFL entered into an employment agreement effective as of October 31, 2020, with Robert Hopp (the "**Hopp Employment Agreement**"), pursuant to which Mr. Hopp served as NFL's (and the Company's) President, COO and General Counsel. The term of the Hopp Employment Agreement will continue for a period of two (2) years and two (2) months, after which it automatically continues indefinitely, until either party delivers written notice of termination in sixty (60) days. Pursuant to the terms of the Hopp Employment Agreement, Mr. Hopp shall receive, upon the board of directors of NFL's approval (now the Board's approval), (i) a base salary of US\$90,000; (ii) annual cash bonus(es) to be determined by the Board; and (iii) stock options, restricted stock or other equity-related awards from NFL's various equity compensation plans as determined by the Board (together, the "**Hopp Compensation**"). Under the Hopp Employment Agreement, Mr. Hopp was also granted a signing bonus of 25,714.29 shares of Common Stock.

In the event that NFL completes a US\$10,000,000 capital raise, Mr. Hopp's base salary will increase to US\$250,000.

In the event Mr. Hopp's employment is terminated by the Company for Inability to Perform (as defined in the Hopp Employment Agreement), or death, the Company shall pay Mr. Hopp (i) the Hopp Compensation for the term of the Hopp Employment Agreement; (ii) as a lump sum, the greater of (A) 100% of Mr. Hopp's target bonus for the term of the Hopp Employment Agreement, if any, or (B) a bonus for such year as determined by the Board based on the metrics/bonus pool of all employees, payable as soon as practicable after the date of termination, but no later than March 15 of the year following the year of termination; (iii) provided that Mr. Hopp or his representative signs a Release (as defined in the Hopp Employment Agreement), all options and other equity-related awards held by Mr. Hopp, which will be considered fully vested and immediately exercisable; (iv) if elected to continue coverage under a group health insurance plan sponsored by NFL or one of its affiliates, and premiums are paid in a timely manner, reimbursements for the cost of continued coverage under *COBRA* for Mr. Hopp and his eligible dependents, until the earlier of (A) the date Mr. Hopp is no longer entitled to continuation coverage under *COBRA* or (B) six (6) months after the date of termination. On June 15, 2021, Mr. Hopp passed away and the Hopp Employment Agreement was effectively terminated, subject to the Company paying Mr. Hopp (or his estate) the amounts noted above.

## Indemnification and Insurance

The Company maintains director and officer liability insurance and errors and omissions insurance. The Company expects to enter into indemnification agreements with its directors and officers. Pursuant to such anticipated written agreements with the Company, subject to the limitations of the BCBCA, the Company will indemnify a director or officer of the Company, a former director or officer of the Company, or another individual who acts or acted at the Company's request as a director or officer, or an individual acting in a similar capacity, of another entity, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association with the Company or another entity, provided the individual:

- (a) acted honestly and in good faith with a view to the best interest of the Company or, as the case may be, to the best interests of the other entity for which the individual acted as director or officer or in a similar capacity at the Company's request; and
- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, had reasonable grounds for believing that the individual's conduct was lawful.

## Pension Plan Benefits

The Company currently does not provide pension plan benefits for Named Executive Officers, directors, or employees.

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at the date of this Prospectus, none of the directors and executive officers of the Company or Associates of such persons are indebted to the Company or another entity where the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company.

## AUDIT COMMITTEE

### Audit Committee Charter

The full text of the charter of the Audit Committee is attached as **Appendix "C"** to this Prospectus.

### Composition of the Audit Committee

Pursuant to applicable laws, the Company is required to have an Audit Committee consisting of a minimum of three (3) directors, the majority of whom must not be officers or employees of the Company or an affiliate of the Company and financially literate. For additional details regarding the education and experience of each director anticipated to serve on the Audit Committee that is relevant to the performance of responsibilities as an Audit Committee member, see "*Directors and Executive Officers*".

As of the date hereof, the following are the members of the Audit Committee:

<u>Member</u>	<u>Independence</u>	<u>Financially Literacy</u>
David Breda	Independent <sup>(1)</sup>	Financially Literate
Joel Leonard	Independent <sup>(1)</sup>	Financially Literate
David Wood	Not Independent <sup>(1)(2)</sup>	Financially Literate

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Notes:

(1) Within the meaning of NI 52-110.

(2) David Wood is an executive officer of the Company and therefore, he is considered under NI 52-110 to be non-independent.

### **Relevant Education and Experience**

In addition to each member's general business experience, the education and experience of each Audit Committee member is set out in "*Directors and Executive Officers*" above.

### **Mandate and Responsibilities of the Audit Committee**

The Audit Committee's mandate and responsibilities are detailed in its Charter, and include: (i) reviewing and recommending for approval to the Board the financial statements, accounting policies that affect the statements, annual MD&A and associated press releases; (ii) being satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements and periodically assessing those procedures; (iii) establishing and maintaining complaint procedures regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; (iv) overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing such other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting; (v) pre-approving all non-audit services to be provided to the Company or its subsidiary entities by the external auditor; (vi) reviewing and monitoring the processes in place to identify and manage the principal risks that could impact the financial reporting of the Company; and (vii) reviewing and approving the Company's hiring policies regarding partners, employees, and former partners and employees of the present and former external auditor of the Company.

The Audit Committee is to meet at least quarterly to review financial statements and MD&A and to meet with the Company's external auditors at least once a year.

### **Audit Committee Oversight**

At no time since the date of incorporation on November 27, 2020 was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

### **Reliance on Certain Exemptions**

At no time since the date of incorporation on November 27, 2020, has the Company relied on the exemption in section 2.4 of NI 52-110 (*De Minimis Non-audit Services*), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

The Company will rely on the exemptions provided for "venture issuers" in section 6.1 of NI 52-110 with respect to Part 3 – Composition of the Audit Committee and Part 5 – Reporting Obligations.

### **Pre-Approval Policies and Procedures**

The Audit Committee is required to approve the engagement of the Company's external auditors in respect of non-audit services.

### **External Auditor Service Fees (By Category)**

The Audit Committee has reviewed the nature and amount of the non-audit services provided by Dale, Matheson, Carr-Hilton, Labonte LLP to ensure auditor independence. The following table sets out the aggregate fees billed by Dale, Matheson, Carr-Hilton, Labonte LLP for the audit fees from the date of incorporation to December 31, 2020 for each category of fees described:

Financial Period Ended	Audit Fees <sup>(1)</sup>	Audit Related Fees <sup>(2)</sup>	Tax Fees <sup>(3)</sup>	All Other Fees <sup>(4)</sup>
December 31, 2020	\$25,000	nil	nil	nil
December 31, 2019	\$45,000	nil	nil	nil

Notes:

- (1) “**Audit Fees**” includes fees necessary to perform the annual audit and quarterly reviews of the Company’s financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) “**Audit-Related Fees**” include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) “**Tax Fees**” include fees for all tax services other than those included in “**Audit Fees**” and “**Audit-Related Fees**”. This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) “**All Other Fees**” include all other non-audit services.

## CORPORATE GOVERNANCE

On June 30, 2005, the Canadian Securities Administrators enacted National Policy 58-201 – *Corporate Governance Guidelines* (the “**Governance Policy**”) and National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”). The Governance Policy provides guidelines on corporate governance practices while NI 58-101 requires Canadian reporting Companies to disclose their corporate governance practices in accordance with the disclosure items set out in Form 58-101F1.

The Company has reviewed its own corporate governance practices in light of the guidelines contained in the Governance Policy. The Company’s practices comply generally with the guidelines; however, the current directors of the Company consider that some of the guidelines are not suitable for the Company at its current state of development and therefore the Company’s governance practices do not reflect these particular guidelines. Given that the Company is relatively small in terms of both activities and market capitalization, the directors of the Company believe that the current governance structure is cost-effective and appropriate for the needs of the Shareholders.

Set out below is a description of the Company’s corporate governance practices as required to be disclosed by NI 58-101.

### Board of Directors

At the date of filing of this Prospectus, the Board consisted of six (6) directors, two of whom (David Breda and Joel Leonard) are independent. The other four (4) directors are David Wood, Alex McAulay, Chadwick White, and Marc Olmsted, all of whom are not independent as a result of their positions as executive officers and/or the compensation received by the Company or NFL in connection with their positions.

Directors are expected to attend Board meetings and meetings of committees on which they serve and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities.

### Board Mandate

The Board facilitates independent supervision of management through meetings of the Board and through frequent informal discussions among independent members of the Board and management. In addition, the Board has access to the Company’s external auditors, legal counsel and to any of the Company’s officers.

The Board has a stewardship responsibility to supervise the management of and oversee the conduct of the business of the relevant company, provide leadership and direction to management, evaluate management, set policies appropriate for the business of the Company and approve corporate strategies and goals.

The day-to-day management of the business and affairs of the Company is delegated by the Board to the senior officers of the Company. The Board will give direction and guidance through the CEO to management and will keep management informed of its evaluation of the senior officers in achieving and complying with goals and policies established by the Board.

The Board recommends nominees to the shareholders for election as directors, and immediately following each annual general meeting appoints an Audit Committee.

The Board exercises its independent supervision over management by its policies that (i) periodic meetings of the Board be held to obtain an update on significant corporate activities and plans; and (ii) all material transactions of the Company are subject to prior approval of the Board. To facilitate open and candid discussion among its independent directors, such directors are encouraged to communicate with each other directly to discuss ongoing issues pertaining to the Company.

### Position Description

Because the Board is a small, working board, it has not developed written position descriptions and does not have a process for assessing the performance of the directors or the chair of the Board committees.

The CEO of the Company is responsible for the general management of the day-to-day affairs of the Company within the guidelines established by the Board, consistent with decisions requiring prior approval of the Board.

### Other Reporting Issuer Experience

The following table sets out the directors, officers and promoters of the Company that are, or have been within the last five (5) years, directors, officers, or promoters of other issuers that are or were reporting issuers in any Canadian jurisdiction:

<u>Name of Director, Officer or Promoter</u>	<u>Name of Reporting Issuer</u>	<u>Exchange</u>	<u>Position</u>	<u>Term</u>
Alex McAulay	Cavu Mining Corp.	CSE	CFO	September 2020 to Present
	Ready Set Gold Corp.	CSE	Director	March 2020 to Present
	CBD Global Sciences Inc.	CSE	CFO	October 2019 to Present
	RYU Apparel Inc.	TSXV	CFO	July 2020 to Present
	Lobe Sciences Ltd. (formerly Greenstar Biosciences Corp.)	CSE	CFO	March 2019 to December 2019
	HIT Technologies Inc.	TSXV	CFO	January 2020 to Present
	Yuntone Capital Corp.	NEX	Director	June 2020 to May 2021
	Marifil Mines Limited	TSXV	CFO	September 2019 to Present
Joel Leonard	Golden Independence Mining Corp.	CSE	CFO	September 2020 to Present
	Sativa Wellness Group Inc. (f/k/a Stillcanna Inc.)	CSE	CFO and Director	May 2018 to August 2020



<b>Name of Director, Officer or Promoter</b>	<b>Name of Reporting Issuer</b>	<b>Exchange</b>	<b>Position</b>	<b>Term</b>
	Millbank Mining Corp.	CSE (Prospectus Pending)	CFO	September 2020 to Present
	Carebook Technologies Inc. (f/k/a Pike Mountain Minerals Inc.)	TSXV	CFO	May 2020 to October 2020
	FenixOro Gold Corp. (f/k/a American Battery Metals Corp.)	CSE	CFO	October 2018 to July 2019

### **Orientation and Continuing Education**

While the Company does not have formal orientation and training programs, orientation of new members of the Board is conducted by informal meetings with members of the Board, briefings by management, and the provision of copies of or access to the Company's documents.

The Company has not adopted formal policies respecting continuing education for Board members. Board members are encouraged to communicate with management, legal counsel, auditors, and consultants, to keep themselves current with industry trends and developments and changes in legislation with management's assistance, and to attend related industry seminars and visit the Company's operations. Board members have full access to the Company's records.

### **Ethical Business Conduct**

The Board has found that the fiduciary duties placed on individual directors by governing corporate legislation and the common law, and the restrictions placed by the BCBCA on an individual director's participation in decisions of the board in which the director has an interest, have helped to ensure that the Board operates independently of management and in the best interests of the Company.

Under corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of a company and exercise the care, diligence, and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, if a director of a company also serves as a director or officer of another company engaged in similar business activities to the first company, that director must comply with the conflict of interest provisions of the BCBCA, as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest. Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors that evoke such a conflict.

### **Nomination of Directors**

The Company does not have a stand-alone nomination committee. The full Board has responsibility for identifying potential Board candidates. The Board assesses potential Board candidates to fill perceived needs on the Board for required skills, expertise, independence, and other factors. Members of the Board and representatives of the industry are consulted for possible candidates.

### **Compensation**

The Board conducts reviews with regard to directors' and officers' compensation at least once a year. For information regarding the steps taken to determine compensation for the directors and the executive officers, see "*Executive Compensation*" herein.

## **Other Board Committees**

The Board has no other committees other than the Audit Committee.

## **Assessments**

The Board monitors the adequacy of information given to directors, communication between the Board and management and the strategic direction and processes of the Board and committees. On an ongoing annual basis, the Board assesses the performance of the Board as a whole, each of the individual directors and each committee of the Board in order to satisfy itself that each is functioning effectively.

## **PLAN OF DISTRIBUTION**

Pursuant to the Agency Agreement, the Company has appointed the Agents to act as its agents to offer for sale to the public, on a “commercially reasonable efforts” basis, without underwriter liability, a Minimum Offering of 5,319,149 Offered Shares and a Maximum Offering of 13,829,787 Offered Shares at the Offering Price as provided in this Prospectus if, as and when issued by the Company and accepted by the Agents in accordance with the terms of the Agency Agreement, for gross proceeds of a minimum of C\$2,500,000 and a maximum of C\$6,500,000, subject to compliance with all necessary legal requirements and to the conditions of the Agency Agreement.

The Company’s directors, officers, employees, and other investors who have an existing relationship with the Company may purchase Offered Shares pursuant to the Offering. These investors will constitute the President’s List.

The obligations of the Agents under the Agency Agreement are conditional and may be terminated in their sole discretion on the basis of their assessments of the state of the financial markets, and may also be terminated in certain stated circumstances and upon the occurrence of certain stated events, including industry standard “market out”, “material adverse change”, “disaster out”, “breach out”, “diligence out” and “regulatory proceedings out” provisions. While the Agents have agreed to use their “commercially reasonable efforts” to sell the Initial Shares, the Agents are not obligated to purchase any Initial Shares not sold.

Under the Agency Agreement, the Company has agreed to indemnify and save harmless the Agents, their affiliates, directors, officers, employees, agents, and shareholders against certain liabilities, including civil liabilities under the Canadian provincial securities legislation, and to contribute to any payments the Agents may be required to make in respect thereof.

Subscriptions for the Offered Shares will be received subject to rejection or allotment in whole or in part and the Agents reserve the right to close the subscription books at any time without notice. All subscription funds received by the Agents will be held in trust, pending the closing of the Offering. If the Minimum Offering has not closed on or before ninety (90) days from the issuance of a receipt for the final prospectus, the Offering will be discontinued and all subscription monies will be returned to purchasers by the Agents without interest or deduction, unless an amendment to the prospectus is filed and a receipt has been issued for such amendment.

The Company has applied to list the Subordinate Voting Shares on the CSE. Listing will be subject to the Company fulfilling all the initial listing requirements of the CSE, including distribution of the Subordinate Voting Shares to a minimum number of public holders.

In connection with the Offering and subject to applicable laws, the Agents may effect transactions that stabilize or maintain the market price of the Subordinate Voting Shares at a level other than that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

In addition, in accordance with rules and policy statements of certain Canadian securities regulators, the Agents may not, at any time during the period of distribution, bid for or purchase Subordinate Voting Shares. The foregoing restriction is, however, subject to exceptions where the bid or purchase is not made for the purpose of creating actual or apparent active trading in, or raising the price of, the Subordinate Voting Shares. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable regulatory authorities and the CSE, including the

Universal Market Integrity Rules for Canadian Marketplaces, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. As a result of these activities, the price of the Offered Shares may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Agents at any time. The Agents may carry out these transactions on any stock exchange on which the Subordinate Voting Shares are listed, in the over-the-counter market, or as otherwise permitted by applicable law.

The Agents may form a selling group with other registered investment dealers to market a portion of the Offering. Any fees payable to members of such selling group will be paid by the Agents out of the Agents' Fee.

The Company has granted the Agents the Over-Allotment Option, exercisable in whole or in part in the sole discretion of the Lead Agent, on behalf of the Agents, at any time and from time to time for a period of thirty (30) days commencing on the Closing Date, to purchase up to an aggregate number of Additional Shares as is equal to fifteen percent (15%) of the aggregate number of Initial Shares issued pursuant to the Offering at a price equal to the Offering Price to cover over-allocations, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total price to the public, Agents' Fee (assuming the Lead Agent elects, on behalf of the Agents, to receive such fee in cash) and net proceeds to the Company (before payment of the expenses of the Offering) will be C\$2,500,000, C\$150,000 and C\$2,350,000, respectively, in the case of the Minimum Offering, and C\$7,475,000, C\$448,500 and C\$7,026,500, respectively, in the case of the Maximum Offering (in each case, assuming no Offered Shares are purchased by President's List Subscribers). A purchaser who acquires Offered Shares forming part of the Agents' over-allocation position acquires those Offered Shares under this Prospectus, regardless of whether the Agents' over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The Company has agreed not to, directly or indirectly, issue, sell, offer, grant an option or right in respect of (or agree to or publicly announce any intention to do any of the foregoing) any additional Subordinate Voting Shares or any securities convertible or exchangeable into Subordinate Voting Shares, other than: (i) pursuant to the Offering, (ii) pursuant to the grant or exercise of stock options and other similar issuances pursuant to any stock option plan or similar share compensation arrangements, (iii) the issuance of Subordinate Voting Shares upon the exercise of convertible securities, warrants, options or obligations outstanding prior to the date of the Agency Agreement, or (iv) in connection with any arm's length property acquisition transaction or other corporate acquisitions by the Company, for a period commencing on the Closing Date and ending 180 days from the Listing Date without the prior written consent of the Lead Agent, such consent not to be unreasonably withheld, conditioned or delayed.

As a condition of closing of the Offering, each of the senior officers and directors of the Company will enter into agreements in favour of the Agents pursuant to which each will agree not to, directly or indirectly, offer, issue, sell, grant, secure, pledge, or otherwise transfer, dispose of or monetize, or engage in any hedging transaction, or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, or announce any intention to do so, in any manner whatsoever, any Subordinate Voting Shares or other securities convertible into, exchangeable for, or otherwise exercisable to acquire Subordinate Voting Shares or other equity securities of the Company for a period of six (6) months after the Listing Date, without the prior written consent of the Lead Agent, on behalf of the Agents, such consent not to be unreasonably withheld except in conjunction with (i) transfers by any such person to its affiliates for bona fide tax or estate planning purposes, provided that each transferee shall, as a condition precedent to such transfer, agree to enter into a substantially similar undertaking; or (ii) in order to accept a bona fide take-over bid made to all securityholders of the Company or similar business combination transaction.

If the Company does not complete the Offering, but the Company or any affiliate or subsidiary thereof completes any debt or equity financing transaction (excluding a bank loan from commercial bank lenders) prior to the date that is 180 days after the termination of the Agency Agreement (any such transaction, an "**Alternative Transaction**") in respect of which Canaccord Genuity Corp. is not the sole lead underwriter, placement agent, arranger or initial purchaser, or in respect of which Canaccord Genuity Corp. does not receive at least the same amount of compensation pursuant to the Alternative Transaction as to which it would have been entitled under the Offering, the Lead Agent shall be entitled to receive immediately upon the completion of such Alternative Transaction the lesser of (i) the amount of compensation assuming completion of the Maximum Offering, and (ii) the Agents' Fee, the Corporate Finance Fee and the Agents' Warrants calculated based on the amount raised pursuant to the Alternative Transaction; provided, however, that Canaccord Genuity Corp. shall not be entitled to any amount in the event the Lead Agent

voluntarily terminated the Agency Agreement (other than as a result of a material breach by the Company of its obligations hereunder) or the Company voluntarily terminates the Agency Agreement as a result of a material breach by the Lead Agent of its obligations hereunder. If the Company and the Lead Agent, acting reasonably and in good faith, are unable to complete the Offering due to market conditions or otherwise and the Company voluntarily terminates the Agency Agreement, Canaccord Genuity Corp. shall only be entitled to the compensation described above in connection with proceeds raised in an Alternative Transaction from investors introduced to the Company by the Lead Agent in the process of the Offering.

As at the date of this Prospectus, the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside Canada and the United States of America (other than the Alternative Investment Market of the London Stock Exchange or the PLUS Markets operated by PLUS Markets Group plc).

The Offering is being made in the provinces of British Columbia, Alberta, and Ontario. The Offered Shares will be offered in the provinces of British Columbia, Alberta, and Ontario through those Agents or their affiliates who are registered to offer the Offered Shares for sale in such provinces and such other registered dealers as may be designated by the Agents. Subject to applicable law, the Agents may offer the Offered Shares outside of Canada.

### **United States**

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities in the United States or to, or for the account or benefit of, U.S. Persons. The Offered Shares being issued in the Offering have not been and will not be registered under the U.S. Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons, except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws.

Each of the Agents has agreed that it (or such U.S. broker-dealer affiliates of the Agents that conducts offers and sales in the United States on the Company's behalf) will not offer or sell the Offered Shares on the Company's behalf within the United States or to, or for the account or benefit of, U.S. Persons, except in accordance with the Agency Agreement. The Agency Agreement provides that offers and sales of the Offered Shares may be made in the United States or to U.S. Persons only pursuant to exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws. In particular, the Agency Agreement provides that the Agent, through its U.S. broker-dealer affiliate(s) may offer and sell the Offered Shares on the Company's behalf within the United States or to U.S. Persons only to investors which are "accredited investors", as defined in Rule 501(a) of Regulation D of the U.S. Securities Act or entities owned entirely by such investors, provided such offers and sales are made in accordance with Rule 506(b) of Regulation D under the U.S. Securities Act. Moreover, the Agency Agreement provides that the Agent will offer and sell the Offered Shares outside the United States on the Company's behalf only to non-U.S. Persons in accordance with Regulation S under the U.S. Securities Act. The Offered Shares which are sold in the United States or to, or for the account or benefit of, U.S. Persons, in reliance on Rule 506(b) of Regulation D under the U.S. Securities Act will be "restricted securities" within the meaning of Rule 144 of the U.S. Securities Act, and certificates representing such securities will contain a legend to the effect that the securities represented thereby have not been registered under the U.S. Securities Act and may only be offered for sale pursuant to certain exemptions from the registration requirements of the U.S. Securities Act.

In addition, until forty (40) days after the commencement of this Offering, an offer or sale of the Offered Shares distributed under this Offering within the United States by any dealer (whether or not participating in this Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from such registration requirements.

### **Certificates**

Other than in respect of the Offered Shares sold to certain purchasers in the United States and to, or for the account or benefit of, certain U.S. Persons or certain persons in the United States, which will be represented by individual certificates, and other than pursuant to certain exceptions, it is expected that one or more global certificates for the Offered Shares distributed by this Prospectus will be issued in registered and definitive form to CDS and will be

deposited with CDS on the Closing Date. Purchasers of the Offered Shares will receive only a customer confirmation from the registered dealer from or through whom the Offered Shares are purchased.

The individual certificate(s) evidencing Offered Shares issued to, or for the account or benefit of, certain persons within the United States who are acquiring Offered Shares pursuant to the registration exemption provided by Rule 506(b) of Regulation D under the U.S. Securities Act will contain legends to the effect that the Offered Shares represented thereby have not been registered under the U.S. Securities Act and may only be resold or transferred pursuant to certain exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws of the United States.

### **Pricing of the Offering**

The Offering Price was determined based upon arm's length negotiations between the Company and the Agents. Among the factors considered in determining the Offering Price were the following:

- the market price of the Subordinate Voting Shares;
- prevailing market conditions;
- historical performance and capital structure of the Company;
- estimates of the business potential and earnings prospects of the Company;
- availability of comparable investments;
- an overall assessment of management of the Company; and
- the consideration of these factors in relation to market valuation of companies in related businesses.

### **Commissions and Expenses**

The Company has agreed to pay to the Agents: (i) the Agents' Fee which is equal to six percent (6.0%) of the gross proceeds of the Offering (including upon any exercise of the Over-Allotment Option), excluding proceeds received from Presidents List Subscribers, and (ii) two percent (2.0%) of the gross proceeds of the Offering received from Presidents List Subscribers, payable in cash or Subordinate Voting Shares or any combination thereof, all at the option of the Lead Agent, on behalf of the Agents.

As additional compensation, the Company has also agreed to issue to the Agents the Agents' Warrants on the Closing Date. The Agents' Warrants will entitle the Agents to purchase such number of Subordinate Voting Shares (the "**Agents' Warrant Shares**") equal to six percent (6.0%) of the total number of Offered Shares sold under the Offering (including upon any exercise of the Over-Allotment Option), excluding such Offered Shares subscribed for by Presidents List Subscribers, and two percent (2.0%) of the Offered Shares subscribed for by Presidents List Subscribers, at a price per Agents' Warrant Share equal to the Offering Price, for a period of twenty-four (24) months following the Listing Date.

The Company has also agreed to pay to the Lead Agent the Corporate Finance Fee, comprised of that number of Corporate Finance Fee Shares which is equal to four percent (4.0%) of the aggregate number of Offered Shares issued pursuant to the Offering (including upon any exercise of the Over-Allotment Option), at a deemed price per Subordinate Voting Share equal to the Offering Price.

Notwithstanding the foregoing, the aggregate number of Subordinate Voting Shares, Agents' Warrants or other securities of the Company that may be issued to the Agents as compensation in connection with the Offering (including securities issued in satisfaction of all or a part of the Agents' Fee and the Corporate Finance Fee) may not exceed the amount prescribed by Section 11.2 of NI 41-101.

This Prospectus qualifies the distribution of the Corporate Finance Fee Shares and the grant of the Agents' Warrants.

## **RISK FACTORS**

The securities offered hereunder must be considered highly speculative due to the nature of the Company's business. Prospective investors should carefully consider the information presented in this Prospectus before purchasing the Subordinate Voting Shares offered under this Prospectus, and in particular should give special consideration to the risk factors below and in the section entitled "*Forward-Looking Statements*" above.

The risk and uncertainties below are not the only risks and uncertainties facing the Company. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair the business, operations and future prospects of the Company and cause the price of the Subordinate Voting Shares to decline. If any of the following risks actually occur, the business of the Company may be harmed, and its financial condition and results of operations may suffer insignificantly. As a result of these factors, this Offering is only suitable to investors who are willing to rely solely on management of the Company and who can afford to lose their entire investment. Those investors who are not prepared to do so should not invest in the Subordinate Voting Shares. In addition to the risks described elsewhere and the other information in this Prospectus, prospective investors should carefully consider each of, and the cumulative effect of, all the following risk factors:

### **Risks Related to the Company**

***The Company is a development stage company with little operating history, a history of losses and the Company cannot assure profitability.***

As the Company has only just begun to generate revenue, it is extremely difficult to make accurate predictions and forecasts of its finances. This is compounded by the fact the Company intends to operate in the plant-based food industry, which is rapidly transforming. There is no guarantee that the Company's products will be attractive to potential consumers.

***The Company has undergone numerous corporate restructurings containing provisions that could disadvantage the Company.***

The Company (including without limitation NFL, GFBS, and TBS) has undergone numerous restructurings, including the acquisition by NFL of GFBS and GFSM, dissolution of GFSM and the Share Exchange Agreement between NFL and the Company, and, as a result of such activities, the current and/or former shareholders of the Company may assert claims against the Company in connection with these restructurings based on the Company's failure to comply with all applicable requirements.

***Uncertainty about the Company's ability to continue as a going concern.***

The Company is in the development stage and is currently seeking additional capital, mergers, acquisitions, joint ventures, partnerships, and other business arrangements to expand its product offerings in the food ingredients and plant-based protein industries and grow its revenue. The Company's ability to continue as a going concern is dependent upon its ability in the future to grow its revenue and achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity and debt, will be sought to finance the operations of the Company; however, there can be no certainty that such funds will be available at terms acceptable to the Company. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

***The Company (through NFL) has negative cash flow for the periods ended December 31, 2019 and 2020 and for the three months ended March 31, 2021.***

During the fiscal years ended December 31, 2019 and 2020 and for the three months ended March 31, 2021, the Company (through NFL) had negative cash flow from operating activities. To the extent that the Company has

negative operating cash flow in future periods, it may need to allocate a portion of its cash reserves to fund such negative cash flow. The Company may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that the Company will be able to generate a positive cash flow from its operations, that additional capital or other types of financing will be available when needed or that these financings will be on terms favourable to the Company. The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management.

***The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management.***

The Company's actual financial position and results of operations may differ materially from management's expectations. As a result, the Company's revenue, net income, and cash flow may differ materially from the Company's projected revenue, net income, and cash flow. The process for estimating the Company's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

***Risks related to the COVID-19 pandemic.***

The current outbreak of the novel coronavirus (COVID-19) that was first reported from Wuhan, China in December 2019, and the spread of this virus could continue to have a material adverse effect on global economic conditions which may adversely impact the Company's business. The World Health Organization declared a global emergency on January 30, 2020 with respect to the outbreak and characterized it as a pandemic on March 11, 2020. The extent to which the outbreak impacts the Company's business will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the outbreak and the actions to contain the outbreak or treat its impact, among others. Moreover, the actual and threatened spread of the coronavirus globally could also have a material adverse effect on the regional economies in which the Company intends to operate, continue to negatively impact stock markets, adversely impact the Company's ability to raise capital, and cause continued interest rate volatility. The Company's facilities continue to be operational, and management is working closely with local regulatory bodies to ensure that the Company continues to meet and exceed the standards in markets in which the Company operates. While it is difficult to predict the impact of the coronavirus outbreak on the Company's business, measures taken by the governments in Canada and the United States and voluntary measures undertaken by the Company with a view to the safety of the Company's employees, may adversely impact the Company's business, for instance by impeding the labour required to produce, market, and distribute the Company's products and disrupting the Company's critical supply chains. Shelter-in-place orders and social distancing practices designed to limit the spread of COVID-19 may affect the Company's business.

In particular, the outbreak in the United States, which has resulted in restrictions including quarantines, closures, cancellations and travel restrictions, may have a material adverse effect on the Company's business including operating, manufacturing supply chain, research and development, regulatory submissions and project development delays and disruptions, labour shortages, travel and shipping disruption and shutdowns, interruptions in product supply or restrictions on the export or shipment of the Company's products and reduced customer demand. The Company may incur expenses or delays relating to such events outside of the Company's control, which could have a material adverse impact on the Company's business, operating results, and financial condition. Any of these developments, and others, could have a material adverse effect on the Company's business. In addition, while food products industry has been declared an essential service in many provinces and states, including the states in which the Company operates, there is no assurance that the Company's operations will continue to be deemed essential and/or the Company will continue to be permitted to operate in the future.

***As a result of the COVID-19 pandemic, the number of employees working remotely has increased significantly, which has also increased demands on information technology resources and systems and increased the risk of phishing and other cybersecurity attacks.***

The magnitude, duration, and severity of the COVID-19 pandemic are difficult to predict and could affect the significant estimates and judgments used in the preparation of the Company's consolidated financial statements.

***There are factors which may prevent the Company from the realization of growth targets. The Company is currently in the expansion from early development stage.***

The Company's growth strategy contemplates expansion of the Centennial Manufacturing Facility. There is a risk that this will not be achieved on time, on budget, or at all, as it can be adversely affected by a variety of factors, including some that are discussed elsewhere in these "Risk Factors" and the following:

- delays in obtaining, or conditions imposed by, regulatory approvals;
- facility design errors;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- operational inefficiencies;
- labour disputes, disruptions or declines in productivity; inability to attract sufficient numbers of qualified workers; disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, or storms.

***Adverse weather conditions could impose costs on the Company's business.***

The Company's various plant-based food product inputs are vulnerable to adverse weather conditions, including windstorms, floods, droughts, fires, pestilence, and temperature extremes, which are quite common but difficult to predict. Additionally, severe weather conditions may occur with higher frequency or may be less predictable in the future due to the effects of climate change. Unfavourable growing conditions can reduce both crop size and crop quality. In extreme cases, entire harvests may be lost in some geographic areas. These factors can increase costs, decrease revenues and lead to additional charges to earnings, which may have a material adverse effect on the Company's business, results of operations and financial condition.

***Shipping and transportation delays.***

The Company imports various product inputs and exports various products which are dependent upon third-party shipping and logistics companies and facilities. The Company also ships its products to its customers domestically. If there are interruptions or delays in the shipping and delivery of the Company's product inputs or products it sells (e.g. due to labour stoppages) which may have a material adverse effect on the Company's business, financial condition, and results of operations.

***Environmental and health and safety laws.***

The Company is subject to environmental, health and safety laws and regulations in each jurisdiction in which it operates or is planning to operate. Such regulations govern, among other things, emissions of pollutants into the air, wastewater discharges, waste disposal, the investigation and remediation of soil and groundwater contamination, and the health and safety of the Company's employees. For example, the Company's products and the raw materials used in its production processes are subject to numerous environmental laws and regulations. The Company may be required to obtain environmental permits from governmental authorities for certain of its current or proposed operations. The Company may not have been, nor may it be able to be at all times, in full compliance with such laws, regulations and permits. If the Company violates or fails to comply with these laws, regulations or permits, the Company could be fined or otherwise sanctioned by regulators.

As with other companies engaged in similar activities or that own or operate real property, the Company faces inherent risks of environmental liability at its current and historical production sites. Certain environmental laws impose strict and, in certain circumstances, joint and several liability on current or previous owners or operators of real property for



the cost of the investigation, removal or remediation of hazardous substances as well as liability for related damages to natural resources. In addition, the Company may discover new facts or conditions that may change its expectations or be faced with changes in environmental laws or their enforcement that would increase its liabilities. Furthermore, its costs of complying with current and future environmental and health and safety laws, or the Company's liabilities arising from past or future releases of, or exposure to, regulated materials, may have a material adverse effect on its business, financial condition, and results of operations.

### ***Labelling.***

In recent years, a number of plant-based meat and dairy alternative companies have been the subject of CFIA investigations relating to the use of words such as dairy and meat in connection with plant-based products. In certain instances, the matter was resolved through the use of a hyphenated modifier such as "plant-based" or "dairy-free" but in others, revisions to the labelling of products was required in order to distinguish the products at issue from the conventional understanding of meat and cheese products. While the Company currently believes that its product labels and marketing materials are not misleading or deceptive, there is a risk that the CFIA will take up enforcement action against the Company. Any such review could divert resources from the Company's management and result in increased compliance costs and could have a material adverse effect on the Company's business.

***If the Company is unable to develop and market new products, it may not be able to keep pace with market developments.***

The plant-based protein industry, which is a portion of the Company's business, is in its early stages and it is likely that the Company and its competitors will seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Company will need to expend significant amounts of capital in order to successfully develop and generate revenues, from new products. The Company may not be successful in developing new products, bringing such products to market, or gaining market acceptance for its products, which together with capital expenditures made in relation to such product development, may have a material adverse effect on the Company's business, financial condition, and results of operations.

***There is no assurance that the Company will successfully develop its products currently in the product development process.***

As described further in the "Business Objectives and Milestones" section, the Company has various products being brought to the commercialization stage, with each product facing different significant events it must achieve for its successful development. A failure to complete, successfully and timely, the required commercial manufacturing, or any required product development process, may have a material adverse effect on the Company's profitability and financial condition.

***There is no assurance that the Company will retain any relevant licenses nor obtain new licenses or approvals that may be required for the Company's business and future plans.***

Compliance related to food safety, GFSI, HACCP, and GMP standards, may be required for the facilities used in handling and processing food products. Certifications, once issued, are subject to ongoing compliance and reporting requirements. Failure to comply with the requirements would have a material adverse impact on the business, financial condition, and operating results of the Company.

The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing, documentation and periodic reporting that may be required by governmental authorities. Any delays in obtaining, or failure to obtain or retain the necessary regulatory approvals will significantly delay the development of the Company's markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

***There is no assurance that the Company will maintain its material customer base.***

The Company's product lines depend on significant customers for a large portion of revenue. If the Company's products should stop being purchased by any of the three (3) largest customer groups, the impact may have a material adverse effect on the Company's business, financial condition, and results of operations.

The loss of any major customer, a significant decrease in business from any such customer, or a reduction in customer revenue due to adverse changes in the terms of contractual agreements or other factors could adversely affect the Company's timing and volume of current sales, operations, production output and financial condition. Moreover, the Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or in a timely fashion, or at all. Revenue from individual customers may fluctuate occasionally based on, among other things, the commencement and completion of projects, the timing of which may be impacted by market volatility. Despite the Company's plans to diversify the Company's customer base through the growth of its product sales and marketing team, there can be no assurance that the Company's customers will maintain or increase their sales volumes or orders for the products supplied by the Company or that the Company will be able to maintain or increase its existing customer base.

***There is no assurance that the Company will retain its distribution arrangements with BCI.***

The Company arranges for substantially all its sales of specialty ingredients in Canada through supply channels, and primarily through BCI. If required, the Company could distribute its products direct to commercial customers or through alternative representatives and distributors. Sustained disruption or cessation of its arrangement with BCI could adversely impact the timing and volume the Company's current sales, cause the exclusion from certain retail accounts of the Company products, any of which may have a material adverse effect on the Company's business, financial condition, and results of operations.

***Limited Number of Distributors.***

The Company uses a limited number of distributors for the substantial majority of its sales, and if it experiences the loss of one or more distributors and cannot replace them in a timely manner, results of operations may be adversely affected. The Company expects that most of its sales will be made through a core number of distributors for the foreseeable future. Since these distributors act as intermediaries between the Company and the retail grocers, the Company does not have short-term or long-term commitments or minimum purchase volumes in its contracts with them that ensure future sales of its products. If the Company loses one or more of its significant distributors and cannot replace the distributor in a timely manner or at all, its business, results of operation and financial condition may be materially adversely affected.

***There is no assurance that the Company will retain its supply arrangement with Starch Products.***

The Company has arranged a supply arrangement with Starch Products, on a non-exclusive basis for the supply of starches for inclusion into the Company's products. Currently, substantially all the Company's supply of certain starch products is provided by Starch Products. Any lack of or interruption in supplies of raw materials would have an adverse impact on the development and commercialization of the Company's products. The termination of the verbal supply arrangement with Starch Products or non-performance by Starch Products, could negatively impact the Company's revenues. However, the Company believes that if the verbal supply arrangement with Starch Products was modified or terminated, the Company would be able to arrange a suitable alternative supplier of starch products within a reasonable timeframe such that the effect on the Company's business would be minimal. In such an event, the Company business could be adversely impacted should the overall product quality or pricing be less beneficial than its current supplier.

***There is no assurance that the Company will retain its supply arrangement with HPS.***

The Company has arranged a supply arrangement with HPS, on a non-exclusive basis for the supply of Hemp hearts for inclusion into the Company's products. Currently, substantially all the Company's supply of Hemp hearts is provided by HPS. Any lack of or interruption in supplies of raw materials would have an adverse impact on the

development and commercialization of the Company's products. The termination of the supply agreement with HPS, or non-performance by HPS, could negatively impact the Company's revenues. However, the Company believes that if the supply agreement with HPS was terminated, the Company would be able to arrange a suitable alternative supplier of Hemp hearts within a reasonable timeframe such that the effect on the Company's business would be minimal. In such an event, the Company business could be adversely impacted should the overall product quality or pricing be less beneficial than its current supplier.

### ***Reliance on Third-Party Suppliers.***

Given that the Company relies on a limited number of third-party suppliers, it may not be able to obtain raw materials on a timely basis or in sufficient quantities to produce its products or meet the demand for its products. The Company's financial performance depends in large part on its ability to arrange for the purchase of raw materials in sufficient quantities at competitive prices. The Company is not assured of continued supply or pricing of raw materials. Any of the Company's suppliers could discontinue or seek to alter their relationship with the Company.

Events that adversely affect the Company's suppliers of raw materials could impair its ability to obtain raw material inventory in the quantities that it desires. Such events include problems with the Company's suppliers' businesses, finances, labor relations, ability to import raw materials, costs, production, insurance, and reputation, as well as natural disasters, fires, or other catastrophic occurrences.

The Company continuously seeks alternative sources of materials and proteins to use in its products, but it may not be successful in diversifying the raw materials it uses in its products.

If the Company needs to replace an existing supplier, there can be no assurance that supplies of raw materials will be available when required on acceptable terms, or at all, or that a new supplier would allocate sufficient capacity to the Company in order to meet its requirements, fill its orders in a timely manner or meet its strict quality standards. If the Company is unable to manage its supply chain effectively and ensure that its products are available to meet consumer demand, its operating costs could increase, and its profit margins could decrease. Any significant increase in the price of raw materials that cannot be passed on to the customers could have a material adverse effect on the Company's results of operations or financial condition.

### ***Third-Party Supplier Compliance.***

Failure by the Company's suppliers of raw materials or co-packers to comply with food safety, environmental or other laws and regulations, or with the specifications and requirements of its products, may disrupt its supply of products and adversely affect its business.

If suppliers or partners fail to comply with food safety, environmental or other laws and regulations, or face allegations of non-compliance, their operations may be disrupted. In the event of actual or alleged noncompliance, the Company might be forced to find alternative suppliers or partners and it may be subject to lawsuits related to such non-compliance. As a result, the Company's supply of raw materials or finished products could be disrupted or its costs could increase, which would adversely affect its business, results of operations and financial condition. Additionally, actions the Company may take to mitigate the impact of any disruption or potential disruption in its supply of raw materials or finished products, including increasing inventory in anticipation of a potential supply or production interruption, may adversely affect its business, results of operations and financial condition.

### ***The Company may be subject to product recalls for product defects self-imposed or imposed by regulators.***

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has

detailed procedures in place for testing its products, there can be no assurance that any quality, potency, or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action, or lawsuits. Additionally, if one of the Company significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations regulatory agencies, requiring further management attention and potential legal fees and other expenses.

### ***Quality Control.***

Whether real or perceived, reports of inadequate quality control (with respect to products and their manufacturing) can have multiple consequences. The Company's sales and results related to these products could be severely affected; this impact may extend beyond the products involved and include other offerings under the same brand name; rapid digital dissemination of information through news reports and social media may also spread to other geographic areas than the ones initially involved; in addition to the immediate financial impact, the reputation of the Company, its product offerings as well as its quality control protocols may be adversely affected over the long term, thereby exacerbating the financial risk for the Company.

The quality and safety of the Company's products are critical to the success of the Company's business and operations. As such, it is imperative that the Company and their service providers' quality control systems operate effectively and successfully. Quality control systems can be negatively impacted by the design of the quality control systems, the quality training program, and adherence by employees to quality control guidelines.

### ***Product Liability.***

As a manufacturer and distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action, and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of the Company's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the Company's results of operations and financial condition of the Company.

There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products. As of the current date, the Company carries a US\$7 million umbrella insurance policy that covers product liability.

### ***Holding Company.***

The Company is a holding company and essentially all its assets are the capital stock of its material subsidiaries. As a result, investors in the Company are subject to the risks attributable to its subsidiaries. Consequently, the Company's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and investments and the distribution of those earnings to Company. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation, or reorganization of any of the Company's material subsidiaries, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of those subsidiaries before the Company.

***The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure, growth, regulatory compliance, and operations.***

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition, and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company's efforts to grow its business may be costlier than the Company expects, and the Company may not be able to increase its revenue enough to offset its higher operating expenses. The Company may incur significant losses in the future for a number of reasons, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If the Company is unable to achieve and sustain profitability, the market price of the Subordinate Voting Shares may significantly decrease.

***The Company may be subject to additional regulatory burden resulting from its public listing on the CSE.***

The Company has not been subject to the continuous and timely disclosure requirements of Canadian securities laws or other rules, regulations, and policies of the CSE. The Company is working with its legal, accounting, and financial advisors to identify those areas in which changes should be made to the Company's financial management control systems to manage its obligations as a public company listed on the CSE. These areas include corporate governance, corporate controls, disclosure controls and procedures and financial reporting and accounting systems. The Company has made, and will continue to make, changes in these and other areas, including the Company's internal controls over financial reporting. However, the Company cannot assure holders of Company's shares that these and other measures that the Company might take will be sufficient to allow us to satisfy the Company's obligations as a public company listed on the CSE on a timely basis. In addition, compliance with reporting and other requirements applicable to public companies listed on the CSE will create additional costs for the Company and will require the time and attention of management. The Company cannot predict the amount of the additional costs that the Company might incur, the timing of such costs or the impact that management's attention to these matters will have on the Company's business.

***There is no assurance that the Company will turn a profit or generate immediate revenues.***

There is no assurance as to whether the Company will be profitable, earn revenues, or pay dividends. The Company has incurred and anticipates that it will continue to incur substantial expenses relating to the development and operation of its business.

The payment and amount of any future dividends will depend upon, among other things, the Company's results of operations, cash flow, financial condition, and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

***The Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business.***

The Company has grown by acquisition. If the Company implements its business plan as intended, it may in the future experience rapid growth and development in a relatively short period of time. The management of this growth will require, among other things, continued development of the Company's financial and management controls and management information systems, stringent control of costs, the ability to attract and retain qualified management personnel and the training of new personnel. The Company intends to utilize outsourced resources, and hire additional personnel, to manage its expected growth and expansion. Failure to successfully manage its possible growth and development could have a material adverse effect on the Company's business and the value of the Subordinate Voting Shares.

***The Company may be unable to adequately protect its proprietary and intellectual property rights, particularly in the U.S.***

The Company's ability to compete may depend on the superiority, uniqueness and value of any intellectual property and technology that it may develop. To the extent the Company is able to do so, to protect any proprietary rights of the Company, the Company intends to rely on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, any of the following occurrences may reduce the value of any of the Company's intellectual property:

- the market for the Company's products and services may depend to a significant extent upon the goodwill associated with its trademarks and trade names;
- patents in the food industry may involve complex legal and scientific questions and patent protection may not be available for some or any of the Company's products or processes; the Company's applications for trademarks and copyrights relating to its business may not be granted and, if granted, may be challenged or invalidated;
- issued patents, trademarks and registered copyrights may not provide the Company with competitive advantages; the Company's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of any its products or intellectual property;
- the Company's efforts may not prevent the development and design by others of products or marketing strategies similar to or competitive with, or superior to those the Company develops;
- another party may assert a blocking patent and the Company would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in its products; or
- the expiration of patent or other intellectual property protections for any assets owned by the Company could result in significant competition, potentially at any time and without notice, resulting in a significant reduction in sales. The effect of the loss of these protections on the Company and its financial results will depend, among other things, upon the nature of the market and the position of the Company's products in the market from time to time, the growth of the market, the complexities, and economics of manufacturing a competitive product and regulatory approval requirements but the impact could be material and adverse.

***The Company may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights.***

The Company may be forced to litigate to enforce or defend its intellectual property rights, to protect its trade secrets or to determine the validity and scope of other parties' proprietary rights. Any such litigation could be very costly and could distract its management from focusing on operating the Company's business. The existence and/or outcome of any such litigation could harm the Company's business.

***The Company may become subject to litigation, including for possible product liability claims, which may have a material adverse effect on the Company's reputation, business, results from operations, and financial condition.***

The Company may be named as a defendant in a lawsuit or regulatory action. The Company may also incur uninsured losses for liabilities which arise in the ordinary course of business, or which are unforeseen, including, but not limited to, employment liability and business loss claims. Any such losses could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition.

***The Company faces competition from other companies where it will conduct business that may have higher capitalization, more experienced management or may be more mature as a business.***

An increase in the companies competing in this industry could limit the ability of the Company to expand its operations. Current and new competitors may have better capitalization, a longer operating history, more expertise,

greater brand recognition and loyalty, facilities devoted to innovation and nutrition science, complementary product and service offerings, a larger customer base, operations dedicated towards identifying consumer preferences, strong industry relationships with both customers and distributors and an ability to develop higher quality equipment or products, at the same or a lower cost. As a result, they may be able to respond more quickly to customer requirements and devote greater resources towards price-based promotional activities better than the Company can. These competitors may also be able to adapt more quickly to new or emerging technologies and standards and may be able to deliver services that are comparable or superior to that of the Company's services at a far more reduced rate. The Company's competitors may also merge or form strategic partnerships. Such pressures may also restrict the Company's ability to increase prices in response to commodities (ingredients and equipment, for example), wages and other applicable cost increases. The Company cannot provide assurances that it will be able to compete successfully against current and future competitors. Competitive pressures faced by the Company could have a material adverse effect on its business, operating results, and financial condition.

***Market conditions.***

Recent market events and conditions and economic disruptions have in the past impacted capital investment initiatives and sales cycles and will continue to impact the performance of the global economy and inevitably the Company moving forward.

Adverse and uncertain economic market conditions, particularly in the locations in which the Company operates, may impact customer and consumer demand for its products and its ability to manage commercial relationships with its customers, suppliers, and creditors. Consumers may shift purchases to lower-priced or other perceived value offerings during economic downturns, which may adversely affect the result of operations. More importantly, consumers may also reduce the number of plant-based food products that they purchase where there are conventional alternatives, given that plant-based food products generally have higher retail prices than do their conventional counterparts. Additionally, consumers may choose to purchase private label products rather than branded products, which generally have lower retail prices than do their branded counterparts. Distributors and retailers may become more conservative in response to these conditions and seek to reduce their inventories. The Company's results of operations depend upon, among other things, its ability to maintain and increase sales volumes with existing customers, its ability to attract new customers, the financial condition of its customers and its ability to provide products that appeal to consumers at the right price. A prolonged period of adverse market conditions may impede the Company's ability to grow.

***If the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the food ingredient market.***

The Company's success has depended and continues to depend upon its ability to attract and retain key management, including the Company's CEO, CIO, CFO, and technical experts. The Company will attempt to enhance its management and technical expertise by continuing to recruit qualified individuals who possess desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees or engineering and technical support resources could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Company, results of operations of the business and could limit the Company's ability to develop and market its food-related products. The loss of any of the Company's senior management or key employees could materially adversely affect the Company's ability to execute the Company's business plan and strategy, and the Company may not be able to find adequate replacements on a timely basis, or at all. The Company does not maintain key person life insurance policies on any of the Company's employees.

***Failure to successfully integrate acquired businesses, its products, and other assets into the Company, or if integrated, failure to further the Company's business strategy, may result in the Company's inability to realize any benefit from such acquisition.***

The Company expects to grow by acquiring businesses. The consummation and integration of any acquired business, product or other assets into the Company may be complex and time consuming and, if such businesses and assets are not successfully integrated, the Company may not achieve the anticipated benefits, cost-savings, or growth opportunities. Furthermore, these acquisitions and other arrangements, even if successfully integrated, may fail to

further the Company's business strategy as anticipated, expose the Company to increased competition or other challenges with respect to the Company's products or geographic markets, and expose the Company to additional liabilities associated with an acquired business, technology or other asset or arrangement.

When the Company acquires businesses, it may obtain the rights to applications for licenses as well as licenses; however, the procurement of such applications for licenses and licenses generally will be subject to governmental and regulatory approval. There are no guarantees that the Company will successfully consummate such acquisitions, and even if the Company consummates such acquisitions, the procurement of applications for licenses may never result in the grant of a license by any state or local governmental or regulatory agency and the transfer of any rights to licenses may never be approved by the applicable state and/or local governmental or regulatory agency.

***The size of the Company's target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data.***

Because the plant-based protein segment of the food industry is in an early stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results. The Company regularly purchases and follows market research.

***The Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition.***

The plant-based protein segment of the food industry and businesses ancillary to and directly involved with plant-based food businesses are undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation, and formation of strategic relationships. Acquisitions or other consolidating transactions could harm the Company in several ways, including by losing strategic partners if they are acquired by or enter into relationships with a competitor, losing customers, revenue and market share, or forcing the Company to expend greater resources to meet new or additional competitive threats, all of which could harm the Company's operating results. As competitors enter the market and become increasingly sophisticated, competition in the Company's industry may intensify and place downward pressure on retail prices for its products and services, which could negatively impact its profitability. The Company continues to sell shares for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders.

There is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company will require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.

If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences, and privileges superior to those of holders of Subordinate Voting Shares. The Company's articles permit the issuance of an unlimited number of Subordinate Voting Shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The directors of the Company have discretion to determine the price and the terms of issue of further issuances. Moreover, additional Subordinate Voting Shares will be issued by the Company on conversion of Proportionate Voting Shares, on the exercise of options under the Stock and Incentive Plan and upon the exercise of outstanding Warrants. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Company's ability to pursue its business objectives.



***The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company.***

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violate government regulations. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

***The Company will be reliant on information technology systems and may be subject to damaging cyberattacks.***

The Company has entered into agreements with third parties for hardware, software, telecommunications, and other information technology ("IT") services in connection with its operations. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from several threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

***The Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest.***

Although certain officers and board members of the Company are expected to be bound by anti-circumvention agreements limiting their ability to enter into competing and/or conflicting ventures or businesses, the Company may be subject to various potential conflicts of interest because some of its officers and directors (and consequently, some of the officers and directors of the Company and NFL) may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time-to-time deal with persons, firms, institutions, or companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to

the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

***In certain circumstances, the Company's reputation could be damaged.***

Any negative publicity concerning marketing practices, food regulation, plant-based market trends or consumer dissatisfaction relating directly to Company or relating to the food industry as a whole may damage the Company's corporate reputation and brand image, undermine customer confidence and reduce long-term demand for its plant-based food products.

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events and could include any negative publicity (such as the above examples), whether true or not. The increased usage of social media and other web-based tools used to generate, publish, and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others.

The success of the Company's sales and marketing initiatives and practices may be subject to risk, including uncertainties about consumer acceptance (towards marketing collateral, activities, programs like influencer marketing campaigns, etc. being published), current inventory levels and the ability to communicate key brand and corporate messages to digital audiences. The success of these initiatives is also subject to potential restrictions on product marketing via extensive government regulations and product specific policies as well as materials published and expressed by special interest groups or lobbies. Furthermore, consumers and competitors may challenge certain marketing materials and practices by claiming, among other things, false and misleading advertising. A significant claim of judgment against the Company could result in monetary damages and could limit the Company's ability to maintain sales and marketing practices and negatively impact its profitability. Even if such a claim is unsuccessful or unwarranted, the negative publicity surrounding such assertions could negatively impact the Company's business operations.

Reputational loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects. This will be of particular risk to the Company due its current intention to have online sales as a significant channel for future distribution of some CPG products.

***No guarantee on the use of available funds by the Company.***

The Company currently intends to allocate the net proceeds received from the Offering as described in "Use of Proceeds" in this Prospectus. The Company cannot specify with certainty the particular uses of the proceeds. The Company has broad discretion in the application of its proceeds. Accordingly, a purchaser of Subordinate Voting Shares will have to rely upon the judgment of management with respect to the use of proceeds, with only limited information concerning management's specific intentions. The Company's management may spend a portion or all the proceeds in ways that the Company's shareholders might not desire, that might not yield a favourable return and that might not increase the value of a purchaser's investment. The failure by management to apply these funds effectively could harm the Company's business. Pending use of such funds, the Company might invest the proceeds in a manner that does not produce income or that loses value.

***Currency fluctuations and exchange rate risk.***

The Company's revenues and expenses are expected to be primarily denominated in U.S. dollars, and therefore may be exposed to significant currency exchange fluctuations. The Company also requires raw materials only available outside Canada or the United States making it vulnerable to changes in currency exchange rates with other countries.

Recent events in the global financial markets have been coupled with increased volatility in the currency markets. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar, or between either of the foregoing and the Indian rupee or the Thai baht, may have a material adverse effect on the Company's business, financial condition, and operating results. The Company may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

Foreign governments may restrict the Company's ability to exchange local currencies for more marketable currencies and may limit the Company's ability to pay dividends, to pay non-local currency accounts payable or to obtain currencies (other than the local currency) which may be more desirable to hold. Foreign governments may also simultaneously restrict the Company's ability to increase prices in inflationary environments where local currencies are under significant pressure. Without the ability to increase prices to offset the impact of local currency devaluation, the Company's ability to manage foreign exchange risk may be further limited.

### **Risk Factors Specifically Related to the United States Regulatory System**

***The Company operates in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.***

The Company incurs ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company and, therefore, on the Company's prospective returns. Further, the Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all these claims may result in significant monetary damages or injunctive relief that could adversely affect the Company's ability to conduct their business. The litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on the Company's financial statements also could occur for the period in which the effect of an unfavourable final outcome becomes probable and reasonably estimable.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the Company and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

### **Risks Related to the Company's Securities**

***The Company cannot assure you that a market will continue to develop or exist for the Subordinate Voting Shares or what the market price of the Subordinate Voting Shares will be.***

The Company has applied to list the Subordinate Voting Shares on the CSE. However, there is currently no market through which the Subordinate Voting Shares may be sold. The purchasers may not be able to resell the securities purchased under this Prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. The Company cannot assure that a market will continue to develop or be sustained once the Company's Subordinate Voting Shares are listed on the CSE. If a market does not continue to develop or is not sustained, it may be difficult for investors to sell the Subordinate Voting Shares at an attractive price or at all. The Company cannot predict the prices at which the Subordinate Voting Shares will trade.

***The market price for the Company's shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control.***

The market price for the Company's shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Company operates;
- addition or departure of the Company's executive officers and other key personnel;
- release or expiration of lock-up or other transfer restrictions on outstanding Subordinate Voting Shares;
- sales or perceived sales of additional Subordinate Voting Shares;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or the Company's competitors;
- operating and share price performance of other companies that investors deem comparable to us; fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies;
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets; and
- regulatory changes in the industry.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Subordinate Voting Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which might result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely affected and the trading price of the Subordinate Voting Shares might be materially adversely affected.

***The Company does not anticipate paying cash dividends.***

The Company's current policy is to retain earnings to finance the development and enhancement of its products and to otherwise reinvest in the Company. Therefore, the Company does not anticipate paying cash dividends on the Company's shares in the foreseeable future. The Company's dividend policy will be reviewed from time to time by the Company's board in the context of its earnings, financial condition, and other relevant factors. Until the time that the Company pays dividends, which the Company might never do, Company shareholders will not be able to receive a return on their Subordinate Voting Shares unless they sell them.

***We expect to be subject to taxation in both Canada and the United States, which could have a material adverse effect on certain investors or on our financial condition or results of operations.***

We are a Canadian corporation, and as a result generally would be classified as a non-United States corporation under the general rules of U.S. federal income taxation. IRC Section 7874, however, contains rules that can cause a non-United States corporation to be taxed as a United States corporation for U.S. federal income tax purposes. Under Section 7874 of the Code, a corporation created or organized outside of the United States will nevertheless be treated as a United States corporation for U.S. federal tax purposes, which is referred to as an inversion, if each of the following three conditions are met: (i) the non-United States corporation acquires, directly or indirectly, or is treated as acquiring under applicable U.S. Treasury regulations, substantially all of the assets held, directly or indirectly, by a United States corporation, (ii) after the acquisition, the former stockholders of the acquired United States corporation hold at least 80% (by vote or value) of the shares of the non-United States corporation by reason of holding shares of the acquired United States corporation, and (iii) after the acquisition, the non-United States corporation's expanded affiliated group does not have substantial business activities in the non-United States corporation's country of organization or incorporation when compared to the expanded affiliated group's total business activities.

Pursuant to Section 7874 of the Code, we are classified as a United States corporation for United States federal income tax purposes and are subject to United States federal income tax on our worldwide income. Regardless of any application of Section 7874 of the Code; however, we expect to be treated as a Canadian resident company for purposes of the Tax Act, as amended. As a result, we are subject to taxation both in Canada and the United States, which could have a material adverse effect on investors or on our financial condition or results of operations.

Additionally, the U.S. gift, estate, and generation-skipping transfer tax rules generally will apply to a non-U.S. shareholder of Subordinate Voting Shares as a result of the Company being treated as a U.S. corporation for U.S. tax purposes.

EACH SHAREHOLDER SHOULD SEEK TAX ADVICE, BASED ON SUCH SHAREHOLDER'S PARTICULAR CIRCUMSTANCES, FROM AN INDEPENDENT TAX ADVISOR.

***Future sales of Subordinate Voting Shares by existing shareholders could reduce the market price of the Subordinate Voting Shares.***

Sales of a substantial number of Subordinate Voting Shares in the public market could occur at any time. These sales, or the market perception that the holders of a large number of Subordinate Voting Shares intend to sell Subordinate Voting Shares, could reduce the market price of the Subordinate Voting Shares. Additional Subordinate Voting Shares may be available for sale into the public market, subject to applicable securities laws, which could reduce the market price for Subordinate Voting Shares. Holders of Options or Warrants or Agents' Warrants will have an immediate income inclusion for tax purposes when they exercise their Options, Warrants or Agents' Warrants (that is, tax is not deferred until they sell the underlying Subordinate Voting Shares). As a result, these holders may need to sell Subordinate Voting Shares purchased on the exercise of Options, Warrants or Agents' Warrants in the same year that they exercise their options. This might result in a greater number of Subordinate Voting Shares being sold in the public market, and fewer long-term holds of Subordinate Voting Shares by the Company's management and employees.

## **PROMOTERS**

Alex McAulay and David Wood may be considered promoters of the Company within the meaning of applicable securities laws. Alex McAulay currently owns, or exercises control or direction over, 997,526 Subordinate Voting Shares. In addition, Alex McAulay receives compensation from the Company for his services as CFO of the Company. David Wood currently owns directly or indirectly 1,080,923 Subordinate Voting Shares and 97,283.19 Proportionate Voting Shares. In addition, David Wood receives compensation from the Company for his services as CEO of the Company. The Company has not acquired any assets from or entered into contractual relations with Alex McAulay and David Wood, except for subscription agreements for securities entered into with the Company or in relation to executive compensation.

Other than as disclosed in this section or elsewhere in this Prospectus, no person who was a promoter of the Company within the last two (2) years:

- received anything of value directly or indirectly from the Company or a subsidiary;
- sold or otherwise transferred any asset to the Company or a subsidiary within the last two (2) years;
- has been a director, chief executive officer or chief financial officer of any company that during the past ten (10) years was the subject of a cease trade order or similar order or an order that denied the company access to any exemptions under securities legislation for a period of more than thirty (30) consecutive days or became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets;
- has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority;
- has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision; or
- has within the past ten (10) years become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets.

#### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

There are no legal proceedings material to the Company to which the Company is a party or of which any of its property is the subject matter, and there are no such proceedings known to the Company to be contemplated.

There have not been any penalties or sanctions imposed against the Company by a court relating to provincial or territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Company, and the Company has not entered into any settlement agreements before a court relating to provincial or territorial securities legislation or with a securities regulatory authority.

#### **INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as disclosed herein, no director, officer, Insider or Promoter of the Company has had any material interest, direct or indirect, in any transaction since inception of the Company to the date hereof that has materially affected or is reasonably expected to materially affect the Company.

#### **AUDITORS**

The auditor for the Company is Dale, Matheson, Carr-Hilton Labonte LLP at its principal address of 1500 – 1140 West Pender St., Vancouver, BC, Canada, V6E 4G1. Dale, Matheson, Carr-Hilton Labonte LLP has confirmed that they are independent of the Company within the meaning of the “CPABC Code of Professional Conduct” of the Chartered Professional Accountants of British Columbia.

#### **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the Company’s securities is Olympia Trust Company, of Calgary, Alberta, Canada.

#### **ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS**

The Company’s operating entities are formed or continued under the laws of a jurisdiction outside of Canada. The Company’s operations and assets are therefore located outside of Canada, and David Wood, CEO and a director, Chadwick White, David Breda and Marc Olmsted, each of whom is a director of the Company, and Larry D Harvey

PC, U.S. tax counsel to the Company, reside outside of Canada. Although such persons either have an office in Canada or have appointed McMillan LLP, Royal Centre, Suite 1500, 1055 West Georgia Street, P.O. Box 11117, Vancouver, British Columbia V6E 4N7, as their agents for service of process in Canada, it may not be possible for shareholders to enforce against such persons judgments obtained in Canadian courts predicated on the civil liability provisions of applicable securities laws in Canada.

Shareholders are advised that it may not be possible for them to enforce judgments obtained in Canada against any person or company that is incorporated, continued, or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process. Other than as disclosed herein, no director, officer, Insider or Promoter of the Company has had any material interest, direct or indirect, in any transaction since Company to the date hereof that has materially affected or is reasonably expected to materially affect the Company.

## MATERIAL CONTRACTS

Other than contracts entered into in the ordinary course of business, the following are the only material contracts entered into by the Company or its Subsidiaries within two (2) years prior to the date of this Prospectus which are currently in effect and considered to be currently material:

1. the Share Exchange Agreement;
2. the Coattail Agreement;
3. the Centennial Lease Agreement; and
4. the Agency Agreement.

Copies of the above material contracts can be inspected at the Company's head office during regular business hours for a period of thirty (30) days after a final receipt is issued for this Prospectus and are also available electronically at [www.sedar.com](http://www.sedar.com).

## ELIGIBILITY FOR INVESTMENT

In the opinion of McMillan LLP, counsel for the Company, and Bennett Jones LLP, counsel for the Agents, based on the provisions of the Tax Act and the regulations thereunder in force on the date hereof and any proposals to amend the Tax Act or regulations publicly announced by the Minister of Finance (Canada) prior to the date hereof, if and provided the Offered Shares become listed on a "designated stock exchange" (as such term is defined in the Tax Act and which currently includes the CSE) or the Company otherwise constitutes a "public corporation" (as that term is defined in the Tax Act) at a particular time, the Offered Shares would at that time be a "qualified investment" under the Tax Act for a trust governed by a "registered retirement savings plan" ("RRSP"), "registered retirement income fund" ("RRIF"), "tax-free savings account" ("TFSA"), "registered education savings plan" ("RESP"), "deferred profit sharing plan" and "registered disability savings plan" ("RDSP"), as those terms are defined in the Tax Act (each a "Plan", and collectively, the "Plans").

The Offered Shares are not currently listed on a "designated stock exchange" and the Company is not currently a "public corporation", and accordingly the Offered Shares are not currently a qualified investment for the Plans. The Company has applied to list the Subordinate Voting Shares on the CSE. Listing will be subject to the Company fulfilling all the requirements of the CSE. The Company will rely on the CSE for purposes of the Tax Act at the time of their issuance, and no tax ruling or legal opinion has been sought or obtained in this regard. There can be no guarantee that CSE approval of a listing (if at all) will be granted or will be in a form that is, or is acceptable to the CRA as, a full and unconditional listing sufficient for "qualified investment" status under the Tax Act for purposes of a Plan at a relevant time. If the Offered Shares are not effectively listed on a "designated stock exchange" (which currently includes the CSE) for purposes of the Tax Act at the time of their issuance and the Company is not otherwise a "public corporation" at that time, the Offered Shares will not be "qualified investments" for the Plans at that time. The adverse tax consequences where a Plan acquires or holds Offered Shares that are not a "qualified investment" are

not discussed in this summary, and holders who intend to acquire or hold Offered Shares within a Plan should consult their own tax advisors in this regard.

Notwithstanding that the Offered Shares may become a qualified investment for a TFSA, RRSP, RRIF, RDSP or RESP (a “**Registered Plan**”), the holder, subscriber, or annuitant of the Registered Plan, as the case may be, will be subject to a penalty tax as set out in the Tax Act in respect of the Offered Shares if such shares are a “prohibited investment” for the Registered Plan for purposes of the Tax Act. The Offered Shares will generally be a “prohibited investment” for a Registered Plan if the holder, subscriber, or annuitant, as the case may be, does not deal at arm’s length with the Company for the purposes of the Tax Act or has a “significant interest” (as defined in the Tax Act) in the Company. In addition, the Offered Shares generally will not be a prohibited investment if the shares are “excluded property” within the meaning of the Tax Act for the Registered Plan.

**Holders who intend to acquire or hold Offered Shares within a Plan should consult their own tax advisors in advance with regard to the application of these rules in their particular circumstances.**

### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

The following is, as at the date of this Prospectus, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to an investor who acquires Offered Shares as beneficial owner pursuant to the Offering and who, for the purposes of the Tax Act and at all relevant times, (i) deals at arm’s length with the Company and the Agents, (ii) is not affiliated with the Company or the Agents or a subsequent purchaser of the Subordinate Voting Shares, and (iii) acquires and holds the Offered Shares as capital property. A holder who meets all the foregoing requirements is referred to as a “**Holder**” in this summary, and this summary only addresses such Holders. Generally, the Offered Shares will be considered as capital property of a Holder thereof provided that the Holder does not use the Offered Shares in the course of carrying on a business of trading or dealing in securities and such Holder has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary does not apply to Holders of special status or in special circumstances, including, without limitation, (a) a Holder that is a “financial institution” for the purposes of the mark-to-market rules in the Tax Act, (b) a Holder an interest in which is a “tax shelter investment”, as defined in the Tax Act, (c) a Holder that is a “specified financial institution”, as defined in the Tax Act, (d) a Holder that has made a “functional currency” election under section 261 of the Tax Act, (e) a Holder that has entered into, or will enter into, a “derivative forward agreement”, “dividend rental arrangement” or a “synthetic disposition arrangement”, as each of those terms is defined in the Tax Act, with respect to Offered Shares, (f) a Holder that is exempt from tax under Part I of the Tax Act, (g) a Holder that is a partnership, or (h) a Holder that is a “foreign affiliate”, as defined in the Tax Act, of a taxpayer resident in Canada. All such Holders should consult their own tax advisors with respect to an investment in the Offered Shares.

Additional considerations, not discussed herein, may be applicable to a Holder that is a corporation resident in Canada and is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of the Offered Shares, controlled by a non-resident person (or a group of persons that do not deal at arm's length) for purposes of the “foreign affiliate dumping” rules in section 212.3 of the Tax Act. Such Holders should consult their tax advisors with respect to the consequences of acquiring Offered Shares.

This summary does not address the deductibility of any interest paid by a Holder on money borrowed to fund the acquisition of Offered Shares.

This summary is based on the current provisions of the Tax Act and the regulations thereunder in force as of the date hereof and our understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the “**CRA**”). Except as specifically referenced below, this summary takes into account all specific proposals to amend the Tax Act or regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Tax Proposals**”) and assumes that the Tax Proposals will be enacted in the form proposed, although no assurance can be given that the Tax Proposals will be enacted in their current form or at all. This summary does not otherwise take into account any changes in law or in the administrative policies or assessing practice of the CRA, whether by legislative, governmental or judicial decision or action, nor does it take into account



or consider any provincial, territorial or foreign income tax considerations, which considerations may differ significantly from the Canadian federal income tax considerations discussed in this summary.

We understand that in accordance with section 7874 of the Code, the Company is expected to be treated as a U.S. corporation for U.S. federal income tax purposes (such treatment is generally referred to as an “inversion”). However, for Canadian tax purposes, the Company will be treated as a Canadian resident company and subject to normal Canadian income tax on its worldwide income. As a result, the Company is expected to be taxable in both jurisdictions indefinitely, and may be effectively subject to elements of potential double taxation. In addition, distributions (including dividends) paid or deemed paid by the Company may be subject to adverse overall tax treatment in the hands of Holders, and Holders may be subject to certain other adverse tax implications, not all of which are described below. Accordingly, all holders, including Holders as defined above, should review the discussion under “*Risk Factors - Risks Related to the Company’s Securities – We expect to be subject to taxation in both Canada and the United States, which could have a material adverse effect on certain investors or on our financial condition or results of operations*” and under “*Material U.S. Federal Income Tax Consequences*” and consult with their own tax advisors in this regard. For purposes of the discussion of Canadian federal income tax considerations below, it has been assumed that the Company will be treated as a U.S. domestic corporation for United States federal income tax purposes at all relevant times, although no assurance can be given in this regard, and no legal opinion or tax ruling has been sought or obtained in this regard. The discussion below is qualified accordingly.

**This summary does not discuss in detail the creditability or deductibility of foreign taxes that may be payable by Holders in respect of the Offered Shares, including in particular any United States taxes payable as a consequence of the Company being classified as a United States corporation for United States federal income tax purposes under section 7874 of the Code, as discussed under “*Risk Factors - Risks Related to the Company’s Securities – We expect to be subject to taxation in both Canada and the United States, which could have a material adverse effect on certain investors or on our financial condition or results of operations*” and under “*Material U.S. Federal Income Tax Consequences*”. As a general advisory only, a Holder resident in Canada who is subject to United States federal income tax on a gain realized on a sale or other disposition of Offered Shares or is subject to United States withholding tax on dividends received on Offered Shares (for example), may not be able to claim a foreign tax credit under the Tax Act in respect of such foreign taxes, and should consult the Holder’s own tax advisors in this regard. These and other considerations relating to the Company’s status as a United States corporation for United States federal income tax purposes (including the considerations raised under “*Risk Factors - Risks Related to the Company’s Securities – We expect to be subject to taxation in both Canada and the United States, which could have a material adverse effect on certain investors or on our financial condition or results of operations*” and under “*Material U.S. Federal Income Tax Consequences*”) are not significantly addressed or taken into account in this summary or in the Prospectus. Holders should consult with their own tax advisors in this regard, and with respect to any and all application of the Code in their particular circumstances. The discussion below is qualified accordingly.**

This summary is of a general nature only, is not exhaustive of all possible Canadian federal income tax considerations and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Holders should consult their own tax advisors with respect to their particular circumstances.

### **Holders Resident in Canada**

The following section of this summary applies to Holders who, for the purposes of the Tax Act, are or are deemed to be resident in Canada at all relevant times (“**Resident Holders**”). Certain Resident Holders whose Subordinate Voting Shares might not constitute capital property may make, in certain circumstances, an irrevocable election permitted by subsection 39(4) of the Tax Act to deem the Offered Shares, and every other “Canadian security” (as defined in the Tax Act) held by such persons, in the taxation year of the election and each subsequent taxation year, to be capital property. Resident Holders should consult their own tax advisors regarding this election.

### Dividends

Dividends received or deemed to be received on the Offered Shares, if any, will be included in computing a Resident Holder’s income. In the case of an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable in respect of “taxable dividends” received from “taxable Canadian

corporations” (as defined in the Tax Act), including the enhanced dividend tax credit in respect of “eligible dividends”, if any, so designated by the Company to the Resident Holder in accordance with the provisions of the Tax Act. There may be restrictions on the Company’s ability to designate any dividends as “eligible dividends”, and the Company has made no commitments in this regard.

Dividends received or deemed to be received by a Resident Holder that is a corporation must be included in computing its income but may be deductible in computing its taxable income, subject to all restrictions and special rules under the Tax Act. A Resident Holder that is a “private corporation” (as defined in the Tax Act) and certain other corporations controlled by or for the benefit of an individual (other than a trust) or related group of individuals (other than trusts) generally will be liable to pay a special tax under Part IV of the Tax Act (refundable in certain circumstances) on dividends received or deemed to be received on the Subordinate Voting Shares to the extent such dividends are deductible in computing taxable income. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received or deemed to be received by a Resident Holder that is a corporation as proceeds of disposition or a capital gain, and Resident Holders that are corporations should consult their own tax advisors in this regard.

As described under “*Risk Factors - Risks Related to the Company’s Securities – We expect to be subject to taxation in both Canada and the United States, which could have a material adverse effect on certain investors or on our financial condition or results of operations*” and under “*Material U.S. Federal Income Tax Consequences*”, a Resident Holder may be subject to United States withholding tax on dividends received on the Offered Shares. A foreign tax credit under the Tax Act in respect of tax (including withholding tax) paid to a foreign country is, in general terms, limited to the Canadian tax otherwise payable in respect of income from sources in that foreign country, and is subject to the other requirements of the Tax Act. Dividends received on the Offered Shares by a Resident Holder may not be treated as income from a source in the United States for these purposes, and the foreign tax credit may not be available. Resident Holders should consult their own tax advisors regarding the availability of a foreign tax credit, or deduction, under the Tax Act in respect of any United States withholding tax applicable to dividends on the Offered Shares in their particular circumstances. See also “*Risk Factors - Risks Related to the Company’s Securities – We expect to be subject to taxation in both Canada and the United States, which could have a material adverse effect on certain investors or on our financial condition or results of operations*” and “*Material U.S. Federal Income Tax Consequences*”.

#### Dispositions of Subordinate Voting Shares

Upon a disposition (or a deemed disposition) of an Offered Share, a Resident Holder generally will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of such security, as applicable, net of any reasonable costs of disposition, are greater (or are less) than the adjusted cost base of such security, as applicable, to the Resident Holder. The tax treatment of capital gains and capital losses is discussed in general terms below under the subheading “Capital Gains and Capital Losses”.

#### Capital Gains and Capital Losses

Generally, a Resident Holder is required to include in computing income for a taxation year one-half of the amount of any capital gain (a “**taxable capital gain**”) realized in the year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an “**allowable capital loss**”) realized in a taxation year from taxable capital losses realized in the year by such Resident Holder. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any following taxation year, against taxable capital gains realized in such year, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized on the disposition or deemed disposition of Offered Shares by a Resident Holder that is a corporation may, in certain circumstances, be reduced by the amount of dividends received or deemed to have been received by it on such Offered Shares. Similar rules may apply where a Resident Holder that is a corporation is a member of a partnership or a beneficiary of a trust that owns Offered Shares or where a partnership or trust, of which a corporation is a member or a beneficiary, is a member of a partnership or a beneficiary of a trust that owns Offered Shares. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

A Resident Holder that is throughout the relevant taxation year a “Canadian-controlled private corporation” (as defined in the Tax Act) also may be liable to pay a special additional tax (refundable in certain circumstances) on its “aggregate investment income” (as defined in the Tax Act) for the year, which will include taxable capital gains.

As described in general terms under “*Risk Factors - Risks Related to the Company’s Securities – We expect to be subject to taxation in both Canada and the United States, which could have a material adverse effect on certain investors or on our financial condition or results of operations*” and under “*Material U.S. Federal Income Tax Consequences*”, the Company is expected to be treated as a U.S. domestic corporation for relevant purposes of the Code, and is a Canadian corporation for purposes of the Tax Act. In a situation where a Resident Holder may be subject to United States tax on a gain realized in respect of a disposition of Offered Shares, such gain may not be treated as income from a source in the United States for purposes of the foreign tax credit under the Tax Act, and such foreign tax credit may not be available. Resident Holders should consult their own tax advisors in this regard (and with respect to the application of the Code) based on their particular circumstances.

### Minimum Tax

Capital gains realized, and dividends received by a Resident Holder that is an individual or a trust, other than certain specified trusts, may give rise to minimum tax under the Tax Act. Resident Holders should consult their own advisors with respect to the application of the minimum tax.

### **Holders Not Resident in Canada**

The following section of this summary is generally applicable to Holders who, for the purposes of the Tax Act, and at all relevant times (i) are not, and will not be deemed to be, resident in Canada at any time while they hold the Offered Shares, and (ii) do not use or hold, and are not deemed to use or hold, the Offered Shares in carrying on a business in Canada (“**Non-Resident Holders**”).

Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer carrying on business in Canada and elsewhere or that is an “authorized foreign bank” (as defined in the Tax Act). Such Holders should consult their own tax advisors.

### Dividends

Dividends paid or credited or deemed to be paid or credited to a Non-Resident Holder by the Company are subject to Canadian withholding tax at the rate of twenty-five percent (25%) on the gross amount of the dividend unless such rate is reduced by the terms of an applicable tax treaty. Under the Canada-United States Tax Convention (1980) (the “**Treaty**”) as amended, for example, the rate of withholding tax on dividends paid or credited to a Non-Resident Holder who is resident in the U.S. for purposes of the Treaty, is the beneficial owner of the dividends, and can substantiate entitlement to the benefits under the Treaty (a “**U.S. Holder**”) is generally limited to fifteen percent (15%) of the gross amount of the dividend (or five percent (5%) in the case of a U.S. Holder that is a company beneficially owning at least ten percent (10%) of the Company’s voting shares). Affected Non-Resident Holders should consult their own tax advisors in this regard. Non-Resident Holders should also review the discussion under “*Risk Factors - Risks Related to the Company’s Securities – We expect to be subject to taxation in both Canada and the United States, which could have a material adverse effect on certain investors or on our financial condition or results of operations*” and under “*Material U.S. Federal Income Tax Consequences*”, and consult with their own tax advisors in this regard.

### Dispositions of Subordinate Voting Shares

A Non-Resident Holder generally will not be subject to tax under the Tax Act in respect of a capital gain realized on the disposition or deemed disposition of an Offered Share, nor will capital losses arising therefrom be recognized under the Tax Act, unless the Offered Share constitutes or is deemed to constitute “taxable Canadian property” to the Non-Resident Holder for purposes of the Tax Act and the gain is not exempt from tax pursuant to the terms of an applicable tax treaty.

If and provided that the Offered Shares are listed on a “designated stock exchange” as defined in the Tax Act (which currently includes the CSE) at the time of disposition, the Offered Shares generally will not constitute taxable Canadian property of a Non-Resident Holder at that time unless, at any time during the sixty (60) month period ending at the time of the disposition, the following two conditions are simultaneously met: (i) the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm’s length, partnerships in which the Non-Resident Holder or such non-arm’s length person holds a membership interest (either directly or indirectly through one or more partnerships), or the Non-Resident Holder together with all such persons, owned twenty-five percent (25%) or more of the issued shares of any class or series of shares of the Company; and (ii) more than fifty percent (50%) of the fair market value of such shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, “Canadian resource property” (as defined in the Tax Act), “timber resource property” (as defined in the Tax Act) or an option in respect of, an interest in or for civil law a right in or to such property, whether or not such property exists. Notwithstanding the foregoing, an Offered Share may also be deemed to be taxable Canadian property to a Non-Resident Holder under other provisions of the Tax Act.

A Non-Resident Holder’s capital gain (or capital loss) in respect of Offered Shares that constitute or are deemed to constitute taxable Canadian property (and are not “treaty-protected property” as defined in the Tax Act) will generally be computed in the manner described above under the subheading “Holders Resident in Canada – Dispositions of Offered Shares”.

Non-Resident Holders who may hold Offered Shares as taxable Canadian property should consult their own tax advisors in this regard.

#### **MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES**

The following is a summary of the material U.S. federal income tax consequences to holders of the acquisition, ownership and disposition of Subordinate Voting Shares issued pursuant to the Offering. This discussion is not a complete analysis of all potential U.S. federal income tax consequences relating thereto, does not address the potential application of the Medicare contribution tax, and does not (except as described below) address estate or gift tax consequences or any tax consequences arising under any state, local or foreign tax laws, or any other U.S. federal tax laws. This discussion is based on the Code, Treasury Regulations promulgated thereunder, judicial decisions and published rulings and administrative pronouncements of the IRS, all as in effect as of the date of this Prospectus. These authorities are subject to change and to differing interpretations, possibly retroactively, resulting in U.S. federal income tax consequences different from those discussed below. We have not requested a ruling from the IRS with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS or a court will agree with such statements and conclusions.

This discussion is limited to holders who purchase Subordinate Voting Shares pursuant to the Offering and who hold our common stock as a “capital asset” within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a particular holder in light of such holder’s particular circumstances. This discussion also does not consider any specific facts or circumstances that may be relevant to holders subject to special rules under the U.S. federal income tax laws, including:

- certain former citizens or long-term residents of the United States;
- partnerships or other pass-through entities (and investors therein);
- “controlled foreign corporations”;
- “passive foreign investment companies”;
- corporations that accumulate earnings to avoid U.S. federal income tax;
- banks, financial institutions, investment funds, insurance companies, brokers, dealers, or traders in securities;

- tax-exempt organizations and governmental organizations;
- tax-qualified retirement plans;
- persons subject to the alternative minimum tax;
- persons that own, or have owned, actually or constructively, more than 5% of our Subordinate Voting Shares;
- persons who have elected to mark securities to market;
- U.S. expatriates; and
- persons holding our Subordinate Voting Shares as part of a hedging or conversion transaction or straddle, or a constructive sale, or other risk reduction strategy or integrated investment.

**THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE PARTICULAR U.S. FEDERAL INCOME TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF OUR COMMON STOCK, AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER ANY STATE, LOCAL OR FOREIGN TAX LAWS AND ANY OTHER U.S. FEDERAL TAX LAWS. PROSPECTIVE INVESTORS ARE SHOULD BE SURE TO ALSO REVIEW THE DISCUSSION IN THIS PROSPECTUS ENTITLED “CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS.”**

#### **Definition of U.S. Holder and Non-U.S. Holder**

A U.S. holder is any U.S. person that is a beneficial owner of our Subordinate Voting Shares. A U.S. person, for U.S. federal income tax purposes, is any of the following:

- an individual citizen or resident of the United States;
- a corporation created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust (1) whose administration is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (2) that has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

For purposes of this discussion, a non-U.S. holder is any beneficial owner of our Subordinate Voting Shares that is not a “U.S. person” nor a partnership (including any entity or arrangement treated as a partnership) for U.S. federal income tax purposes.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes holds our Subordinate Voting Shares, the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. Partnerships holding our Subordinate Voting Shares and the partners in such partnerships are urged to consult their tax advisors about the particular U.S. federal income tax consequences to them of holding and disposing of our Subordinate Voting Shares.

#### **Tax Classification of the Company as a U.S. Domestic Corporation**

We are and expected to continue to be a Canadian corporation as of the date of this Prospectus. We are treated as a Canadian resident company under the Tax Act and are subject to Canadian income taxes.

We are also treated as a U.S. corporation subject to U.S. federal income tax pursuant to Section 7874 of the Code and are also subject to U.S. federal income tax on our worldwide income. As a result, we are subject to taxation both in Canada and the United States. A number of material U.S. federal income tax consequences may result from our classification under Section 7874 of the Code, and this summary is not intended to describe all such U.S. federal income tax consequences. Section 7874 of the Code and the Treasury Regulations promulgated thereunder do not address all the possible tax consequences that arise from our treatment as a U.S. domestic corporation for U.S. federal income tax purposes. Accordingly, there may be additional or unforeseen U.S. federal income tax consequences that are not discussed in this summary. Each shareholder should seek tax advice, based on such shareholder's particular circumstances, from an independent tax advisor.

## **Tax Considerations for U.S. Holders**

### *Distributions*

It is unlikely that we will pay any dividends on the Subordinate Voting Shares in the foreseeable future. If we make cash or other property distributions on our Subordinate Voting Shares, such distributions (including any amount of Canadian withholding tax) will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a return of capital and will first be applied against and reduce a Holder's tax basis in our Subordinate Voting Shares, but not below zero. Any excess will be treated as gain realized on the sale or other disposition of our common stock and will be treated as described under "*Sale or Redemption*" below. Distributions constituting dividend income to U.S. holders that are individuals may qualify for reduced rates applicable to qualified dividend income. Distributions constituting dividend income to U.S. holders that are U.S. corporations may qualify for the dividends received deduction.

### *Sale or Redemption*

A U.S. Holder will generally recognize capital gain or loss on a sale, exchange, redemption (other than a redemption that is treated as a distribution) or other disposition of our Subordinate Voting Shares equal to the difference between the amount realized upon the disposition and the U.S. Holder's adjusted tax basis in the shares so disposed. Such capital gain or loss will be a long-term capital gain or loss if the U.S. Holder's holding period for the shares disposed of exceeds one year at the time of disposition. Long-term capital gains of non-corporate taxpayers are generally taxed at a lower maximum marginal tax rate than the maximum marginal tax rate applicable to ordinary income. The deductibility of net capital losses by individuals and corporations is subject to limitations.

### *Foreign Tax Credits and Limitations*

As a result of the Company being subject to tax both as a U.S. domestic corporation and as a Canadian corporation, a U.S. Holder may pay, through withholding, Canadian tax, as well as U.S. federal income tax, with respect to any dividends paid on Subordinate Voting Shares. For U.S. federal income tax purposes, a U.S. Holder may elect for any taxable year to receive either a credit or a deduction for all foreign income taxes paid by the holder during the year. Complex limitations apply to foreign tax credits, including a general limitation that the credit cannot exceed the proportionate share of a taxpayer's U.S. federal income tax that the taxpayer's foreign source taxable income bears to the taxpayer's worldwide taxable income. In applying this limitation, items of income and deduction are classified as either foreign source or U.S. source. The status of the Company as a U.S. domestic corporation for U.S. federal income tax purposes is expected to cause any dividends paid by the Company to be treated as U.S. source rather than foreign source income for this purpose. As a result, a foreign tax credit may be unavailable for any Canadian tax paid on dividends received from the Company. Similarly, to the extent a sale or disposition of Subordinate Voting Shares by a U.S. Holder results in Canadian tax payable by the U.S. Holder (for example, in case the Subordinate Voting Shares constitute taxable Canadian property within the meaning of the Tax Act), a U.S. foreign tax credit may be unavailable to the U.S. Holder for such Canadian tax. In the case of Canadian withholding on a dividend or in connection with a sale or redemption, a U.S. Holder should be able to instead take a deduction for the U.S. Holder's Canadian tax paid, provided that the U.S. Holder has not made an election to credit other foreign taxes during the same taxable year. The foreign tax credit rules are complex, and each U.S. Holder should consult its own tax advisor regarding these rules.

### *Foreign Currency*

The amount of any distribution paid to a U.S. Holder in foreign currency, or the amount of proceeds paid in foreign currency on the sale, exchange or other taxable disposition of Subordinate Voting Shares, generally will be equal to the U.S. dollar value of such foreign currency based on the exchange rate applicable on the date of receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). A U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who converts or otherwise disposes of the foreign currency after the date of receipt may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method of tax accounting. Each U.S. Holder should consult its own tax advisors concerning issues related to foreign currency.

### *Information Reporting and Backup Withholding*

Information returns will be filed with the IRS in connection with payments of dividends and the proceeds from a sale or other disposition of Subordinate Voting Shares payable to a U.S. Holder. Certain U.S. Holders may be subject to backup withholding with respect to the payment of dividends and certain payments of proceeds on the sale or redemption of Subordinate Voting Shares unless such U.S. Holders provide proof of an applicable exemption or a correct taxpayer identification number (usually with an IRS Form W-9), and otherwise comply with applicable requirements of the backup withholding rules.

Any amount withheld under the backup withholding rules from a payment to a U.S. Holder is allowable as a credit against such U.S. Holder's U.S. federal income tax, which may entitle the U.S. Holder to a refund, provided that the U.S. Holder timely provides the required information to the IRS. Moreover, certain penalties may be imposed by the IRS on a U.S. Holder who is required to furnish information but does not do so in the proper manner.

### **Non-U.S. Holders**

#### *Distributions*

It is unlikely that we will pay any dividends on the Subordinate Voting Shares in the foreseeable future. If we make cash or other property distributions on our common stock, such distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a return of capital and will first be applied against and reduce a holder's tax basis in our common stock, but not below zero. Any excess will be treated as gain realized on the sale or other disposition of our common stock and will be treated as described under "*Gain On Sale or Redemption*" below.

Subject to the discussion below regarding effectively connected income, backup withholding and Sections 1471 through 1474 of the Code, which we refer to as FATCA, any dividend income paid to a non-U.S. holder of our Subordinate Voting Shares generally will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends, or such lower rate specified by an applicable income tax treaty. To receive the benefit of a reduced treaty rate, a non-U.S. holder must furnish us or our paying agent a valid IRS Form W-8BEN or IRS Form W-8BEN-E (or applicable successor form) including a U.S. taxpayer identification number and certifying such holder's qualification for the reduced rate. This certification must be provided to us or our paying agent before the payment of dividends and must be updated periodically. If the non-U.S. holder holds the stock through a financial institution or other agent acting on the non-U.S. holder's behalf, the non-U.S. holder will be required to provide appropriate documentation to the agent, which then will be required to provide certification to us or our paying agent, either directly or through other intermediaries.

Non-U.S. holders that do not provide the required certification on a timely basis, but that qualify for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

If a non-U.S. holder holds our common stock in connection with the conduct of a trade or business in the United States, and dividends paid on our common stock are effectively connected with such holder's U.S. trade or business (and are attributable to such holder's permanent establishment in the United States if required by an applicable tax treaty), the non-U.S. holder will be exempt from U.S. federal withholding tax. To claim the exemption, the non-U.S. holder must generally furnish a valid IRS Form W-8ECI (or applicable successor form) to the applicable withholding agent.

However, any such effectively connected dividends paid on our Subordinate Voting Shares generally will be subject to U.S. federal income tax on a net income basis at the regular graduated U.S. federal income tax rates in the same manner as if such holder were a resident of the United States. A non-U.S. holder that is a foreign corporation also may be subject to an additional branch profits tax equal to 30% (or such lower rate specified by an applicable income tax treaty) of its effectively connected earnings and profits for the taxable year, as adjusted for certain items. Non-U.S. holders should consult their tax advisors regarding these rules and any applicable income tax treaties that may provide for different rules.

#### *Sale or Redemption*

Subject to the discussion below regarding backup withholding and FATCA, a non-U.S. holder generally will not be subject to U.S. federal income tax on any gain realized on the sale or other disposition of our Subordinate Voting Shares, unless:

- the gain is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States, and if required by an applicable income tax treaty, is attributable to a permanent establishment maintained by the non-U.S. holder in the United States;
- the non-U.S. holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition, and certain other requirements are met; or
- our common stock constitutes a "United States real property interest" by reason of our status as a United States real property holding corporation, for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding the disposition or the non-U.S. holder's holding period for our Subordinate Voting Shares, and our Subordinate Voting Shares are not regularly traded on an established securities market during the calendar year in which the sale or other disposition occurs.

Gain described in the first bullet point above generally will be subject to U.S. federal income tax on a net income basis at the regular graduated U.S. federal income tax rates in the same manner as if such holder were a resident of the United States. A non-U.S. holder that is a foreign corporation also may be subject to an additional branch profits tax equal to 30% (or such lower rate specified by an applicable income tax treaty) of its effectively connected earnings and profits for the taxable year, as adjusted for certain items. Gain described in the second bullet point above will be subject to U.S. federal income tax at a flat 30% rate (or such lower rate specified by an applicable income tax treaty), but may be offset by certain U.S.-source capital losses (even though the individual is not considered a resident of the United States), provided that the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses. Non-U.S. holders should consult their tax advisors regarding any applicable income tax treaties that may provide for different rules.

Determining whether we are a United States real property holding corporation in the third bullet point above depends on the fair market value of our U.S. real property interests relative to the fair market value of our other trade or business assets and our foreign real property interests. We believe that we are not currently and do not anticipate becoming a United States real property holding corporation for U.S. federal income tax purposes but cannot give assurance that we are not or will not become a United States real property holding corporation. Even if we are or were to become a United States real property holding corporation, gain arising from the sale or other taxable disposition by a Non-U.S. holder of Subordinate Voting Shares will not be subject to U.S. federal income tax on transfers of United States real property holding corporation shares if the Subordinate Voting Shares are "regularly traded," as defined by applicable Treasury Regulations, on an established securities market, and such Non-U.S. holder owned, actually and



constructively, 5% or less of the Subordinate Voting Shares throughout the shorter of, the five-year period ending on the date of the sale or other taxable disposition or, the Non-U.S. holder's holding period.

#### *U.S. Estate and Gift Tax Consequences of Owning Subordinate Voting Shares*

Because the Company is expected to be treated as a U.S. corporation under Section 7874 of the Code, U.S. gift, estate, and generation-skipping transfer tax rules may apply to a Non-U.S. Holder of our shares. In general, our Subordinate Voting Shares are considered a U.S.-situs asset for U.S. estate tax purposes and could be subject to U.S. estate tax at the death of a Non-U.S. Holder depending on the particular facts and circumstances of the Non-U.S. Holder. **Non-U.S. Holders of our shares should consult an independent tax advisor with respect to U.S. gift, estate, and generation-skipping transfer tax consequences applicable to the ownership of our shares.**

#### *Information Reporting and Backup Withholding*

Annual reports are required to be filed with the IRS and provided to each non-U.S. holder indicating the amount of dividends on our Subordinate Voting Shares paid to such holder and the amount of any tax withheld with respect to those dividends. These information reporting requirements apply even if no withholding was required because the dividends were effectively connected with the holder's conduct of a U.S. trade or business, or withholding was reduced or eliminated by an applicable income tax treaty. This information also may be made available under a specific treaty or agreement with the tax authorities in the country in which the non-U.S. holder resides or is established. Backup withholding, currently at a 24% rate, generally will not apply to payments to a non-U.S. holder of dividends on or the gross proceeds of a disposition of our Subordinate Voting Shares provided the non-U.S. holder furnishes the required certification for its non-U.S. status, such as by providing a valid IRS Form W-8BEN, IRS Form W-8BEN-E or IRS Form W-8ECI, or certain other requirements are met. Backup withholding may apply if the payor has actual knowledge, or reason to know, that the holder is a U.S. person who is not an exempt recipient.

Backup withholding is not an additional tax. If any amount is withheld under the backup withholding rules, the non-U.S. holder should consult with a U.S. tax advisor regarding the possibility of and procedure for obtaining a refund or a credit against the non-U.S. holder's U.S. federal income tax liability, if any.

#### *Withholding on Foreign Entities or Accounts*

FATCA imposes a U.S. federal withholding tax of 30% on certain payments made to a "foreign financial institution" (as specially defined under these rules) unless such institution enters into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding certain U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners) or an exemption applies. FATCA also generally will impose a U.S. federal withholding tax of 30% on certain payments made to a non-financial foreign entity unless such entity provides the withholding agent a certification identifying certain direct and indirect U.S. owners of the entity or an exemption applies. An intergovernmental agreement between the United States and an applicable foreign country may modify these requirements. Under certain circumstances, a non-U.S. holder might be eligible for refunds or credits of such taxes. Subject to the recently proposed Treasury Regulations described below, FATCA applies to dividends paid on our Subordinate Voting Shares and to gross proceeds from sales or other dispositions of our common stock. The Treasury Department recently proposed regulations which state that taxpayers may rely on the proposed regulations until final regulations are issued, and which eliminate FATCA federal withholding tax of 30% applicable to the gross proceeds of a sale or other disposition of our Subordinate Voting Shares. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of this legislation on their investment in our Subordinate Voting Shares.

## LEGAL MATTERS

Certain Canadian legal matters in connection with this Prospectus will be passed upon by McMillan LLP, on behalf of the Company, and by Bennett Jones LLP, on behalf of the Agents. Certain U.S. federal income tax matters in connection with this Prospectus will be passed upon by Larry D Harvey PC, on behalf of the Company. As at the date hereof, each of: (i) the partners and associates of McMillan LLP, as a group; (ii) the partners and associates of Bennett

Jones LLP, as a group; and (iii) the principals of Larry D Harvey PC, as a group, beneficially own, directly, or indirectly, less than one percent (1%) of the outstanding Subordinate Voting Shares of the Company.

### **EXEMPTIONS FROM NATIONAL INSTRUMENTS**

In connection with the filing of this Prospectus, the Company intends to apply to the Canadian provincial securities regulatory authorities for exemptions from the provisions of NI 41-101, Part 10 of NI 51-102, and OSC Rule 56-501 –*Restricted Shares* (“**OSC Rule 56-501**”) with respect to the use of, as applicable, “restricted security” (as defined in NI 41-101 and NI 51-102) and “restricted share” (as defined in OSC Rule 56-501) terms and disclosure with respect to Subordinate Voting Shares or Proportionate Voting Shares and for future issuances of Subordinate Voting Shares or Proportionate Voting Shares. Absent such exemptive relief, upon completion of the Offering, the Company may not be able to use the word “common” to refer to the Subordinate Voting Shares in prospectuses, continuous disclosure documents, dealer, and adviser documents, right offering circulars and offering memoranda and may be prohibited from issuances of Subordinate Voting Shares or Proportionate Voting Shares under certain circumstances. There can be no assurance that such exemptions will be granted.

### **INTERESTS OF EXPERTS**

The following are persons or companies whose profession or business gives authority to a statement made in this Prospectus as having prepared or certified a part of that document or report described in the Prospectus:

- McMillan LLP is the Company’s counsel with respect to Canadian legal matters herein;
- Larry D Harvey PC is the Company’s counsel with respect to U.S. federal income tax matters herein;
- Bennett Jones LLP is the Agents’ counsel with respect to Canadian legal matters herein; and
- Dale, Matheson, Carr-Hilton, Labonte LLP, Chartered Professional Accountants is the external auditor of the Company and NFL and reported on the Company’s audited financial statements for the period from incorporation to December 31, 2020 and NFL’s audited financial statements for the fiscal years ended December 31, 2020 and 2019, each attached as Schedule “A”.

To the knowledge of management, as of the date hereof, no expert, nor any associate or affiliate of such person has any beneficial interest, direct or indirect, in the securities or property of the Company or of an associate or affiliate of any of them, and no such person is or is expected to be elected, appointed, or employed as a director, officer or employee of the Company or of an associate or affiliate thereof.

### **OTHER MATERIAL FACTS**

To the knowledge of management, there are no other material facts relating to the Company that are not otherwise disclosed in this Prospectus or are necessary for this Prospectus to contain full, true, and plain disclosure of all material facts relating to the Company.

### **PURCHASERS’ STATUTORY RIGHT OF WITHDRAWAL AND RESCISSION**

The Company and the Agents hereby confirm that purchasers who purchase Offered Shares under the Offering through the Company have the same rights and remedies for rescission and/or damages against the Company and the Agents, as the case may be, as purchasers who purchase Offered Shares under the Offering through the Agents.

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the

purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

### **FINANCIAL STATEMENTS**

Attached hereto as Schedule "A" and forming a part of this Prospectus are the following financial statements:

1. the unaudited financial statements of the Company as at March 31, 2021 for the three month period ended March 31, 2021, together with the notes thereto;
2. the audited financial statements of the Company as at December 31, 2020 for the period from incorporation to December 31, 2020, together with the notes thereto and the auditors' report thereon;
3. the unaudited consolidated financial statements of NFL as at March 31, 2021 for the three period ended March 31, 2021, together with the notes thereto; and
4. the audited combined financial statements of NFL as at December 31, 2020 for the fiscal years ended December 31, 2020 and 2019, together with the notes thereto and the auditors' report thereon.

**SCHEDULE "A"**

**NEPRA FINANCIAL STATEMENTS**

**(see attached)**

**Neptra Foods Inc.**

Condensed Interim Financial Statements

For the three months ended March 31, 2021

(Unaudited – Expressed in Canadian dollars)



## **Nepra Foods Inc.**

Condensed Interim Statement of Loss and Comprehensive Loss

For the three months ended March 31, 2021

(Unaudited – Expressed in Canadian dollars)

	<b>For the three months ended March 31, 2021</b>	
<b>Expenses</b>		
Professional fees	\$	10,330
Total operating expenses		(10,330)
<b>Net and comprehensive loss</b>	<b>\$</b>	<b>(10,330)</b>
Weighted average number of shares – basic and diluted		100
Basic and diluted loss per share	\$	(103.30)

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

## **Nepra Foods Inc.**

Condensed Interim Statement of Changes in Shareholder's Deficiency  
(Unaudited – Expressed in Canadian dollars)

	<b>Number of common shares</b>	<b>Amount</b>	<b>Deficit</b>	<b>Total shareholder's deficiency</b>
Balance, December 31, 2020	100	\$ 1	\$ (8,157)	\$ (8,156)
Net loss for the period	-	-	(10,330)	(10,330)
<b>Balance, March 31, 2021</b>	<b>100</b>	<b>\$ 1</b>	<b>\$ (18,487)</b>	<b>\$ (18,486)</b>

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



## **Neptra Foods Inc.**

Condensed Interim Statement of Cash Flows  
(Unaudited - Expressed in Canadian dollars)

	<b>For the three months ended March 31, 2021</b>	
<b>Operating activities</b>		
Net loss	\$	(10,330)
Non-cash working capital items:		
Accounts payable and accrued liabilities		10,580
Net cash provided by operating activities		250
Change in cash		250
Cash, beginning		1
<b>Cash, ending</b>	<b>\$</b>	<b>251</b>

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

# **Nepra Foods Inc.**

Notes to Condensed Interim Financial Statements

For the three months ended March 31, 2021

(Unaudited - Expressed in Canadian dollars)

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## **1. NATURE OF OPERATIONS AND GOING CONCERN**

Nepra Foods Inc. (the "Company") was incorporated on November 27, 2020 under the British Columbia Business Corporations Act. The registered office of the Company is located at 1500 – 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

These condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that 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 operations. As at March 31, 2021 the Company has not generated any revenue, and had an accumulated deficit of \$18,487. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to raise financing and generate profits and positive cash flows from operations in order to cover its operating costs. From time to time, the Company generates working capital to fund its operations by raising additional capital through equity. However, there is no assurance it will be able to continue to do so in the future. These interim condensed financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the Company's interim condensed financial statements.

The 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 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. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.

## **2. BASIS OF PRESENTATION**

These condensed interim financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, "Interim Financial Reporting", following the same accounting principles and methods of computation as outlined in the Company's financial statements for the period from incorporation on November 27, 2020 to December 31, 2020. These unaudited condensed interim financial statements should be read in conjunction with the most recent audited annual financial statements and the notes thereto for the period from incorporation on November 27, 2020 to December 31, 2020.

These condensed interim financial statements were approved by the Board of Directors of the Company for issue on June 25, 2021.

These condensed interim financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value. In addition, the condensed interim financial statements are prepared on an accrual basis, except for cash flow information. The condensed interim financial statements are presented in Canadian dollars, which is also the Company's functional currency.

# **Nepra Foods Inc.**

Notes to Condensed Interim Financial Statements  
For the three months ended March 31, 2021  
(Unaudited - Expressed in Canadian dollars)

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## **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies followed by the Company are set out in Note 3 to the audited consolidated financial statements for the year ended December 31, 2020 and have been consistently followed in the preparation of these consolidated condensed interim financial statements.

The Company has used the same accounting policies and methods of computation as in the audited annual consolidated financial statements for the year ended December 31, 2020.

## **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

There have been no material revisions to the nature and amount of changes in estimates of amounts and critical judgements in applying accounting policies reported in the annual financial statements for the period ended December 31, 2020.

## **5. BASIS OF FAIR VALUE**

The Company's financial instruments consist of cash and accounts payable and accrued liabilities. The fair value of the Company's accounts payables and other liabilities, approximate the carrying value, which is the amount on the consolidated statements of financial position due to their short-term maturities or ability of prompt liquidation. The Company's cash is measured at fair value under the fair value hierarchy, based on level one quoted prices in active markets for identical assets.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable marker data (unobservable inputs).

## **6. RELATED PARTY TRANSACTIONS AND BALANCES**

Key management consists of the sole Officer and Director who is responsible for planning, directing, and controlling the activities of the Company. There were no compensation costs for key management personnel for the three months ended March 31, 2021. As at March 31, 2021, there were \$250 owing to a director and included in accounts payable and accrued liabilities from an advance made.

## **7. SHARE CAPITAL**

### **Authorized share capital**

- Unlimited Common Shares ("Subordinate Voting Shares") without par value;
- Unlimited Class A Shares without par value;

On March 25, 2021, the Company's sole shareholder approved by special resolution to alter the Company's Notice of Articles and Articles to create an unlimited number of Class A Common Shares without par value (the "Class A Shares" or "Proportionate Voting Shares") and to set out the special rights and restrictions for the Class A Shares in Part 27 to the Company's Articles. The Company filed a Notice of Alteration with the British Columbia Registrar of Companies on March 29, 2021.

# Neptra Foods Inc.

Notes to Condensed Interim Financial Statements

For the three months ended March 31, 2021

(Unaudited - Expressed in Canadian dollars)

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## 7. SHARE CAPITAL *(continued)*

Subject to certain conversion limitations, Proportionate Voting Shares shall be convertible, at the option of the holder, by multiplying the number of Proportionate Voting Share by the Conversion Ratio applicable to such share. The initial "Conversion Ratio" for each Proportionate Voting Share shall be one hundred (100) Subordinate Voting Shares; provided, however, the Conversion Ratio shall be subject to certain adjustments as provided in the Company's articles.

Before any holder of Proportionate Voting Shares shall be entitled to convert, the Company will determine if any Conversion Limitation shall apply to the conversion of Proportionate Voting Shares. Proportionate Voting Shares shall not have the right to convert any portion of the Proportionate Voting Shares, to the extent that after giving effect to such issuance after conversions, the aggregate number of Subordinate Voting Shares and Proportionate Voting Shares held of record, directly or indirectly, by residents of the United States would exceed forty percent (40%) of the aggregate number of Subordinate Voting Shares and Proportionate Voting Shares issued and outstanding. Upon certain conditions, the Company may elect to convert all, and not less than all of the Proportionate Voting Shares into Subordinate Voting Shares.

## 8. SUBSEQUENT EVENTS

- a) On April 6, 2021, the Company entered into a share exchange agreement (the "Share Exchange Agreement") with Neptra Foods, Ltd., whereby the Company agreed to acquire all of the issued and outstanding shares of Neptra Foods, Ltd. ("NFL") from the shareholders of NFL ("the "Shareholders") in exchange for certain shares in the capital of the Company, which Share Exchange Agreement closed on April 15, 2021.

In consideration for the acquisition of 100% ownership of NFL (the "NFL Acquisition"), the Company issued at closing to each NFL Shareholder, pro rata in proportion to their holdings of shares of NFL, certain shares in the capital of the Company on the following basis:

- i) U.S. NFL Shareholders received an aggregate of 3,038,529 Subordinate Voting Shares on the basis of 56.5082 Common Shares in the capital of the Company for each (1) NFL share with respect to 10% of the NFL shares held by each U.S. NFL Shareholder and an aggregate of 273,468.05 Proportionate Voting Shares on the basis of 0.565082 of a Class A Share for each (1) NFL share with respect to the remaining 90% of the NFL shares held by each U.S. NFL Shareholder; and
- ii) Non-U.S. NFL Shareholders received an aggregate of 11,614,579 Subordinate Voting Shares on the basis of 56.5082 Common Shares in the capital of the Company for each (1) NFL share held by each non-U.S. NFL Shareholder.

Upon closing of the NFL Acquisition, the Company agreed to assume the obligations of NFL in respect of all NFL shares issuable under all contracts, agreements commitments or arrangements of NFL that provide for the issuance of NFL shares after the effect of any exchange ratio provided for in the Share Exchange Agreement, which includes honouring: (i) the aggregate principal amount of US\$990,990.20 of NFL Series I 8% Secured Convertible Notes (the "Series I Notes"), such that, upon completion of public offering in connection with a listing of the Company's Common Shares on a stock exchange in the United States or Canada (the "Going Public Transaction"), the principal amount of Series I Notes, plus accrued and unpaid interest, shall automatically convert into Common Shares ("Subordinate Voting Shares") at a conversion price equal to the greater of (A) eighty percent (80%) of the issuance price per security under the Going Public Transaction, and (B) C\$0.10 per Subordinate Voting Share; and (ii) the aggregate principal amount of US\$295,000 of NFL series II 8% Secured Convertible Notes (the "Series II Notes"), such that upon completion of the Going Public Transaction, the principal amount of Series II Notes, plus accrued and unpaid interest, shall automatically convert into Subordinate Voting Shares at a conversion price equal to the greater of (A) the issuance price per security under the Going Public Transaction, and (B) C\$0.10 per Subordinate Voting Share. No fractional Subordinate Voting Shares will be issued in connection with such conversion and all fractional shares will be rounded down to the nearest whole number without compensation therefor. The NFL Series I Notes and Series II Notes accrue interest at a rate of 8% per annum, calculated and payable in arrears on the earlier of the maturity date and the date

# Neptra Foods Inc.

Notes to Condensed Interim Financial Statements

For the three months ended March 31, 2021

(Unaudited - Expressed in Canadian dollars)

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## 8. SUBSEQUENT EVENTS *(Continued)*

of conversion of the Series I Note or Series II Note, as applicable, which notes mature on the date that is 24 months from the date of their respective issuance. The Series I Notes and Series II Notes are secured by a floating charge security on all of the assets of NFL.

- b) On June 11, 2021, the Company closed the Series III convertible note financing and issued \$230,000 and US\$15,000 (CAD\$18,181) of Series III 9% Secured Convertible Notes (the "Series III Notes") bearing interest at a rate of 9% annually and maturing on June 11, 2022. The Series III Notes are secured by a floating charge on all assets of the Company. The principal amount of Series III Notes, plus accrued and unpaid interest to the date of maturity, is convertible, in whole or in part, at the option of the holder, at any time following 121 days after the issue date, but prior to the maturity date of such Series III Notes, into Subordinate Voting Shares at the greater of: (i) the issuance price per security under the Going Public Transaction; and (ii) C\$0.10 per Subordinate Voting Share. No fractional shares will be issued and any fractional shares will be rounded down to the nearest whole number without compensation therefor. At any time following 121 days after the issue date, but prior to the date that is eleven (11) days immediately preceding the maturity date of the Series III Notes, if the Subordinate Voting Shares are trading on a stock exchange in Canada or the United States and the closing price of the Subordinate Voting Shares is C\$0.60 or more for a period of ten (10) consecutive trading days, the Company shall have the option to convert the principal amount plus accrued and unpaid interest to the date of maturity into Subordinate Voting Shares at the greater of: (i) the issuance price per security under the Going Public Transaction; and (ii) C\$0.10 per Subordinate Voting Share, by providing the holder not less than ten (10) days' prior written notice.

**Neptra Foods Inc.**

Financial Statements

For the Period from Incorporation on November 27, 2020 to December 31, 2020

(Expressed in Canadian dollars)



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Nepra Foods Inc.

### Opinion

We have audited the financial statements of Nepra Foods Inc. (the "Company"), which comprise the statement of financial position as at December 31, 2020, and the statements of loss and comprehensive loss, changes in shareholder's deficiency and cash flows for the period from incorporation on November 27, 2020 to December 31, 2020, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the period from incorporation on November 27, 2020 to December 31, 2020 in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**DMCL**

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

April 16, 2021



An independent firm  
associated with Moore  
Global Network Limited  
LEGAL\_36090368.3



# Neptra Foods Inc.

Statement of Financial Position  
(Expressed in Canadian dollars)

As at	Notes	December 31, 2020
<b>ASSETS</b>		
Current assets		
Cash		\$ 1
Total assets		\$ 1
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>		
Current liabilities		
Accounts payable and accrued liabilities		\$ 8,157
Total liabilities		8,157
Shareholders' deficiency		
Share capital	5	1
Deficit		(8,157)
Total shareholder's deficiency		(8,156)
Total liabilities and shareholder's deficiency		\$ 1

Nature of operations and going concern (Note 1)

## Approved by the Board of Director

"Alex McAulay" , Director

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

## **Neptra Foods Inc.**

Statement of Loss and Comprehensive Loss  
(Expressed in Canadian dollars)

	<b>For the period from incorporation on November 27, 2020 to December 31, 2020</b>	
<b>Expenses</b>		
Professional fees		8,157
Total operating expenses		<b>(8,157)</b>
<b>Net and comprehensive loss</b>	<b>\$</b>	<b>(8,157)</b>
Weighted average number of shares – basic and diluted		<b>100</b>
Basic and diluted loss per share	<b>\$</b>	<b>(81.57)</b>

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

## **Nepra Foods Inc.**

Statement of Changes in Shareholder's Deficiency  
(Expressed in Canadian dollars)

	<b>Number of common shares</b>	<b>Amount</b>	<b>Deficit</b>	<b>Total shareholder's deficiency</b>
<b>Balance, November 27, 2020</b>	<b>100</b>	<b>\$ 1</b>	<b>\$ -</b>	<b>1</b>
Net loss	-	-	(8,157)	(8,157)
<b>Balance, December 31, 2020</b>	<b>100</b>	<b>\$ 1</b>	<b>(8,157)</b>	<b>(8,156)</b>

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

# **Nepra Foods Inc.**

## Statement of Cash Flows

(Expressed in Canadian dollars)

	<b>For the period from incorporation on November 27, 2020 to December 31, 2020</b>	
<b>Operating activities</b>		
Net loss	\$	(8,157)
Non-cash working capital items:		
Accounts payable and accrued liabilities		8,157
Net cash used in operating activities		-
<b>Financing activities</b>		
Proceeds from share capital issuance		1
Net cash provided by financing activities		1
Change in cash		1
Cash, beginning		-
<b>Cash, ending</b>	<b>\$</b>	<b>1</b>

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

# Nepra Foods Inc.

Notes to Financial Statements

For the period from incorporation on November 27, 2020 to December 31, 2020

(Expressed in Canadian dollars)

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## 1. NATURE OF OPERATIONS AND GOING CONCERN

Nepra Foods Inc. (the "Company") was incorporated on November 27, 2020 under the British Columbia Business Corporations Act. The registered office of the Company is located at 1500 – 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that 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 operations. As at December 31, 2020 the Company has not generated any revenue, and had an accumulated deficit of \$8,157. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to raise financing and generate profits and positive cash flows from operations in order to cover its operating costs. From time to time, the Company generates working capital to fund its operations by raising additional capital through equity. However, there is no assurance it will be able to continue to do so in the future. These financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the Company's financial statements.

The 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 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. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.

## 2. BASIS OF PRESENTATION

### a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The financial statements were approved and authorized for issuance on April 16, 2021 by the Director.

### b) Basis of Measurement

The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### c) Use of accounting estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period.

# **Nepra Foods Inc.**

Notes to Financial Statements

For the period from incorporation on November 27, 2020 to December 31, 2020

(Expressed in Canadian dollars)

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## **2. BASIS OF PRESENTATION** *(Continued)*

Actual results could differ from these estimates, and as such, the estimates and underlying assumptions are reviewed on an ongoing basis. Key estimates made by management with respect to the areas noted have been disclosed in the notes to these financial statements as appropriate.

### *Recovery of deferred tax assets*

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement. Any changes to the timing of the realization or settlement of these items could impact their value.

#### **d) Use of judgements**

Judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements are outlined below.

### *Going concern*

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures and to meet its liabilities for the ensuing year, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently presented in these financial statements, unless otherwise indicated.

### **a) Financial instruments**

#### **Financial assets**

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income ("FVTOCI") or measured at fair value through profit or loss ("FVTPL").

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Assessment and decision on the business model approach used is an accounting judgement.

#### *Financial assets measured at amortized cost*

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company's business model for such financial assets, is to hold the assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

# Nepra Foods Inc.

Notes to Financial Statements

For the period from incorporation on November 27, 2020 to December 31, 2020

(Expressed in Canadian dollars)

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## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### a) Financial instruments (Continued)

#### *Financial assets measured at fair value through FVTOCI*

For financial assets that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments at fair value through other comprehensive income ("FVTOCI"), with all subsequent changes in fair value being recognized in other comprehensive income. This election is available for each separate investment. Under this new FVTOCI category, fair value changes are recognized in OCI while dividends are recognized in profit or loss. On disposal of the investment the cumulative change in fair value is not recycled to profit or loss. The Company does not have any financial assets designated as FVTOCI.

#### *Financial assets measured at FVTPL*

A financial asset measured at FVTPL is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in profit or loss.

Cash is measured at FVTPL using level 1 of the fair value hierarchy.

#### **Financial liabilities**

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

Accounts payable and accrued liabilities are measured at amortized cost.

### b) Loss per share

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

### c) Income Taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of loss and comprehensive loss, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity. In this case the income tax is also recognized in other comprehensive loss or directly in equity, respectively.

#### *Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

# Nepra Foods Inc.

Notes to Financial Statements

For the period from incorporation on November 27, 2020 to December 31, 2020

(Expressed in Canadian dollars)

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## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

### *Deferred tax*

Deferred tax is recognized on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that future taxable income will be available to allow all or part of the temporary differences to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted and are expected to apply by the end of the reporting period. Deferred tax assets and deferred income tax liabilities are offset if a legally enforceable right exist to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### **d) Provisions**

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably

### **e) Accounting standards issued but not yet effective**

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

## 4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

### **Credit risk**

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash, which is held with reputable financial institutions. Management believes that the credit risk with respect to cash is minimal.

### **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements.



# **Nepra Foods Inc.**

Notes to Financial Statements

For the period from incorporation on November 27, 2020 to December 31, 2020

(Expressed in Canadian dollars)

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## **4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** *(Continued)*

The Company will require additional financing in the future to meet its obligations. The Company's accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

### **Interest rate risk**

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

### **Fair value**

The Company classifies and discloses fair value measurements based on a three-level hierarchy:

- Level 1 – inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability are not based on observable market data.

Accounts payable and accrued liabilities is recorded at their carrying amounts and approximate their fair values due to their short-term nature.

## **5. SHARE CAPITAL**

### ***Authorized capital***

The Company is authorized to issue:

- Unlimited Common Shares without par value;
- Unlimited Class A Shares without par value;

### ***Issued and outstanding capital***

As at December 31, 2020, there were 100 Common Shares issued and outstanding.

On November 27, 2020, the Company issued 100 Common Shares pursuant to the incorporation of the Company at a price of \$0.01 per Common Share.

## **6. RELATED PARTY TRANSACTIONS AND BALANCES**

Key management consists of the sole Officer and Director who is responsible for planning, directing, and controlling the activities of the Company. There were no compensation costs for key management personnel during the period from incorporation on November 27, 2020 to December 31, 2020. As at December 31, 2020, there were no amounts owing to related parties.

## **7. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to support its business plan, as well as to ensure that the Company is able to meet its financial obligations as they become due. The capital structure consists of shareholders' equity comprising of loans payable, shareholders' capital, subscriptions received in advance, and deficit.

The basis for the Company's capital structure is dependent on the Company's expected business growth and changes in business environment. To maintain or adjust the capital structure, the Company may issue new units through private placement, incur debt or return capital to members.

# Nepra Foods Inc.

Notes to Financial Statements

For the period from incorporation on November 27, 2020 to December 31, 2020

(Expressed in Canadian dollars)

## 7. CAPITAL MANAGEMENT (Continued)

The Company currently has no source of revenues and, therefore, is dependent upon external financings to fund activities. In order to carry future projects and pay administrative costs, the Company will utilize its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements.

## 8. INCOME TAXES

		Period from incorporation on November 27, 2020 to December 31, 2020
Net loss for the period	\$	(8,157)
Statutory income tax rate		27%
Income tax benefit computed at the statutory tax rate		(2,202)
Unrecognized benefit from income tax losses		2,202
Income tax recovery	\$	-

As at December 31, 2020, the Company had non-capital tax loss carry forwards of \$8,000 which can be applied to reduce future Canadian taxable income and will expire on 2040.

## 9. SUBSEQUENT EVENTS

On April 6, 2021, the Company entered into a share exchange agreement (the "Share Exchange Agreement") with Nepra Foods, Ltd., whereby the Company agreed to acquire all of the issued and outstanding shares of Nepra Foods, Ltd. ("NFL") from the shareholders of NFL ("the "Shareholders") in exchange for certain shares in the capital of the Company, which Share Exchange Agreement closed on April 15, 2021.

In consideration for the acquisition of 100% ownership of NFL (the "NFL Acquisition"), the Company issued at closing to each NFL Shareholder, pro rata in proportion to their holdings of shares of NFL, certain shares in the capital of the Company on the following basis:

- a) U.S. NFL Shareholders received 56.5082 Common Shares in the capital of the Company for each (1) NFL share with respect to 10% of the NFL shares held by each U.S. NFL Shareholder and 0.565082 of a Class A Share for each (1) NFL share with respect to the remaining 90% of the NFL shares held by each U.S. NFL Shareholder; and
- b) Each non-U.S. NFL Shareholder received 56.5082 Common Shares in the capital of the Company for each (1) NFL share held by such non-U.S. NFL Shareholder.

Upon closing of the NFL Acquisition, the Company agreed to assume the obligations of NFL in respect of all NFL shares issuable under all contracts, agreements commitments or arrangements of NFL that provide for the issuance of NFL shares after the effect of any exchange ratio provided for in the Share Exchange Agreement, which includes honouring: (i) the aggregate principal amount of US\$990,990.20 of NFL Series I 8% Secured Convertible Notes (the "Series I Notes"), such that, upon completion of public offering in connection with a listing of the Company's Common Shares on a stock exchange in the United States or Canada (the "Going Public Transaction"), the principal amount of Series I Notes, plus accrued and unpaid interest, shall automatically convert into Common Shares at a conversion price equal to the greater of (A) eight percent (80%) of the issuance price per security under the Going Public Transaction, and (B) C\$0.10 per Common Share; and (ii) the aggregate principal amount of US\$295,000 of NFL series II 8% Secured Convertible Notes (the "Series II Notes"), such that upon completion of the Going Public Transaction, the principal amount of Series II Notes, plus accrued and unpaid interest, shall automatically convert into Common

# **Neptra Foods Inc.**

Notes to Financial Statements

For the period from incorporation on November 27, 2020 to December 31, 2020

(Expressed in Canadian dollars)

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## **9. SUBSEQUENT EVENTS** *(Continued)*

Shares at a conversion price equal to the greater of (A) the issuance price per security under the Going Public Transaction, and (B) C\$0.10 per Common Share. No fractional Common Shares will be issued in connection with such conversion and all fractional shares will be rounded down to the nearest whole number without compensation. The NFL Series I Notes and Series II Notes accrue interest at a rate of 8% per annum, calculated and payable in arrears on the earlier of the maturity date and the date of conversion of the Series I Note or Series II Note, as applicable, which notes mature on the date that is 24 months from the date of their respective issuance. The Series I Notes and Series II Notes are secured by a floating charge security on all of the assets of NFL.

**NEPRA FOODS, LTD.**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
(Unaudited)

**NEPRA FOODS, LTD.**

## Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

As at	Notes	March 31, 2021	December 31, 2020
<b>ASSETS</b>			
Current assets			
Cash		\$ 506,959	\$ 492,976
Accounts and other receivables	5, 17	472,727	142,861
Prepaid expenses and deposits	14	10,924	97,859
Inventory	5	1,304,293	535,490
Due from related party	11, 14	11,816	8,689
		2,306,719	1,426,215
Long-term deposit	8	99,027	148,340
Property and equipment	7, 14	213,329	63,696
Right-of-use assets	8	2,469,242	22,958
<b>Total assets</b>		<b>\$ 5,088,317</b>	<b>\$ 1,512,869</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>			
Current liabilities			
Accounts payable and accrued liabilities	10, 14	\$ 837,097	\$ 525,596
Loan payable – current portion	11	14,675	14,488
Lease liability – current portion	10, 14	13,763	13,927
Promissory note payable	14	201,486	203,888
Convertible notes	12	1,538,250	844,632
Convertible notes to be issued	12	497,418	-
Due to related parties	14	22,650	-
		3,125,339	1,602,531
Lease liability	9, 14	2,505,338	12,714
Loans payable	11, 14	183,813	197,338
<b>Total liabilities</b>		<b>5,814,490</b>	<b>1,812,583</b>
Shareholders' deficiency			
Share capital	13, 14	1,312,361	829,358
Accumulated other comprehensive income		10,551	5,160
Deficit		(2,049,085)	(1,134,232)
<b>Total shareholders' deficiency</b>		<b>(726,173)</b>	<b>(299,714)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>\$ 5,088,317</b>	<b>\$ 1,512,869</b>

Nature of operations and going concern (Note 1)

Subsequent events (Note 18)

**Approved on behalf of the Board**“David Wood”

Director

“Alex McAulay”

Director

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

**NEPRA FOODS, LTD.**

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the three months ended March 31

(Expressed in Canadian Dollars)

(Unaudited)

	Notes	2021	2020
<b>Revenue</b>			
Sales	17	\$ 1,374,497	\$ 565,812
Consulting		65,841	24,278
		1,440,338	590,090
Cost of sales	5, 6, 7	1,153,033	471,766
		287,305	118,324
<b>Expenses</b>			
Accretion	11	364	-
Amortization	7, 8	61,609	428
Consulting		51,392	2,297
General and administrative		126,740	18,436
Interest expense		98,408	2,068
Professional fees	14	188,831	-
Research and development		30,049	10,378
Salaries and benefits	14	374,997	77,598
Travel		18,802	14,326
		951,192	125,531
<b>Net loss before other items</b>		\$ (663,887)	\$ (7,207)
<b>Other items</b>			
Foreign exchange		121	-
Interest income	8	(2,454)	-
Change in fair value of convertible debt	12	253,299	-
<b>Net loss</b>		<b>(914,853)</b>	<b>(7,207)</b>
<b>Other comprehensive income (items that may be reclassified to profit or loss)</b>			
Exchange difference on translation between presentation and functional currencies		5,391	(52,701)
<b>Comprehensive loss</b>		<b>\$ (909,462)</b>	<b>\$ (59,908)</b>
Loss per share, basic and diluted		\$ (1.50)	\$ (0.04)
Weighted average number of shares outstanding, basic and diluted		611,255	190,000

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

**NEPRA FOODS, LTD.**

Condensed Consolidated Interim Statements of Cash Flows

For the three months ended March 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

	<b>2021</b>	<b>2020</b>
<b>Operating activities</b>		
Net loss	\$ (914,853)	\$ (7,207)
Adjustments for non-cash items		
Amortization	68,025	3,724
Advances (repayments) from (to) related parties	11,396	(78,208)
Interest	87,137	1,006
Change in fair value of convertible debt	253,299	-
Changes in non-cash working capital items:		
Accounts and other receivables	(313,186)	(90,853)
Prepaid expenses and deposits	68,600	3,343
Inventory	(779,557)	(19,799)
Accounts payable and accrued liabilities	358,632	196,706
<b>Net cash provided by (used in) operating activities</b>	<b>(1,160,505)</b>	<b>8,712</b>
<b>Investing activity</b>		
Purchase of equipment	(156,069)	-
<b>Net cash used in investing activity</b>	<b>(156,069)</b>	<b>-</b>
<b>Financing activities</b>		
Proceeds from issuance of shares	443,278	-
Repayment of lease liability	(34,415)	(4,201)
Proceeds from convertible debt to be issued	500,270	-
Loan repayments	(4,533)	-
Proceeds from convertible debt	439,396	-
<b>Net cash provided by (used in) financing activities</b>	<b>1,343,997</b>	<b>(4,201)</b>
<b>Net increase in cash</b>	<b>27,422</b>	<b>4,511</b>
<b>Effect of change in foreign exchange rates on cash</b>	<b>(13,440)</b>	<b>1,806</b>
<b>Cash, beginning</b>	<b>492,977</b>	<b>17,462</b>
<b>Cash, ending</b>	<b>\$ 506,959</b>	<b>\$ 23,779</b>

Supplemental Disclosure with Respect to Cash Flows (Note 15)

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

**NEPRA FOODS, LTD.**

## Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency

For the three months ended March 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

	Owners' capital		Share capital		Accumulated other comprehensive income (loss)	Deficit	Total shareholder s' deficiency
	Number of units	Amount	Number of shares	Amount			
<b>Balance, December 31, 2019</b>	<b>190,000</b>	<b>\$ 1</b>	<b>-</b>	<b>\$ -</b>	<b>2,638</b>	<b>\$ (592,210)</b>	<b>\$ (589,571)</b>
Currency translation adjustment	-	-	-	-	(52,701)	-	(52,701)
Net loss	-	-	-	-	-	(7,207)	(7,207)
<b>Balance, March 31, 2020</b>	<b>190,000</b>	<b>\$ 1</b>	<b>-</b>	<b>\$ -</b>	<b>(50,063)</b>	<b>\$ (599,417)</b>	<b>\$ (649,479)</b>
<b>Balance, December 31, 2020</b>	-	-	<b>548,639</b>	<b>\$ 829,358</b>	<b>5,160</b>	<b>\$ (1,134,232)</b>	<b>\$ (299,714)</b>
Shares issued for settlement of debt	-	-	17,651	39,361	-	-	39,361
Shares issued in private placement	-	-	176,965	443,642	-	-	443,642
Currency translation adjustment	-	-	-	-	5,391	-	5,391
Net loss	-	-	-	-	-	(914,853)	(914,853)
<b>Balance, March 31, 2021</b>	-	-	<b>743,255</b>	<b>\$ 1,312,361</b>	<b>10,551</b>	<b>\$ (2,049,085)</b>	<b>\$ (726,173)</b>

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



## NEPRA FOODS, LTD.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

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### 1. Nature of Operations and Going Concern

Neptra Foods, Ltd. (“Neptra” or the “Company”) was incorporated as a limited liability company (“LLC”) on August 15, 2019 under the provisions of the Colorado Revised Status and on November 1, 2020, Neptra converted from a LLC to a corporation. The Company operates as a vertically integrated healthy plant-based food and speciality ingredient company supporting allergen free and functional food brands. The Company’s head office, principal address, and records office is located at 7025 S. Revere Parkway, Ste. 100 Centennial, CO 80112. The registered office of Company is located at 8958 Southurst Street, Highlands Ranch, Colorado, 80129.

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that 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 operations. During the three months ended March 31, 2021, the Company had negative cash flows from operations of \$1,160,505, and as at March 31, 2021, had working capital deficiency and an accumulated deficit of \$818,620 and \$2,049,085 respectively. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company’s ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to raise financing and generate profits and positive cash flows from operations in order to cover its operating costs. From time to time, the Company generates working capital to fund its operations by raising additional capital through equity or debt financing. However, there is no assurance it will be able to continue to do so in the future. These condensed consolidated interim financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying condensed consolidated interim financial statements.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

### 2. Basis of Presentation, Functional Currency, and Basis of Combination and Consolidation

#### Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (IFRSs). As such, they must be read in conjunction with the annual audited consolidated financial statements for the period ended December 31, 2020 and the notes thereto. However, selected notes are included that are significant to understanding the Company’s financial position and performance since the last annual consolidated financial statements for the year ended December 31, 2020. The interim financial statements are presented in Canadian dollars. The Company’s functional currency is the US dollar. The amounts in the tables are expressed in Canadian dollars, unless otherwise stated.

## **NEPRA FOODS, LTD.**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

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### **2. Basis of Presentation, Functional Currency, and Basis of Combination and Consolidation (cont'd)**

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on June 25, 2021.

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These condensed consolidated interim financial statements incorporate the accounts of the Company and its controlled subsidiaries from the date of acquisition. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company's wholly owned subsidiaries include, Gluten Free Baking Solutions, LLC ("GFBS"), incorporated on August 10, 2016, and Total Blending Solutions, Ltd. ("TBS"), incorporated on November 25, 2019.

These condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise noted. The functional currency of the Company and its wholly owned subsidiaries is the US dollar.

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

The significant accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with the accounting policies disclosed in Note 3 of the audited financial statements for the year ended December 31, 2020. These condensed consolidated interim statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2020.

#### **Accounting standards issued but not yet effective**

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

### **4. Critical Accounting Estimates and Judgements**

In preparing these condensed consolidated interim financial statements, management has made judgments, estimates and assumptions that affect the applicable of the Company's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. 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. In preparing these condensed consolidated interim financial statements, the significant estimates and critical judgments were the same as those applied to the financial statements as at and for the year ended December 31, 2020.

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**5. Accounts receivable**

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Accounts receivable	\$ 454,467	\$ 144,871
Expected credit losses	(1,889)	(2,010)
Net accounts receivable	<b>\$ 452,578</b>	<b>\$ 142,861</b>
Other receivables	20,149	-
Total accounts and other receivables	<b>\$ 472,727</b>	<b>\$ 142,681</b>

**6. Inventory**

Inventory consists primarily of raw materials and finished goods.

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Raw materials	\$ 51,336	\$ 101,335
Work-in-progress	93,331	16,251
Finished goods	1,159,626	417,904
	<b>\$ 1,304,293</b>	<b>\$ 535,490</b>

**7. Property and Equipment**

	<b>Furniture and equipment</b>	<b>Warehouse equipment</b>	<b>Leasehold improvements</b>	<b>Total</b>
<b>Cost</b>				
Balance, December 31, 2019	\$ 8,474	\$ -	\$ -	\$ 8,474
Additions	-	62,679	-	62,679
Foreign exchange adjustment	(336)	-	-	(336)
<b>Balance, December 31, 2020</b>	<b>\$ 8,138</b>	<b>\$ 62,679</b>	<b>\$ -</b>	<b>\$ 70,817</b>
Additions	22,667	90,233	42,281	155,181
Foreign exchange adjustment	(96)	(739)	-	(835)
<b>Balance, March 31, 2021</b>	<b>\$ 30,709</b>	<b>\$ 152,173</b>	<b>\$ 42,281</b>	<b>\$ 225,163</b>
<b>Accumulated Amortization</b>				
Balance, December 31, 2019	\$ 3,486	\$ -	\$ -	\$ 3,486
Amortization	1,712	2,354	-	1,695
Foreign exchange adjustment	(316)	(115)	-	(431)
<b>Balance, December 31, 2020</b>	<b>\$ 4,882</b>	<b>\$ 2,239</b>	<b>\$ -</b>	<b>\$ 7,121</b>
Amortization	1,164	3,305	354	4,823
Foreign exchange adjustment	(62)	(46)	(2)	(110)
<b>Balance, March 31, 2021</b>	<b>\$ 5,984</b>	<b>\$ 5,498</b>	<b>\$ 352</b>	<b>\$ 11,834</b>
<b>Net Book Value</b>				
At December 31, 2020	\$ 3,256	\$ 60,440	\$ -	\$ 63,696
<b>At March 31, 2021</b>	<b>\$ 24,725</b>	<b>\$ 146,675</b>	<b>\$ 41,929</b>	<b>\$ 213,329</b>

**NEPRA FOODS, LTD.**

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**7. Property and Equipment (cont'd)**

Amortization of equipment used in production is included in the cost of inventory.

**8. Right-of-use Assets****Equipment**

On October 16, 2017, the Company entered into an equipment lease agreement. The lease term commenced November 1, 2017 and ends on October 1, 2022. The Company is committed to paying a monthly rental fee of USD\$1,044 (CAD\$1,395) to a related party (Note 14).

**Building**

The Company entered into a lease agreement for the building located at 7025 South Revere Parkway, Ste. 100, Centennial, Colorado 80112. The lease includes annual step-up payments and commences January 1, 2021 and expires on June 30, 2031. In connection with the lease agreement, the Company paid a security deposit of \$146,592 (USD\$116,409), to be repaid as follows: \$97,728 (USD\$77,606) after 24 months and \$48,864 (USD\$38,803) upon completion of the lease. The deposit has been discounted using an incremental borrowing rate of 10% per annum.

A reconciliation of the long-term deposit is as follows:

<b>At December 31, 2020</b>	<b>\$</b>	<b>-</b>
Additions		146,592
Adjustment to fair value		(50,001)
Interest income		2,454
Foreign exchange adjustment		(18)
<b>At March 31, 2021</b>	<b>\$</b>	<b>99,027</b>

The Company's right-of-use asset consists of a lease for equipment and a lease for a building.

<b>Right-of-use asset</b>	<b>Equipment</b>		<b>Building</b>		<b>Total</b>
<b>At December 31, 2019</b>	<b>\$</b>	<b>36,246</b>	<b>\$</b>	<b>-</b>	<b>\$ 36,246</b>
Additions		-		231,975	231,975
Amortization expense		(13,170)		(27,106)	(40,276)
Derecognition		-		(206,200)	(206,200)
Foreign exchange adjustment		(118)		1,331	1,213
<b>At December 31, 2020</b>	<b>\$</b>	<b>22,958</b>	<b>\$</b>	<b>-</b>	<b>\$ 22,958</b>
Additions		-		2,509,395	2,509,395
Amortization expense		(3,112)		(60,090)	(63,202)
Foreign exchange adjustment		(252)		343	91
<b>At March 31, 2021</b>	<b>\$</b>	<b>19,594</b>	<b>\$</b>	<b>2,499,648</b>	<b>\$ 2,469,242</b>

A portion of the amortization of equipment and building right-of-use assets is included in the cost of inventory.

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**9. Leases**

The lease liabilities of the equipment and the building have been calculated using an incremental borrowing rate of 10% per annum. The Company's total payments for its leases were \$62,869 in 2020 (2020 – \$4,201).

The consolidated statement of loss and comprehensive loss shows the following amounts relating to leases:

	<b>March 31,</b>		<b>March 31,</b>
	<b>2021</b>		<b>2020</b>
Amortization charge of equipment right-of-use assets	\$ 3,112	\$	3,298
Amortization charge of building right-of-use assets	60,090		-
Interest expense	65,648		1,006
	<b>\$ 128,850</b>	<b>\$</b>	<b>4,304</b>

The Company's lease liability related to equipment is as follows:

	<b>March 31,</b>		<b>December 31,</b>
	<b>2021</b>		<b>2020</b>
<b>Lease liability</b>			
Current portion	\$ 13,763	\$	13,927
Long-term portion	2,505,338		12,714
Total lease liability	<b>\$ 2,519,101</b>	<b>\$</b>	<b>26,641</b>

The Company is committed to minimum lease payments as follows:

	<b>March 31,</b>		<b>December 31,</b>
	<b>2021</b>		<b>2019</b>
<b>Maturity analysis</b>			
Less than one year	\$ 245,563	\$	15,964
One year to five years	1,559,210		13,303
More than five years	2,374,845		-
Total undiscounted lease liabilities	<b>\$ 4,179,618</b>	<b>\$</b>	<b>29,267</b>

**10. Trade Payables and Accrued Liabilities**

	<b>March 31,</b>		<b>December 31,</b>
	<b>2021</b>		<b>2020</b>
Trade payables	\$ 643,213	\$	462,518
Accrued liabilities	193,884		63,078
	<b>\$ 837,097</b>	<b>\$</b>	<b>525,596</b>

## NEPRA FOODS, LTD.

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### 11. Loans Payable

- a) On May 16, 2020 (“date of advance”), GFBS received a loan for gross proceeds of \$191,145 (USD \$150,000) from the U.S. Small Business Administration under the Economic Injury Disaster Loan program. The loan bears annual interest at a rate of 3.75%. Monthly repayments of \$996 (USD \$731) will commence 12 months from the date of advance and will be applied first to interest, then to principal and the loan matures 30 years from the date of advance. The benefit of the government loan received at below market rate of interest is treated as a government grant. The loan was recognized at fair value using the Company’s estimated incremental borrowing rate of 10%, which resulted in a fair value of \$140,887. The difference between the initial carrying amount and proceeds received is the value of the government assistance of \$54,047.

The loan is secured by all tangible and intangible property of the borrower as at the agreement date and any property acquired by the borrower after the agreement date.

The balance outstanding at March 31, 2021 is as follows:

Balance, December 31, 2019	\$	-
Principal balance		191,145
Assistance on adjustment to fair value		(54,047)
Foreign exchange adjustment		3,789
		140,887
Accretion expense		704
Additional funds received		3,695
Foreign exchange adjustment		(1,169)
<b>Balance, December 31, 2020</b>	<b>\$</b>	<b>144,117</b>
Accretion		364
Foreign exchange adjustment		(1,700)
<b>Balance, March 31, 2021</b>		<b>142,781</b>

- b) On September 15, 2020, the Company, through its subsidiary GFBS, entered into a financing agreement for equipment purchased for USD \$49,187 (CAD \$62,679). The loan commenced on September 15, 2020, has an effective interest rate of 9.91%, and matures on August 15, 2024. The Company is required to make monthly payments of USD\$1,215 (CAD \$1,623) and the balance of the loan is due on maturity.

Balance, December 31, 2019	\$	-
Loan proceeds		62,679
Loan repayments		(4,883)
Interest		1,564
Foreign exchange adjustment		164
<b>Balance, December 31, 2020</b>	<b>\$</b>	<b>59,524</b>
Loan repayments		(4,857)
Interest		1,400
Foreign exchange adjustment		(361)
Total loan balance		55,706
Less current portion		(14,675)
<b>Non-current balance, March 31, 2021</b>	<b>\$</b>	<b>41,031</b>

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### 11. Loans Payable (cont'd)

The loan is secured by the equipment purchased with the proceeds of the loan. See also Note 14.

- c) On July 1, 2020, the Company entered into an unsecured revolving loan facility with a related party for up to \$200,000 USD. The outstanding balance, if any, on the revolving loan is due on or before December 31, 2025. The facility bears interest of 6% per annum. The balance due on this facility as of March 31, 2021 was \$22,650 (2020 – \$8,185). See Note 14.

### 12. Convertible Notes

On March 3, 2021, the Company closed the second tranche of a convertible note financing and issued US\$341,000 (CAD\$430,750) of convertible notes bearing interest at 8% annually. The convertible notes mature on March 3, 2023 and are secured by a floating charge on all assets of the Company. If the Company or the Parent of the Company completes a listing of the Company's common shares on a stock exchange in Canada or the United States, the principal and interest shall automatically be converted into common shares of the parent at a price equal to 80% of the issuance price under the Qualified Public Offering or CAD \$0.10. No fractional shares will be issued, and any fractional shares will be rounded down to the nearest whole number.

The Company has elected to measure the instruments at fair value through profit or loss (FVTPL). On inception, the fair value of the instruments were determined to be for the transaction amounts, as there were no significant factors affecting the notes since the last tranche was issued, no adjustment to the fair value was made as the fair value equated to the carrying amount.

The fair value of the convertible notes as of March 31, 2021 was estimated to have increased by 20% to reflect the Series II value issued subsequent to period-end and includes proceeds received of US\$341,000 (CAD\$437,466) plus accrued interest of US\$21,536 (CAD\$27,121), and an adjustment for foreign exchange to the presentation currency.

<b>Balance at December 31, 2019</b>	\$	-
Proceeds		849,143
Interest		5,131
Foreign exchange adjustment		(9,642)
<b>Balance at December 31, 2020</b>	\$	<b>844,632</b>
Proceeds		437,466
Interest		22,427
Change in fair value		253,229
Foreign exchange adjustment		(19,504)
<b>Balance at March 31, 2021</b>	\$	<b>1,538,250</b>

As at March 31, 2021, the Company had received US\$395,000 (CAD\$497,418) in proceeds for the Series II convertible debt financing which was completed subsequent to the period end on April 2, 2021. Of the total proceeds of US\$395,000, USD \$150,000 were additional funds received from one of the subscriber which was refunded subsequent to March 31, 2021.

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### 13. Share Capital

#### Authorized capital

The Company is authorized to issue 100,000,000 common shares with no par value.

#### Issued capital

*During the three months ended March 31, 2021:*

- On February 24, 2021, the Company issued 17,651 common shares to settle outstanding debt of US\$30,888 (CAD\$39,361).
- On March 5, 2021, the Company closed a private placement and issued 176,965 common shares for proceeds of US\$350,000 (CAD\$443,642).

*During the three months ended March 31, 2020:*

There was no share capital activity during the three months ended March 31, 2020.

### 14. Related Party Transactions

#### *a) Due to related parties*

As at March 31, 2021, included in due from related parties is \$8,856 (2020 - \$8,688) due from a director of the Company. The amount is unsecured, non-interest bearing and due on demand.

As at March 31, 2021, included in due from related parties is \$2,960 (2020 - \$Nil) due from a director of the Company. The amount is unsecured, non-interest bearing and due on demand.

As at March 31, 2021, included in accounts and other receivables is \$65,466 (2020 - \$Nil) due from a company controlled by a director of the Company. The amount is unsecured, non-interest bearing and due on demand.

As at March 31, 2021, included in prepaids and deposits is \$Nil (2020 - \$9,557) for a salary advance paid to a director of the Company. The amount is unsecured, non-interest bearing and due on demand.

As at March 31, 2021, included in accounts payable and accrued liabilities is \$52,934 (2020 - \$41,939) due to a director of the Company. The amount consists of expenses charged to a personal credit card of a director of the Company and is unsecured, non-interest bearing and due on demand.

As at March 31, 2021, included in accounts payable and accrued liabilities is \$28,878 (2020 - \$28,338) due to a company controlled by a director of the Company. The amount consists of accounting fees charged and is unsecured, non-interest bearing and due on demand.

As at March 31, 2021, included in accounts payable and accrued liabilities is \$28,806 (2020 - \$29,150) due to a LLC controlled by a director of the Company. The amount consists of lease payments due for a building previously occupied by the Company and is unsecured, non-interest bearing and due on demand.



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### 14. Related Party Transactions (cont'd)

As at March 31, 2021, included in accounts payable and accrued liabilities is \$31,238 (2020 – \$19,115) due to a director of the Company. The amount consists of salary owed and is unsecured, non-interest bearing and due on demand.

As at March 31, 2021, included in accounts payable and accrued liabilities is \$8,224 (2020 – \$19,115) due to an officer of the Company. The amount consists of salary owed and is unsecured, non-interest bearing and due on demand.

During the three months March 31, 2021, the Company had outstanding revolving loans from companies controlled by the CEO and director of the Company (see Note 11) and includes interest charged on the promissory note. The loans are unsecured, bear interest at 6% per annum, and are due on demand. The balance payable as of March 31, 2021 was \$22,650 (2020 - \$8,185).

As at March 31, 2021, the Company had an outstanding promissory note of USD \$160,000 with a company controlled by the CEO and director of the Company. The promissory note is unsecured, bears interest at a rate of 10% per annum, and matures on June 30, 2021. The balance payable as of March 31, 2021 was \$201,486 (2020 - \$203,888). Interest of \$15,125 (2020 – 10,983) for the promissory note was charged and included in the revolving loan balance above. Interest charged on the revolving loan during the three months ended March 31, 2021 was \$4,833 (2020 - \$Nil).

#### *b) Related party transactions*

Key management consists of the directors and officers who are responsible for planning, directing, and controlling the activities of the Company. The Company incurred charges with related parties recorded at their exchange amounts as agreed upon by transacting parties as follows:

<b>For the three months ended March 31,</b>		<b>2021</b>		<b>2020</b>
Salaries and benefits	\$	162,963	\$	21,600
	\$	<b>162,963</b>	\$	<b>21,600</b>

During the three months ended March 31, 2021 and 2020, key management personnel were not paid any post-employment benefits, termination benefits or any other long-term benefits.

#### *Other transactions*

During the three months ended March 31, 2021, the Company settled debt owing to a Company controlled by the CFO of \$39,361 in exchange for 17,651 common shares of the Company.

During the three months ended March 31, 2021, the Company was charged USD\$3,132 (CAD\$3,967) (2020 – USD\$3,132 or CAD\$4,156) in lease payments for equipment by a company controlled by the CEO and Director.

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### 15. Supplemental Disclosure with Respect to Cash Flows

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statement of cash flows.

	<b>For the three months ended March 31, 2021</b>	<b>For the three months ended March 31, 2020</b>
Cash paid for interest	\$ 1,427	\$ 3,132
Cash paid for income taxes	-	-
Fair value of shares issued for debt settlement	\$ 39,361	-

### 16. Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue its operations as well as to ensure that the Company is able to meet its financial obligations as they become due. The capital structure consists of owners' equity comprising of loans payable, promissory note payable, convertible notes, shareholders' capital, capital reserve, and retained earnings (deficit).

The basis for the Company's capital structure is dependent on the Company's expected business growth and changes in business environment. To maintain or adjust the capital structure, the Company may issue new shares through private placement, incur debt, or return capital to shareholders.

The Company believes it will be able to raise capital as required in the long term but recognizes there will be risks involved that may be beyond its control. There are no external restrictions on the management of capital.

The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable. There was no change to the Company's approach to capital management during the three months ended March 31, 2021.

### 17. Financial Instruments and Risk Management

The Company is exposed, through its operations, to the following financial risks:

- a) Market Risk
- b) Credit Risk
- c) Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies, and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

## NEPRA FOODS, LTD.

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### 17. Financial Instruments and Risk Management (cont'd)

General Objectives, Policies, and Processes:

The directors and officers have overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The directors and officers review the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous reported periods unless otherwise stated in the note.

The overall objective of the directors and officers is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

#### a) Market Risk

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

##### (i) Foreign Currency Risk:

The Company's functional currency is the United States dollar and major purchases and sales are transacted in United States dollars. As a result, management believes the Company's exposure to foreign currency risk is minimal.

##### (ii) Interest Rate Risk:

Interest rate risk is the risk that future cash flows will fluctuate because of changes in market interest rates. The interest earned on cash is insignificant, and the Company does not rely on interest to fund its operations. The Company's outstanding promissory note, loans payable, and convertible notes bear interest at fixed rates. As a result, at March 31, 2021, management believes that the Company is not exposed to any significant interest rate risk.

##### (iii) Equity Price Risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impacts on the Company's earnings due to movements in individual equities or the general movements in the level of the stock market. The Company's common shares are not yet publicly traded, and the Company does not hold equity investments in other entities. As a result, the Company is not at a significant risk to fluctuating equity prices.

#### b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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**17. Financial Instruments and Risk Management (cont'd)**

The Company's cash, due from related party and accounts receivables are exposed to credit risk. The Company limits its exposure to credit loss on cash by placing its cash with a high-quality financial institution. The Company has concentrations of credit risk with respect to accounts receivable as large amounts of its accounts receivable are concentrated amongst a small number of customers. The Company performs credit evaluations of its customers but generally does not require collateral to support accounts receivable. The Company has certain amounts of aged receivables that are not deemed impaired as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
1 – 60 days	\$ 413,473	\$ 96,343
61 - 90 days (past due)	11,594	34,289
Over 90 days (past due)	29,400	14,239
Provision for expected credit losses	(1,889)	(2,010)
<b>Total</b>	<b>\$ 452,578</b>	<b>\$ 142,861</b>

The Company is exposed to increased credit risk due to major customers that comprise 10% or more of revenue. For the three months ended March 31, 2021 and 2020, the following revenue was recorded from major customers:

Amount of revenue from major customers	<b>March 31, 2021</b>	<b>March 31, 2020</b>
Customer A	\$ 575,617	\$ 348,511
Customer B	\$ 261,096	\$ 58,321
Customer C	\$ 185,276	\$ 58,429
Customer D	\$ -	\$ 67,993

Due from related party consists of advances made to a director of the Company and is believed to be credit worthy.

**c) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. Historically, the Company's sources of funding has been loans from a company controlled by the CEO and director, secured government loans, a secured equipment loan, and convertible notes. The Company's access to financing is uncertain. There can be no assurance of continued access to significant debt or equity funding.

	<b>Within one year</b>	<b>Between one and five years</b>	<b>More than five years</b>
Accounts payable and accrued liabilities	\$ 837,097	\$ -	\$ -
Loans payable	14,675	183,813	-
Lease liability	243,547	1,559,210	2,374,845
Promissory note payable	201,486	-	-
Convertible notes	1,286,395	-	-
Convertible notes to be issued	497,418	-	-
Due to related parties	-	22,650	-
	<b>\$ 3,080,618</b>	<b>\$ 1,756,673</b>	<b>\$ 2,374,845</b>

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**17. Financial Instruments and Risk Management (cont'd)****d) Basis of Fair Value**

	Level	March 31, 2021	December 31, 2020
<b>FINANCIAL ASSETS</b>			
<b>FVTPL</b>			
Cash	1	\$ 506,959	\$ 492,976
<b>Other assets, at amortized cost</b>			
Accounts and other receivable		472,727	142,861
Long-term deposit		99,027	148,340
Due from related party		11,816	8,689
<b>Total financial assets</b>		<b>\$ 1,090,529</b>	<b>\$ 792,866</b>
<b>FINANCIAL LIABILITIES</b>			
<b>FVTPL</b>			
Convertible notes	3	1,286,395	844,632
<b>Other liabilities, at amortized cost</b>			
Accounts payable and accrued liabilities		837,097	525,596
Convertible notes to be issued		497,418	-
Loans payable		198,488	211,826
Lease liability		2,519,098	26,641
Promissory note payable		201,486	203,888
Due to related parties		22,650	-
<b>Total financial liabilities</b>		<b>\$ 5,562,632</b>	<b>\$ 1,812,583</b>

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

The carrying value of the Company's financial instruments approximate their fair values due to their short-term maturities. Cash is measured at fair value on a recurring basis.

## NEPRA FOODS, LTD.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

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### 18. Subsequent Events

- a) On April 2, 2021, the Company closed the Series II convertible debt financing and issued US\$295,000 (CAD\$370,349) of convertible debt bearing interest at 8% annually and maturing on April 2, 2023. The convertible debt is secured by a floating charge on all assets of the Company. If the Company or the Parent of the Company completes a listing of the Company's common shares on a stock exchange in Canada or the United States ("Qualified Public Offering"), the principal and interest shall automatically be converted into common shares of the parent at a price equal to the greater of: (i) the issuance price per security under the Qualified Public Offering; and (ii) CAD\$0.10 per share. No fractional shares will be issued and any fractional shares will be rounded down to the nearest whole number.
- b) On April 6, 2021, the Company entered into a share exchange agreement (the "Share Exchange Agreement") with Nepra Foods Inc. (the "Parent"), whereby the Parent will acquire all of the issued and outstanding shares of the Company from the Company's shareholders (the "Shareholders") in exchange for certain shares in the capital of the Parent.

Pursuant to the Share Exchange Agreement, the Company's shareholders will receive securities of the Parent on the following basis:

- (i) U.S. Shareholders will receive 56.5082 common shares of the Parent for each 1 share of the Company with respect to 10% of the shares of the Company held by each U.S. Shareholder and 0.565082 of a Class A common share of the Parent for each 1 share of the Company with respect to 90% of the shares of the Company held by each U.S. Shareholder, and
- (ii) Each non-U.S. Shareholder will receive 56.5082 common shares for each 1 share of the Company.

On April 15, 2021, the Share Exchange Agreement closed and the Company became a wholly-owned subsidiary of the Parent.

As a result of the acquisition, the Company is deemed to be the acquirer for accounting purposes and therefore its assets, liabilities and operations will be included in the consolidated financial statements at their historical carrying value. The Company's operations are considered to be a continuance of the business and operations.

At the time of the Reverse Takeover ("RTO"), the Parent did not constitute a business as defined under IFRS 3; therefore, the RTO is accounted for under IFRS 2, where the difference between the consideration given to acquire the Company and the net asset value of the Company is recorded as a transaction cost to profit and loss.

**NEPRA FOODS, LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
**(EXPRESSED IN CANADIAN DOLLARS)**



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Nepra Foods, Ltd.

### Opinion

We have audited the consolidated financial statements of Nepra Foods, Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' deficiency for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

June XX, 2021



An independent firm  
associated with Moore  
Global Network Limited

**NEPRA FOODS, LTD.**

## Consolidated Statements of Financial Position

As at December 31, 2020 and 2019

(Expressed in Canadian Dollars)

	Notes	2020	2019
<b>ASSETS</b>			
Current assets			
Cash		\$ 492,976	\$ 17,463
Accounts receivable	5, 18	142,861	46,801
Prepaid expenses and deposits	14	97,859	3,243
Inventory	6	535,490	232,310
Due from related party	14	8,689	6,272
		1,277,875	306,089
Equipment	7, 14	63,696	4,988
Right-of-use asset	8	22,958	36,246
Deposit	8	148,340	-
<b>Total assets</b>		<b>\$ 1,512,869</b>	<b>\$ 347,323</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>			
Current liabilities			
Accounts payable and accrued liabilities	10, 14	\$ 525,596	\$ 428,742
Loan payable – current portion	11	14,488	-
Lease liability – current portion	9, 14	13,927	12,879
Promissory note payable	14	203,888	-
Convertible notes	12	844,632	-
Due to related parties	14	-	468,058
		1,602,531	909,679
Lease liability	9, 14	12,714	27,215
Loans payable	11, 14	197,338	-
<b>Total liabilities</b>		<b>1,812,583</b>	<b>936,894</b>
Shareholders' deficiency			
Share capital	13, 14	829,358	1
Accumulated other comprehensive income		5,160	2,638
Deficit		(1,134,232)	(592,210)
<b>Total shareholders' deficiency</b>		<b>(299,714)</b>	<b>(589,571)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>\$ 1,512,869</b>	<b>\$ 347,323</b>

Nature of operations and going concern (Note 1)

Subsequent events (Note 19)

**Approved on behalf of the Board***“David Wood”*

Director

*“Alex McAulay”*

Director

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

**NEPRA FOODS, LTD.**

## Consolidated Statements of Loss and Comprehensive Loss

For the Years Ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

	Notes	2020	2019
<b>Revenue</b>			
Product sales	18	\$ 2,741,811	\$ 1,568,465
Consulting		113,575	71,036
		2,855,386	1,639,501
Cost of sales	6, 7, 8	2,290,424	1,366,509
		564,962	272,992
<b>Expenses</b>			
Amortization	7, 8	28,818	1,695
Bad debt	5, 18	2,010	1,594
Consulting		5,604	8,146
General and administrative		110,048	51,933
Professional fees	14	70,740	28,839
Research and development		41,095	34,431
Salaries and benefits	14	413,521	300,522
Share-based payments	13, 14	428,541	-
Travel		23,814	58,272
		1,124,191	485,432
<b>Net loss before other items</b>		\$ (559,229)	\$ (212,440)
<b>Other items</b>			
Finance costs	9, 11, 12, 14	(42,585)	(4,740)
Gain on derecognition of lease	8	6,569	-
Foreign exchange		(824)	-
Government assistance	11	54,047	-
<b>Net loss</b>		<b>(542,022)</b>	<b>(217,180)</b>
<b>Other comprehensive income (items that will not be reclassified to profit or loss)</b>			
Exchange difference on translation between presentation and functional currencies		2,522	21,877
<b>Comprehensive loss</b>		<b>\$ (539,500)</b>	<b>\$ (195,303)</b>
Loss per share, basic and diluted		\$ (2.12)	\$ (1.03)
Weighted average number of shares outstanding, basic and diluted		254,911	190,000

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

**NEPRA FOODS, LTD.**

## Consolidated Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

	<b>2020</b>	<b>2019</b>
<b>Operating activities</b>		
Net loss	\$ (542,022)	\$ (217,180)
Adjustments for non-cash items		
Amortization	44,342	14,734
Bad debt	2,010	1,594
Write-off of inventory	39,125	112,631
Share-based payments	428,541	-
Gain on derecognition of lease	(6,569)	-
Government assistance	(54,047)	-
Advances (repayments) from (to) related parties	(28,983)	213,167
Accretion	704	-
Interest	23,277	-
Changes in non-cash working capital items:		
Accounts receivable	(104,071)	26,858
Prepaid expenses and deposits	(99,573)	588
Inventory	(363,122)	(341,659)
Accounts payable and accrued liabilities	238,258	172,396
<b>Net cash used in operating activities</b>	<b>(422,130)</b>	<b>(16,871)</b>
<b>Investing activity</b>		
Purchase of equipment	(18,092)	-
Non-current deposit	(156,002)	-
<b>Net cash used in investing activity</b>	<b>(174,094)</b>	<b>-</b>
<b>Financing activities</b>		
Proceeds from issuance of common shares	25,000	-
Repayment of lease liability	(13,258)	(11,882)
Proceeds from loans	214,536	-
Loan repayments	(3,830)	-
Proceeds from convertible debt	849,143	-
<b>Net cash provided by (used in) financing activities</b>	<b>1,071,591</b>	<b>(11,882)</b>
<b>Net increase (decrease) in cash</b>	<b>475,367</b>	<b>(28,753)</b>
<b>Effect of change in foreign exchange rates on cash</b>	<b>146</b>	<b>22,011</b>
<b>Cash, beginning</b>	<b>17,463</b>	<b>24,205</b>
<b>Cash, ending</b>	<b>\$ 492,976</b>	<b>\$ 17,463</b>

Supplemental Disclosure with Respect to Cash Flows (Note 15)

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

**NEPRA FOODS, LTD.**

Consolidated Statements of Changes in Shareholders' Deficiency

For the Years Ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

	Owners' capital		Share capital		Accumulated other comprehensive income (loss)	Deficit	Total shareholders' deficiency
	Number of units	Amount	Number of shares	Amount			
<b>Balance, December 31, 2018</b>	<b>190,000</b>	<b>\$ 1</b>	<b>-</b>	<b>\$ -</b>	<b>(19,239)</b>	<b>\$ (375,030)</b>	<b>\$ (394,268)</b>
Currency translation adjustment	-	-	-	-	21,877	-	21,877
Net loss	-	-	-	-	-	(217,180)	(217,180)
<b>Balance, December 31, 2019</b>	<b>190,000</b>	<b>\$ 1</b>	<b>-</b>	<b>\$ -</b>	<b>2,638</b>	<b>\$ (592,210)</b>	<b>\$ (589,571)</b>
Units issued for settlement of debt	162,001	375,816	-	-	-	-	375,816
Share-based payments (units)	51,430	119,592	-	-	-	-	119,592
Conversion from LLC to corporation	(403,431)	(495,409)	403,431	495,409	-	-	-
Shares issued in private placement	-	-	10,922	25,000	-	-	25,000
Share-based payments (shares)	-	-	134,286	308,949	-	-	308,949
Currency translation adjustment	-	-	-	-	2,522	-	2,522
Net loss	-	-	-	-	-	(542,022)	(542,022)
<b>Balance, December 31, 2020</b>	<b>-</b>	<b>\$ -</b>	<b>548,639</b>	<b>\$ 829,358</b>	<b>\$ 5,160</b>	<b>\$ (1,134,232)</b>	<b>\$ (299,714)</b>

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

## **NEPRA FOODS, LTD.**

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2020 and 2019  
(Expressed in Canadian Dollars)

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### **1. Nature of Operations and Going Concern**

Neptra Foods, Ltd. (“Neptra” or the “Company”) was incorporated as a limited liability company (“LLC”) on August 15, 2019 under the provisions of the Colorado Revised Status and on November 1, 2020, Neptra converted from a LLC to a corporation. The Company operates as a vertically integrated healthy plant-based food and speciality ingredient company supporting allergen free and functional food brands. The Company’s head office, principal address, and records office is located at 7025 S. Revere Parkway, Ste. 100 Centennial, CO 80112. The registered office of Company is located at 8958 Southurst Street, Highlands Ranch, Colorado, 80129.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that 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 operations. During the year ended December 31, 2020 the Company had negative cash flows from operations, and as at December 31, 2020, had working capital deficiency and an accumulated deficit of \$324,656 and \$1,134,232 respectively. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company’s ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to raise financing and generate profits and positive cash flows from operations in order to cover its operating costs. From time to time, the Company generates working capital to fund its operations by raising additional capital through equity or debt financing. However, there is no assurance it will be able to continue to do so in the future. These consolidated financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

### **2. Basis of Presentation, Functional Currency, and Basis of Combination and Consolidation**

#### **Statement of Compliance**

These consolidated financial statements were approved and authorized for issuance on June 8, 2021 by the Directors of the Company.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

## **NEPRA FOODS, LTD.**

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2020 and 2019  
(Expressed in Canadian Dollars)

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### **2. Basis of Presentation, Functional Currency, and Basis of Combination and Consolidation (cont'd)**

These consolidated financial statements incorporate the accounts of the Company and its controlled subsidiaries from the date of acquisition. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company's wholly owned subsidiaries include, Gluten Free Baking Solutions, LLC ("GFBS"), incorporated on August 10, 2016, and Total Blending Solutions, Ltd. ("TBS"), incorporated on November 25, 2019.

On June 30, 2020, the Company completed a reorganization with GFBS and Gluten Free Sprouting and Malting, LLC ("GFSM") which were companies under common control. The Company issued 189,999 membership units to the members of GFBS and GFSM, in exchange for all the membership units in GFBS and GFSM, resulting in GFBS and GFSM becoming wholly owned subsidiaries of the Company. On November 1, 2020, the Company converted from a LLC to a corporation and units of the LLC were exchanged for common shares of the Company on the basis of one unit for one common share. On December 31, 2020, GFSM was dissolved and its assets and liabilities were transferred and assigned to GFBS.

These financial statements are combined financial statements from January 1, 2019 to June 30, 2020 and include the financial information of Nepra, TBS, GFBS, and GFSM as these were entities under common control. These financial statements present a continuation of the combined financial information of Nepra, TBS, GFBS, and GFSM.

GFBS owned a 10% direct interest in GFSM prior to the reorganization on June 30, 2020. GFSM and Nepra did not have a direct ownership interest in GFBS nor each other prior to June 30, 2020; however, because GFBS, GFSM, and Nepra had a common manager and members, a common group controlled the activities of both entities and the financial statements were presented on a combined basis. TBS is a wholly owned subsidiary of Nepra. All inter-company balances and transactions have been eliminated upon combination until June 30, 2020, and upon consolidation to December 31, 2020.

The consolidated financial statements are presented in Canadian dollars unless otherwise noted. The functional currency of the Company and its wholly owned subsidiaries is the US dollar.

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

#### **Cash**

Cash, when applicable, is designated as fair value through profit or loss ("FVTPL") and includes cash on account, demand deposits which are readily convertible to known amounts of cash and are subject to insignificant changes in value. As at December 31, 2020 and 2019, the Company had no cash equivalents.

#### **Inventory**

Inventory consists primarily of raw materials and finished goods. In addition to product costs, inventory costs include expenditures such as direct labor, freight costs, packaging, and any third-party costs. Inventory is measured at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs

## NEPRA FOODS, LTD.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2020 and 2019  
(Expressed in Canadian Dollars)

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### 3. Significant Accounting Policies (cont'd)

of completion and selling expenses. The Company reviews the quantities and conditions of the inventory on hand on a regular basis and records a provision for spoiled inventory when it is incurred. If the Company determines that the estimated net realizable value of its inventory is less than the carrying value of such inventory, it records a charge to cost of sales.

#### Financial instruments

The Company's financial instruments consist of cash, accounts receivable, due from related party, accounts payable and accrued liabilities, due to related parties, promissory note payable, convertible notes payable, and loan payable.

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

#### (i) Classification and subsequent measurement

##### *Financial assets*

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

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

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

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL if doing so significantly reduces an accounting mismatch that would otherwise arise.



## NEPRA FOODS, LTD.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2020 and 2019  
(Expressed in Canadian Dollars)

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### 3. Significant Accounting Policies (cont'd)

#### *Financial assets: Subsequent measurement and gains and losses*

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

#### *Financial liabilities*

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

#### (ii) Derecognition

##### *Financial assets*

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company enters into transactions whereby it transfers assets recognized in its 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 or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

## NEPRA FOODS, LTD.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2020 and 2019  
(Expressed in Canadian Dollars)

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### 3. Significant Accounting Policies (cont'd)

#### (iii) Offsetting

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

#### (iv) Impairment

##### *Financial assets and contract assets*

Accounts receivable, net of allowances, are stated at the amount the Company expects to collect.

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

#### **Equipment**

All items of equipment are stated at historical cost, less any accumulated amortization and any accumulated impairment losses. Historical cost includes all costs directly attributable to the acquisition.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the consolidated statement of comprehensive loss.

Amortization is calculated on a straight-line basis to write off the cost of the asset to their residual values over their estimated useful lives. The amortization rates applicable to each category of equipment are as follows:

<b>Class of property and equipment</b>	<b>Amortization rate</b>
Appliances	5 years
Machinery	7 years

#### **Impairment of non-financial assets**

At each reporting period, the Company assesses whether there are indicators of impairment for its non-financial assets. If indicators exist, the Company determines if the recoverable amount of the asset or cash generating unit (“CGU”) is greater than its carrying amount. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets.

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### 3. Significant Accounting Policies (cont'd)

If the carrying amount exceeds the recoverable amount, the asset or CGU is recorded at its recoverable amount with the reduction recognized in profit or loss. The recoverable amount is the greater of the value in use or fair value less costs to sell. Fair value is the amount the asset could be sold for in an arm's length transaction. The value in use is the present value of the estimated future cash flows of the asset from its continued use. The fair value less costs to sell considers the continued development of a property and market transactions in a valuation model.

Impairments are reversed in subsequent periods when there has been an increase in the recoverable amount of a previously impaired asset or CGU and these reversals are recognized in profit or loss. The recovery is limited to the original carrying amount less amortization, if any, that would have been recorded had the asset not been impaired.

#### Leases

The Company leases one piece of equipment for USD\$1,044 (CAD\$1,395) per month ending on October 1, 2022 and leased a building from July 2020 to December 2020 for USD\$3,812 (CAD\$5,095) per month.

As is permitted under IFRS 16, the Company elected to expense its short-term leases (term of 12 months or less) and leases of low-value assets, such as computer equipment, on a straight-line basis over the lease term.

For its other contracts, the Company assesses whether its new or amended contracts contain a lease.

A lease represents the right to control the use of an identified asset for a period of time in exchange for consideration. To determine whether a contract conveys the right to control the use of an identified asset, the Company assesses the following:

- Is the identified asset directly or indirectly specified in the contract, or does it represent substantially all of the capacity of an asset that is physically distinct?
- Does the right of use cover substantially all of the economic benefits from use of the identified asset for a period of time?
- Does the Company have the right to direct the use of the identified asset? In cases where the use is predetermined, does the Company operate the asset or did the Company design the asset in a way that predetermines how and for what purpose the asset will be used?

When a lease is identified, the Company allocates the consideration in the contract to each of the lease components, separately from the non-lease components, on the basis of their relative stand-alone price. However, as is permitted under IFRS 16, the Company elected to account for all contracts of land and buildings it occupies as leases.

A right-of-use asset (a "lease asset") and a lease liability are recognized in the statement of financial position at the lease commencement date.

#### Right-of-use asset

A right-of-use asset is initially recognized at cost, which comprises the amount of the initial measurement of the lease liability, adjusted for any lease payments made or any lease incentives received at or before the commencement date, plus any initial direct costs incurred by the Company and an estimate of costs to be incurred in dismantling, removing or restoring the asset or site, as required by the terms and conditions of the lease.

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### **3. Significant Accounting Policies (cont'd)**

The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the lease asset or the end of the lease term.

#### **Lease liability**

A lease liability is initially measured at the present value of the lease payments that are not paid at that date using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company uses its incremental borrowing rate, which is generally the case. The lease payments comprise the following: fixed payments; variable lease payments that depend on an index or a rate, using the index or rate as at the commencement date; an estimate of the amounts to be payable under residual value guarantees; as well as amounts the Company is reasonably certain to pay as the exercise price of a purchase or extension option, or as a penalty to exercise a termination option.

The lease liability is subsequently remeasured at amortized cost using the effective interest method.

When there is a change in lease payments resulting from a change in an index or a rate or a change in an estimated amount, the amount of such an adjustment is offset in the unamortized cost of the lease asset or reported in the consolidated statement of profit or loss when the lease asset is fully impaired.

The Company presents interest on its lease liabilities (calculated at the effective interest rate) with its other interest expenses in the consolidated statement of profit or loss.

#### **Revenue recognition**

The Company generates revenue from the sale of starch products, through the sprouting and malting of starch products, the processing hemp seeds and sale of hemp heart flour and oil, and recipe consulting services. The time between invoicing and when payment is due is not significant and none of the Company's contracts contain a significant financing component.

The Company follows IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), to recognize its revenue. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, the Company's accounting policy for revenue recognition is as follows: i) identify the contract with the customer; ii) identify the performance obligation(s) in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligation(s); and (v) recognize revenue when (or as) performance obligation(s) are satisfied.

For the sale of starch products, sprouting and malting of starch products, and the sale of hemp heart flour and oil, revenue is recognized when delivery has occurred and there is no unfulfilled obligation that could affect the customer's acceptance. These criteria are generally met at the time the product leaves the Company's premises and at that point, control has passed to the customer. If the Company is responsible for delivering to the customer, revenue is recognized when a representative of the Company has entered the customer's premises with the product. The Company does not offer warranties or a right to return on the products it sells except in the instance of a product recall.

Revenue earned from recipe consulting is recognized when the recipe is complete and has been accepted by the customer.

Revenue is measured based on the price specified in the Company's invoice provided to the customer. The Company does not have any multiple-element revenue arrangements. Revenue is presented net of discounts and sales and other related taxes.

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### **3. Significant Accounting Policies (cont'd)**

#### **Government Assistance**

Loans received from in connection with government assistance programs are recognized initially at fair value, with the difference between the fair value of the loan based on prevailing market interest rates and the amount received recorded as government assistance in the consolidated statements of loss and comprehensive loss.

#### **Cost of sales**

Cost of sales includes the expenses incurred to acquire and produce inventory for sale, including product costs, freight costs, packaging costs, samples, and labour costs. In addition, cost of sales consists of provisions for reserves related to product shrinkage, excess or obsolete inventory, or lower of cost and net realizable value adjustments as required. The Company's cost of sales include costs directly related to the sales contracts and the expense related to getting the products ready and to the end location. Cost of sales includes the expenses incurred to acquire and process inventory for sale, including product costs, freight costs, packaging costs and labour costs. In addition, cost of sales consists of provisions for reserves related to product shrinkage, spoiled, excess or obsolete inventory, or lower of cost and net realizable value adjustments as required.

#### **Research and development**

Expenditures on research are expensed as incurred. Research activities include formulation, design, evaluation and final selection of possible alternatives, products, processes, systems or services. Development expenditures are expensed as incurred unless the Company can demonstrate all of the following: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) its intention to complete the intangible asset and use or sell it; (iii) its ability to use or sell the intangible asset; (iv) how the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

#### **Income taxes**

The Company and its subsidiaries were considered flow through entities for federal, and Colorado income tax purposes with its members taxed individually on its respective earnings until October 31, 2020. Beginning on November 1, 2020, Nepra Foods, Ltd. converted to a corporation and the following accounting policy was adopted:

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the financial position reporting date, and includes any adjustments to tax payable or receivable in respect of previous periods.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the financial position reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer

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### **3. Significant Accounting Policies (cont'd)**

probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity and are intended to be settled on a net basis. The determination of current and deferred taxes requires interpretations of tax legislation, estimates of expected timing of reversal of deferred tax assets and liabilities, and estimates of future earnings.

#### **Share capital**

Common shares are classified as equity. Transaction costs directly attributable to the issuance of common shares and equity warrants are recognized as a deduction from equity, net of any tax effects. Transaction costs directly attributable to derivative instruments are charged to operations as a finance cost.

#### **Share-based payments**

The Company may issue common shares to officers, employees, consultants and other advisors in exchange for services. The fair value of share-based payments are initially recorded as an expense with an offsetting credit recorded to share capital.

In situations where equity instruments 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.

#### **Loss per share**

Basic loss per share is calculated by dividing the loss attributable to shareholders by the consolidated weighted average number of shares outstanding in the period. Diluted earnings per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of share options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding share options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods.

#### **Foreign currency translation**

##### **Translation of foreign currency transactions**

Transactions in foreign currencies are translated using the exchange rate prevailing at the date of the transaction. At each reporting date, foreign currency denominated monetary assets and liabilities are translated at year-end exchange rates. Exchange differences arising from the transactions are recorded in profit or loss for the period.

##### **Translation of foreign operations**

The assets and liabilities of a foreign operation are translated into Canadian dollars at year-end exchange rates. Income and expenses, and cash flows of a foreign operation are translated in Canadian dollars using average exchange rates. Differences resulting from translating foreign operations are reported as translation differences in equity. When a foreign operation is disposed of, the translation differences previously recognized in equity are reclassified to profit or loss.

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### **3. Significant Accounting Policies (cont'd)**

#### **Accounting standards issued but not yet effective**

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

### **4. Critical Accounting Estimates and Judgements**

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. These financial statements do not include any accounts that require significant estimates as the basis for determining the stated amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

#### **Going concern**

The Company's ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances.

#### **Useful lives of equipment**

Equipment is amortized or depreciated over its useful lives. Useful lives are based on management's estimate of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of loss and other comprehensive loss in specific periods.

#### **Provision for expected credit losses ('ECLs')**

The Company performs impairment testing annually for accounts receivable in accordance with IFRS 9. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. IFRS 9 outlines a three-stage approach to recognizing ECLs which is intended to reflect the increase in credit risks of a financial instrument based on 1) 12-month expected credit losses or 2) lifetime expected credit losses. The Company measures provision for ECLs on its trade receivables at an amount equal to lifetime ECLs.

#### **Impairment**

Long-lived assets, including equipment, are reviewed for indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing

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### 4. Critical Accounting Estimates and Judgements (cont'd)

use that are largely independent of the cash inflows of other assets or groups of assets (the CGU). Judgments and estimates are required in defining a CGU and determining the indicators of impairment and the estimates required to measure an impairment, if any.

#### Share-based payments

The Company measures the cost of equity-settled transactions with employees and non-employees by reference to the fair value of the equity instruments at the date at which they are granted. The Company has estimated the fair value of the equity instruments issued for share-based payments based on the common share price agreed upon for a private placement and shares for debt settlements.

#### Income taxes

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

### 5. Accounts Receivable

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Trade receivables	\$ 144,871	\$ 48,395
Expected credit losses	(2,010)	(1,594)
Net accounts receivable	<b>\$ 142,861</b>	<b>\$ 46,801</b>

As at December 31, 2020, the Company had net accounts receivable of \$142,861 (2019 - \$46,801). During the year ended December 31, 2020, the Company recorded an allowance for expected credit losses of \$2,010 (2019 - \$1,594).

### 6. Inventory

Inventory consists primarily of raw materials and finished goods.

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Raw materials	\$ 101,335	-
Work-in-progress	16,251	-
Finished goods	417,904	232,310
	<b>\$ 535,490</b>	<b>\$ 232,310</b>

During the year ended December 31, 2020, the Company sold inventory with a value of \$2,251,299 (2019 - \$1,253,878) and incurred inventory write offs of \$39,125 (2019 - \$112,631) which are included in cost of sales.



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### 7. Equipment

<b>Cost</b>	
Balance, December 31, 2018	\$ 8,706
Additions	-
Foreign exchange adjustment	(232)
<b>Balance, December 31, 2019</b>	<b>\$ 8,474</b>
Additions	62,679
Foreign exchange adjustment	(336)
<b>Balance, December 31, 2020</b>	<b>\$ 70,817</b>
<b>Accumulated Amortization</b>	
Balance, December 31, 2018	\$ 1,741
Amortization	1,695
Foreign exchange adjustment	50
<b>Balance, December 31, 2019</b>	<b>\$ 3,486</b>
Amortization	4,066
Foreign exchange adjustment	(431)
<b>Balance, December 31, 2020</b>	<b>\$ 7,121</b>
<b>Net Book Value</b>	
<b>At December 31, 2019</b>	<b>\$ 4,988</b>
<b>At December 31, 2020</b>	<b>\$ 63,696</b>

Amortization of equipment used in production is included in the cost of inventory.

### 8. Right-of-use Asset

#### Equipment

On October 16, 2017, the Company entered into an equipment lease agreement. The lease term commenced November 1, 2017 and ends on October 1, 2022. The Company is committed to paying a monthly rental fee of USD\$1,044 (CAD\$1,395) to a related party (Note 14).

#### Building

On July 1, 2020, the Company entered into a lease agreement with a related party for a manufacturing facility and office space. The lease term commenced July 1, 2020 and was to expire on December 24, 2024. The Company was committed to a monthly rental fee of USD\$3,812 (CAD\$5,095) per month including operating expenses, but terminated the lease on December 21, 2020 without penalty and effective December 31, 2020. See Note 14.

The Company's right-of-use asset consists of a single lease for equipment.

The Company entered into a lease agreement for the building at 7025 South Revere Parkway Ste. 100 Centennial, Colorado 80112. The lease includes annual step-up payments and commences January 1, 2021 and expires on June 30, 2031. In connection with the lease agreement, the Company paid a security deposit of USD\$116,409 (CAD\$146,592), to be repaid as follows: USD\$77,606 (CAD\$97,728) after 24 months and USD\$38,803 (CAD\$48,864) upon completion of the lease. See Note 19a.

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**8. Right-of-use Asset (cont'd)**

<b>Right-of-use asset</b>	<b>Equipment</b>	<b>Building</b>	<b>Total</b>
<b>At December 31, 2018</b>	\$ <b>51,354</b>	\$ -	\$ <b>51,354</b>
Amortization expense	(13,039)	-	(13,039)
Foreign exchange adjustment	(2,069)	-	(2,069)
<b>At December 31, 2019</b>	\$ <b>36,246</b>	\$ -	\$ <b>36,246</b>
Additions	-	231,975	231,975
Amortization expense	(13,170)	(27,106)	(40,276)
Derecognition	-	(206,200)	(206,200)
Foreign exchange adjustment	(118)	1,331	1,213
<b>At December 31, 2020</b>	\$ <b>22,958</b>	\$ -	\$ <b>22,958</b>

Amortization of equipment right-of-use assets is included in the cost of inventory.

**9. Leases**

The lease liability of the equipment which commenced on October 16, 2017 has been calculated using an incremental borrowing rate of 10% per annum. The lease liability of the building has been calculated using an incremental borrowing rate of 8.6% per annum. The Company's total accrued or paid payments for its leases were \$47,444 in 2020 (2019 – \$16,623).

The consolidated statement of loss and comprehensive loss shows the following amounts relating to leases:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Amortization charge of equipment right-of-use assets	\$ 13,170	\$ 13,039
Amortization charge of building right-of-use assets	27,106	-
Interest expense	14,965	4,629
Gain on derecognition of lease liability – building	(6,569)	-
	\$ <b>48,672</b>	\$ <b>17,668</b>

The Company's lease liability related to equipment is as follows:

<b>Lease liability</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Current portion	\$ 13,927	\$ 12,879
Long-term portion	12,714	27,215
Total lease liability	\$ <b>26,641</b>	\$ <b>40,094</b>

The Company is committed to minimum lease payments as follows:

<b>Maturity analysis</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Less than one year	\$ 15,964	\$ 16,308
One year to five years	13,303	29,899
Total undiscounted lease liabilities	\$ <b>29,267</b>	\$ <b>46,207</b>

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### 10. Trade Payables and Accrued Liabilities

	December 31, 2020	December 31, 2019
Trade payables	\$ 462,518	\$ 229,709
Accrued liabilities	63,078	199,033
	<b>\$ 525,596</b>	<b>\$ 428,742</b>

### 11. Loans Payable

- a) On May 16, 2020 (“date of advance”), GFBS received a loan for gross proceeds of USD\$150,000 (CAD \$210,330) from the U.S. Small Business Administration under the Economic Injury Disaster Loan program. The loan bears annual interest at a rate of 3.75%. Monthly repayments of USD\$731 (CAD\$996) will commence 12 months from the date of advance and will be applied first to interest, then to principal and the loan matures 30 years from the date of advance. The benefit of the government loan received at below market rate of interest is treated as government assistance. The loan was recognized at fair value using the Company’s estimated incremental borrowing rate of 10%, which resulted in a fair value of \$140,887. The difference between the initial carrying amount and proceeds received is the value of the government assistance of \$54,047. The Company received an additional USD\$3,000 (CAD\$4,206) for total proceeds of USD\$153,000 (CAD\$214,536). As at December 31, 2020, accrued interest of USD\$3,281 (CAD\$4,181) is recorded in accounts payable and accrued liabilities.

The loan is secured by all tangible and intangible property of GFBS as at the agreement date and any property acquired by GFBS after the agreement date.

The balance outstanding at December 31, 2020 is as follows:

Balance, December 31, 2019 and 2018	\$ -
Proceeds received	210,330
Grant on adjustment to fair value	(54,047)
Foreign exchange adjustment	(15,396)
	140,887
Accretion expense	704
Additional funds received	4,206
Foreign exchange adjustment	(1,680)
<b>Balance, December 31, 2020</b>	<b>\$ 144,117</b>

- b) On September 15, 2020, the Company, through its subsidiary GFBS, entered into a financing agreement for equipment purchased for USD\$49,187 (CAD\$62,679). The loan commenced on September 15, 2020, has an effective interest rate of 9.91%, and matures on August 15, 2024. The Company is required to make monthly payments of USD\$1,215 (CAD\$1,623) and the balance of the loan is due on maturity.

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### 11. Loans payable (cont'd)

Balance, December 31, 2019 and 2018	\$	-
Loan proceeds		62,679
Loan repayments		(4,883)
Interest		1,564
Foreign exchange adjustment		164
Total loan balance		59,524
Less current portion		(14,488)
<b>Non-current balance, December 31, 2020</b>	<b>\$</b>	<b>45,036</b>

The loan is secured by the equipment purchased with the proceeds of the loan. See also Note 14.

- c) On July 1, 2020, the Company entered into an unsecured revolving loan facility with a related party for up to USD\$200,000. The outstanding balance, if any, on the revolving loan is due on or before December 31, 2025. The facility bears interest of 6% per annum. The balance due on this facility as of December 31, 2020 was \$8,185. See Note 14.

### 12. Convertible Notes

On December 22, 2020, the Company closed the first tranche of a convertible note financing and issued US\$658,990 (CAD\$849,143) of convertible notes bearing interest at 8% annually. The convertible notes mature on December 22, 2022 and are secured by a floating charge on all assets of the Company. If the Company or the Parent of the Company (Note 19) completes a listing of the Company's common shares on a stock exchange in Canada or the United States, the principal and interest shall automatically be converted into common shares of the parent at a price equal to 80% of the issuance price under the Qualified Public Offering or CAD \$0.10. No fractional shares will be issued, and any fractional shares will be rounded down to the nearest whole number.

The Company has elected to measure the instruments at fair value through profit or loss (FVTPL). On inception, the fair value of the instruments were determined to be for the transaction amounts, as the notes were issued shortly before year end no adjustment to the fair value was made as the fair value equated to the carrying amount.

The fair value of the convertible notes as of December 31, 2020 was estimated to be the proceeds received of US\$658,990 (CAD\$849,143) plus accrued interest of US\$3,829 (CAD\$5,131), and an adjustment for foreign exchange to the presentation currency. The costs associated with the financing of \$3,613 were expensed.

Balance at December 31, 2019	\$	-
Proceeds		849,143
Interest		5,131
Foreign exchange adjustment		(9,642)
<b>Balance at December 31, 2020</b>	<b>\$</b>	<b>844,632</b>

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### 13. Share Capital

#### Authorized capital

The Company is authorized to issue 100,000,000 common shares with no par value.

#### Issued capital

*During the year ended December 31, 2020:*

- On June 30, 2020, the Company completed a reorganization whereby the Company issued 189,999 membership units to the members of GFBS and GFSM in exchange for all membership units in GFBS and GFSM, resulting in GFBS and GFSM becoming wholly owned subsidiaries of Nepra.
- On July 1, 2020, 28,572 membership units of Nepra were issued to settle outstanding debt of US\$50,000 (CAD\$66,265). See Note 14.
- On October 31, 2020, 133,429 membership units of Nepra were issued to settle US\$233,500 (CAD\$309,551) of outstanding debt owing to related parties. See Note 14.
- On October 31, 2020, 51,430 membership units of Nepra with a value of \$119,592 were issued as compensation to related parties. See Note 14.
- On November 1, 2020, the Company converted from a LLC to a corporation and each membership unit of the Company was exchanged for one common share of the Company. The Company reclassified the presentation of units to shares.
- On November 13, 2020, 134,286 common shares of Nepra with a value of \$308,949 were issued to related parties in exchange for entering into non-compete agreements.
- On November 20, 2020, Nepra closed a private placement and issued 10,922 common shares for proceeds of US\$19,112 (CAD\$25,000).

*During the year ended December 31, 2019:*

On August 15, 2019, Nepra issued 1 membership unit for no consideration.

### 14. Related Party Transactions

#### *a) Due to related parties*

As at December 31, 2020, included in due from related parties is \$8,688 (2019 - \$6,272) due from a director of the Company. The amount is unsecured, non-interest bearing and due on demand.

As at December 31, 2020, included in prepaids and deposits is \$9,557 (2019 - \$Nil) for a salary advance paid to a director of the Company. The amount is unsecured, non-interest bearing and due on demand.

As at December 31, 2020, included in accounts payable and accrued liabilities is \$41,939 (2019 - \$37,124) due to a director of the Company. The amount consists of expenses charged to a personal credit card of a director of the Company and is unsecured, non-interest bearing and due on demand.

## NEPRA FOODS, LTD.

Notes to the Consolidated Financial Statements  
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### 14. Related Party Transactions (cont'd)

As at December 31, 2020, included in accounts payable and accrued liabilities is \$19,115 (2019 – \$Nil) due to the CEO and director of the Company. The amount consists of salary owed and is unsecured, non-interest bearing and due on demand.

As at December 31, 2020, included in accounts payable and accrued liabilities is \$19,115 (2019 – \$Nil) due to the President and COO of the Company. The amount consists of salary owed and is unsecured, non-interest bearing and due on demand.

#### *b) Related party transactions*

Key management consists of the directors and officers who are responsible for planning, directing, and controlling the activities of the Company. The Company incurred charges with related parties as follows:

<b>For the year ended December 31,</b>		<b>2020</b>		<b>2019</b>
Salaries and benefits	\$	390,049	\$	303,644
Share-based payments		428,541		-
	<b>\$</b>	<b>818,590</b>	<b>\$</b>	<b>303,644</b>

During the years ended December 31, 2020 and 2019, key management personnel were not paid any post-employment benefits, termination benefits or any other long-term benefits.

#### *Other transactions*

During the year ended December 31, 2020, USD\$22,875 (CAD\$30,655) (2019 – \$Nil) was charged by a LLC controlled by the CEO and Director of the Company for lease payments due for a building occupied by the Company. As at December 31, 2020, USD\$22,875 (CAD\$29,150) (2019 – \$Nil) is included in accounts payable and accrued liabilities and is unsecured, non-interest bearing and due on demand. See Note 9.

During the year ended December 31, 2020, the Company was charged USD\$12,528 (CAD\$16,789) (2019 – USD\$12,528 or CAD\$16,623) in lease payments for equipment by a company controlled by the CEO and Director.

During the year ended December 31, 2020 the Company received revolving loans from companies controlled by the CEO and Director of the Company (see Note 11) and includes interest charged on the promissory note. The loans are unsecured, bear interest at 6% per annum, and matures on December 31, 2025. The balance payable as of December 31, 2020 was \$8,185. Interest charged on the revolving loan during the year ended December 31, 2020 was \$2,255 (2019 - \$Nil).

During the year ended December 31, 2019, the Company received revolving loans from companies controlled by the CEO and Director of the Company. The loans were due on demand and unsecured. The balance payable as of December 31, 2019 was \$468,058.

## NEPRA FOODS, LTD.

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### 14. Related Party Transactions (cont'd)

During the year ended December 31, 2020, the Company entered into an agreement with a company controlled by the CEO and director of the Company to convert USD\$160,000 (CAD\$217,200) owed by the Company into a promissory note. The promissory note is unsecured, bears interest at a rate of 10% per annum, and matures on June 30, 2021. The balance payable as of December 31, 2020 was \$USD160,000 (CAD\$203,888). Interest of \$10,983 for the promissory note was charged and included in the revolving loan balance above.

During the year ended December 31, 2020, the Company was charged \$27,711 by a company controlled by the CEO and Director for the services of its employees that were not related parties of the Company.

During the year ended December 31, 2020, \$28,338 (2019 – \$Nil) was charged by a Company controlled by the CFO and Director of the Company for accounting fees. As at December 31, 2020, \$28,338 (2019 – \$Nil) is included in accounts payable and accrued liabilities and is unsecured, non-interest bearing and due on demand.

During the year ended December 31, 2020, the Company purchased equipment from a company controlled by the CEO and Director of the Company for \$62,679.

During the year ended December 31, 2020, the Company settled debt owing to a Company controlled by the CEO and Director of \$212,112 in exchange for 91,429 membership units of the Company. The units were converted into common shares on the basis of one common share for each membership unit of the Company.

During the year ended December 31, 2020, the Company was charged interest in the amount of USD\$3,500 (CAD \$4,690) (2019 - \$Nil) for a promissory note due to LLC controlled by the spouse of the President and COO.

During the year ended December 31, 2020, the Company settled the promissory note owing to a Company controlled by the spouse of the President and COO in the amount of \$163,724 in exchange for 70,571 membership units of the Company. The units were converted into common shares on the basis of one common share for each membership unit of the Company.

### 15. Supplemental Disclosure with Respect to Cash Flows

	Year ended December 31, 2020	Year ended December 31, 2019
Cash paid for interest	\$ 4,583	\$ 4,629
Cash paid for income taxes	-	-
Equipment purchases included in loan payable	47,825	-
Lease payments included in accounts payable	30,655	-
Fair value of shares issued for debt settlement	\$ 379,923	\$ -

**NEPRA FOODS, LTD.**

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**16. Income taxes**

As the Company converted from a LLC pass-through entity to a corporation on November 1, 2020, the Company has estimated the tax balances as pro-rated amounts from the year. A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

		<b>Year ended December 31, 2020</b>	<b>Year ended December 31, 2019</b>
Net loss before income taxes	\$	542,022	217,180
Loss attributable to members		(457,516)	(217,180)
		84,506	-
Statutory income tax rate		24.66%	24.66%
Expected income tax recovery	\$	21,000	-
Permanent differences and other		2,000	-
Changes in temporary differences		4,000	-
Change in unrecognized temporary differences		(27,000)	-
Income tax expense	\$	-	-

As at December 31, 2020, the Company had US net operating loss (“NOL”) carryforwards of approximately \$96,000. The net operating loss carryforwards may be carried forward indefinitely, subject to restrictions.

		<b>December 31, 2020</b>	<b>December 31, 2019</b>
Deferred tax assets (liabilities)			
Non-capital losses		24,000	-
Unrecognized		(24,000)	-
Net deferred tax assets	\$	-	\$ -

The future utilization of the Company’s NOL to offset future taxable income may be subject to a substantial annual limitation as a result of ownership changes that may have occurred previously or that could occur in the future.

The Company recognizes interest and/or penalties related to uncertain tax positions in income tax expense. To the extent accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision in the period that such determination is made. There were no interest or penalties recorded for the years ended December 31, 2020 and 2019.

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



## **NEPRA FOODS, LTD.**

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### **17. Capital Risk Management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue its operations as well as to ensure that the Company is able to meet its financial obligations as they become due. The capital structure consists of owners' equity comprising of loans payable, promissory note payable, convertible notes, share capital, and retained earnings (deficit).

The basis for the Company's capital structure is dependent on the Company's expected business growth and changes in business environment. To maintain or adjust the capital structure, the Company may issue new shares through private placement, incur debt, or return capital to shareholders.

The Company believes it will be able to raise capital as required in the long term but recognizes there will be risks involved that may be beyond its control. There are no external restrictions on the management of capital.

The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable. There was no change to the Company's approach to capital management during the year ended December 31, 2020.

### **18. Financial Instruments and Risk Management**

The Company is exposed, through its operations, to the following financial risks:

- a) Market Risk
- b) Credit Risk
- c) Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies, and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

#### **General Objectives, Policies, and Processes:**

The directors and officers have overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The directors and officers review the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous reported periods unless otherwise stated in the note.

The overall objective of the directors and officers is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

## NEPRA FOODS, LTD.

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### 18. Financial Instruments and Risk Management (cont'd)

#### a) Market Risk

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

##### (i) Foreign Currency Risk:

The Company's functional currency is the United States dollar and major purchases and sales are transacted in United States dollars. As a result, management believes the Company's exposure to foreign currency risk is minimal.

##### (ii) Interest Rate Risk:

Interest rate risk is the risk that future cash flows will fluctuate because of changes in market interest rates. The interest earned on cash is insignificant, and the Company does not rely on interest to fund its operations. The Company's outstanding promissory note, loans payable, and convertible notes bear interest at fixed rates. As a result, at December 31, 2020, management believes that the Company is not exposed to any significant interest rate risk.

##### (iii) Equity Price Risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impacts on the Company's earnings due to movements in individual equities or the general movements in the level of the stock market. The Company's common shares are not yet publicly traded, and the Company does not hold equity investments in other entities. As a result, the Company is not at a significant risk to fluctuating equity prices.

#### b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's cash, due from related party and accounts receivables are exposed to credit risk. The Company limits its exposure to credit loss on cash by placing its cash with a high-quality financial institution. The Company has concentrations of credit risk with respect to accounts receivable as large amounts of its accounts receivable are concentrated amongst a small number of customers. The Company performs credit evaluations of its customers but generally does not require collateral to support accounts receivable. The Company has certain amounts of aged receivables that are not deemed impaired as follows:

	December 31, 2020	December 31, 2019
1 – 60 days	\$ 96,343	\$ 37,425
61 - 90 days (past due)	34,289	5,213
Over 90 days (past due)	14,239	5,757
Provision for expected credit losses	(2,010)	(1,594)
Total	\$ 142,861	\$ 46,801

**NEPRA FOODS, LTD.**

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**18. Financial Instruments and Risk Management (cont'd)**

The Company is exposed to increased credit risk due to major customers that comprise 10% or more of revenue. For the year ended December 31, 2020 and 2019, the following revenue was recorded from major customers:

Amount of revenue from major customers	December 31, 2020	December 31, 2019
Customer A	\$ 862,383	\$ 167,963
Customer B	\$ 511,434	-
Customer C	\$ 985,734	-

Due from related party consists of advances made to a director of the Company and is believed to be credit worthy.

**c) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. Historically, the Company's sources of funding has been loans from a company controlled by the CEO and director, secured government loans, a secured equipment loan, and convertible notes. The Company's access to financing is uncertain. There can be no assurance of continued access to significant debt or equity funding.

	Within one year	Between one and five years	More than five years
Accounts payable and accrued liabilities	\$ 525,596	\$ -	\$ -
Loans payable	14,488	189,153	-
Lease liability	15,964	13,303	-
Promissory note payable	203,888	-	-
Convertible notes	844,632	-	-
Due to related parties	-	8,185	-
	\$ 1,604,568	\$ 210,641	\$ -

**NEPRA FOODS, LTD.**

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**18. Financial Instruments and Risk Management (cont'd)****d) Basis of Fair Value**

	Level	December 31, 2020	December 31, 2019
<b>FINANCIAL ASSETS</b>			
<b>FVTPL</b>			
Cash	1	\$ 492,976	\$ 17,463
<b>Other assets, at amortized cost</b>			
Accounts receivable		142,861	46,801
Due from related party		8,689	6,272
<b>Total financial assets</b>		<b>\$ 644,526</b>	<b>\$ 70,536</b>
<b>FINANCIAL LIABILITIES</b>			
<b>FVTPL</b>			
Convertible notes	3	\$ 844,632	\$ -
<b>Other liabilities, at amortized cost</b>			
Accounts payable and accrued liabilities		525,596	428,742
Loans payable		211,826	-
Lease liability		26,641	40,094
Promissory note payable		203,888	-
Due to related parties		-	468,058
<b>Total financial liabilities</b>		<b>\$ 1,812,583</b>	<b>\$ 936,894</b>

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

The carrying value of the Company's financial instruments approximate their fair values due to their short-term maturities. Cash is measured at fair value on a recurring basis.

## NEPRA FOODS, LTD.

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### 19. Subsequent Events

- a) Nepra entered into a lease agreement for the building located at 7025 South Revere Parkway, Ste. 100, Centennial, Colorado 80112. The lease includes annual step-up payments and commences January 1, 2021 and expires on June 30, 2031. The minimum annual rent is as follows:

Year ended December 31, 2021	US\$144,248 (CAD\$183,816)
Year ended December 31, 2022	US\$297,151 (CAD\$378,660)
Year ended December 31, 2023	US\$306,065 (CAD\$390,019)
Year ended December 31, 2024	US\$315,247 (CAD\$401,720)
Year ended December 31, 2025	US\$324,705 (CAD\$413,772)
Year ended December 31, 2026	US\$334,446 (CAD\$426,185)
Year ended December 31, 2027	US\$344,479 (CAD\$438,970)
Year ended December 31, 2028	US\$354,814 (CAD\$452,140)
Year ended December 31, 2029	US\$365,458 (CAD\$465,704)
Year ended December 31, 2030	US\$376,422 (CAD\$479,676)
Year ended December 31, 2031	US\$196,857 (CAD\$250,855)

Nepra is also required to pay annual operating expenses for the lease, currently estimated at US\$168,480 (CAD\$214,694).

- b) On February 24, 2021, Nepra issued 17,651 common shares to settle outstanding debt of US\$30,888 (CAD\$38,789).
- c) On March 3, 2021, Nepra closed the second tranche of the Series I convertible debt financing and issued US\$341,000 (CAD\$430,750) of convertible debt bearing interest at 8% annually. The convertible debt matures March 3, 2023 and all other terms are the same as tranche one which closed on December 22, 2020.
- d) On March 3, 2021, Nepra closed a private placement and issued 176,965 common shares for proceeds of US\$350,000 (CAD\$442,119).
- e) On April 2, 2021, Nepra closed the first tranche of the Series II convertible debt financing and issued US\$295,000 (CAD\$370,349) of convertible debt bearing interest at 8% annually and matures April 2, 2023. The convertible debt matures April 2, 2023 and is secured by a floating charge on all assets of the Nepra. If the Company or the Parent of the Company completes a listing of the Company's common shares on a stock exchange in Canada or the United States ("Qualified Public Offering"), the principal and interest shall automatically be converted into common shares of the parent at a price equal to 80% of the issuance price under the Qualified Public Offering or CAD \$0.10. No fractional shares will be issued and any fractional shares will be rounded down to the nearest whole number
- f) On April 6, 2021, Nepra entered into a share exchange agreement (the "Share Exchange Agreement") with Nepra Foods Inc. ("the Parent"), whereby the Parent will acquire all of the issued and outstanding shares Nepra from Nepra's shareholders ("the "Shareholders") in exchange for certain shares in the capital of the Parent. Pursuant to the agreement, the Nepra's shareholders will receive securities of the Parent on the following basis:
- U.S. Shareholders will receive 56.5082 common shares of the Parent. for each 1 share of Nepra with respect to 10% of the shares of Nepra held by each U.S Shareholder and 0.565082 of a Class A common share of the Parent for each 1 share of Nepra with respect to 90% of the shares of Nepra held by each U.S. Shareholder, and
  - Each non-U.S. Shareholder will receive 56.5082 Common Shares for each 1 share of Nepra

On April 15, 2021, the share exchange agreement closed and Nepra Foods, Ltd. became a wholly-owned subsidiary of Nepra Foods Inc.

**NEPRA FOODS, LTD.**

Notes to the Consolidated Financial Statements

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**19. Subsequent Events (cont'd)**

- f) As a result of the acquisition, Nepra is deemed to be the acquirer for accounting purposes and therefore its assets, liabilities and operations will be included in the consolidated financial statements at their historical carrying value. Nepra's operations are considered to be a continuance of the business and operations.

At the time of the Reverse Takeover ("RTO"), the Parent did not constitute a business as defined under IFRS 3; therefore, the RTO is accounted for under IFRS 2, where the difference between the consideration given to acquire the Company and the net asset value of the Company is recorded as a transaction cost to profit and loss.

**SCHEDULE "B"**

**NEPRA MD&A**

**(see attached)**

**Neptra Foods Inc.**

Interim Management's Discussion and Analysis

For the three months ended March 31, 2021



*The following management's discussion and analysis ("MD&A") of Nepra Foods Inc. has been prepared as of June 25, 2021, and should be read in conjunction with the condensed interim financial statements of Nepra Foods Inc. (the "Company") for the three months ended March 31, 2021. The Company's condensed interim financial statements and the notes thereto have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and are reported in Canadian dollars.*

## **Forward Looking Information**

This MD&A includes certain forward-looking statements that are based upon current expectations which involve risks and uncertainties with the Company's business and the economic environment in which the business operates. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements, which are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. The forward-looking statements are not historical facts but reflect the Company's current expectations regarding future results or events. Forward-looking statements contained in this MD&A are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. These risks and uncertainties include, but are not limited to, those described under the headings "Financial Risk Management" in this MD&A as well as the "Risk Factors" in the Prospectus to which this MD&A is attached.

Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding future growth, results of operations, performance, business prospects and opportunities, the Company's ability to meet financial commitments, its ability to raise funds when required, ability to fund future operating costs and timing for future research and development of the Company's current and future products, and general business and economic conditions.

Readers are cautioned that the above factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated.

Forward-looking information involved known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information.

The Company believes the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A.

The forward-looking information contained in this MD&A is provide as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

## **Company Overview**

The Company was incorporated on November 27, 2020 under the British Columbia Business Corporations Act. The registered office of the Company is located at 1500 – 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

The outbreak of a strain of novel coronavirus (now commonly known as "COVID-19"), has spread across the globe and is impacting worldwide economic activity, and, on March 11, 2020, the World Health Organization declared COVID-19 to be a pandemic. Conditions surrounding the COVID-19 pandemic continue to evolve and government authorities have implemented emergency measures to mitigate the spread of COVID-19. 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 COVID-19 may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of COVID-19, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat COVID-19. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.

## Overall Performance

As at March 31, 2021, the Company had \$251 in cash, and the Company had a working capital deficit of \$18,486. For the three months ended March 31, the Company incurred operating expenses of \$10,330 comprised primarily of professional fees.

## Summary of Quarterly Results

The table below sets forth selected results of operations for the Company's two most recently completed quarters (in Canadian dollars). All figures are in accordance with IFRS.

Three months ended	Total revenue (\$)	Net loss (\$)	Basic and fully diluted loss per shares (\$)
March 31, 2021	Nil	10,330	103.30
December 31, 2020	Nil	8,157	81.57

The first period was from the date of incorporation on November 27, 2020 to December 31, 2020. Expenses increased slightly quarter over quarter due to an increase in legal expenses.

## Results of Operations

Total assets as at March 31, 2021 were \$251. Total liabilities as at March 31, 2021 were \$18,737; this consists of audit fee accruals and amounts owing for legal expenses.

For the three months ended, March 31, 2021, the Company incurred operating expenses of \$10,330 comprising of accruals for auditor accounting fees and legal expenses incurred. These expenses were comparable to the preceding quarter where from the period from incorporation on November 27, 2020 to December 31, 2020, the Company incurred operating expenses of \$8,157 comprised primarily of legal fees and the preparation and audit of the December 31, 2020 financial statements.

## Share Capital

The Company is authorized to issue an unlimited number of shares of common shares without par value.

As at March 31, 2021, there was 100 common shares issued and outstanding made up of 100 seed shares issued upon incorporation on November 27, 2020.

## Capital Resources and Liquidity

The accompanying interim condensed financial statements have been prepared on a basis that contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

As at March 31, 2021, the Company had \$251 in cash, and the Company had a working capital deficit of \$18,486, and the Company had no major long-term expenditure commitments.

## Going Concern

To date, the Company has incurred losses and may incur further losses in the development of its business. As at March 31, 2021, the Company had working capital deficit of \$18,486 and an accumulated deficit of \$18,487. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to raise financing and generate profits and positive cash flows from operations in order to cover its operating costs. From time to time, the Company generates working capital to fund its operations by raising additional capital through equity financing. However, there is no assurance it will be able to continue to do so in the future. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

## *Cash Flows*

Historically and prospectively, the Company's primary sources of liquidity and capital resources have been proceeds from the issuance of common shares. Based on the current level of operations and management's expected results of operations over the next 12 months, management believes that cash generated from financings, cash on hand and anticipated future capital raises will be adequate to meet the Company's anticipated liquidity requirements, capital expenditures and working capital needs for the next 12 months.

The Company's future operating performance and its ability to service its debt will be subject to future economic conditions and to financial, business and other factors, many of which are beyond the Company's control.

<b>Increase (decrease) in cash for the three months ended March 31, 2021</b>		
Operating activities	\$	250
Investing activities		-
Financing activities		-
Total change in cash		250
Cash, beginning of the period		1
Cash, end of the period	\$	251

As at March 31, 2021, the Company had cash of \$251. The Company was relatively inactive during the period as it anticipates the completion of the acquisition of Nepra Foods, Ltd. by Nepra Foods Inc.

## **Off-Balance Sheet Arrangements**

None.

## **Transactions with Related Parties**

As at March 31, 2021, related parties consist of the following individuals and entities:

- Alex McAulay, the sole director and CFO of the Company; and
- ACM Management Inc., a company controlled by Alex McAulay.

## *Key management compensation*

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. Key management personnel comprise officers and directors of the Company.

Remuneration attributed to key management personnel for the three months ended March 31, 2021 was \$nil.

## *Due to related parties*

As at March 31, 2021, there was \$250 owing to a company owned 100% by the sole director and CFO of the Company.

## **Proposed Transactions**

The Company was formed for the sole purpose to acquire all of the issued and outstanding equity securities of Nepra Foods, Ltd. to move the jurisdiction of the parent corporation with respect to the business currently being operated by Nepra Foods, Ltd. from Colorado, USA to British Columbia, Canada.

## **Outstanding Share Data**

As at March 31, 2021, the Company had 100 common shares outstanding; however, as at May 17, 2021, the Company had 14,653,208 common shares ("Subordinate Voting Shares") outstanding and 273,468.05 Class A common shares

("Proportionate Voting Shares") outstanding. The Class A common shares have special rights and restrictions set out in Part 27 of the Company's articles.

### *Proportionate Voting Shares*

Subject to certain conversion limitations, Proportionate Voting Shares shall be convertible, at the option of the holder, by multiplying the number of Proportionate Voting Share by the Conversion Ratio applicable to such share. The initial "Conversion Ratio" for each Proportionate Voting Share shall be one hundred (100) Subordinate Voting Shares; provided, however, the Conversion Ratio shall be subject to certain adjustments as provided in the Company's articles.

Before any holder of Proportionate Voting Shares shall be entitled to convert, the Company will determine if any Conversion Limitation shall apply to the conversion of Proportionate Voting Shares. Proportionate Voting Shares shall not have the right to convert any portion of the Proportionate Voting Shares, to the extent that after giving effect to such issuance after conversions, the aggregate number of Subordinate Voting Shares and Proportionate Voting Shares held of record, directly or indirectly, by residents of the United States would exceed forty percent (40%) of the aggregate number of Subordinate Voting Shares and Proportionate Voting Shares issued and outstanding. Upon certain conditions, the Company may elect to convert all, and not less than all of the Proportionate Voting Shares into Subordinate Voting Shares.

## **Financial Instruments and Other Instruments**

### *Financial instrument risk*

The Company is exposed, through its operations, to the following financial risks:

- a) Market risk
- b) Credit risk
- c) Liquidity risk

The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies, and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

General objectives, policies, and processes:

Management has the overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. Management reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of management is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

- a) Market risk

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

- (i) Foreign currency risk:

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to the foreign currency risk is minimal.

- (ii) Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate because of changes in market interest rates. The interest earned on cash is insignificant and the Company does not rely on interest income to fund its

operations.

(iii) Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company does not hold equity investments in other entities and therefore is not exposed to a significant risk.

b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is not subject to significant credit risk.

c) Liquidity risk

Liquidity risk arises from the Company's general and capital financing needs. The Company continuously monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities, when feasible.

*Basis of Fair Value*

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

The Company's financial instruments consist of cash and accounts payable and accrued liabilities. Cash is recorded at FVTPL using level 1 fair value measures. The carrying value of the Company's accounts payable and accrued liabilities which are recorded at amortized cost approximate their fair values due to their short-term maturities.

**Significant Accounting Policies**

The accounting policies followed by the Company are set out in Note 3 to the audited financial statements for the period from incorporation on November 27, 2020 to December 31, 2020. And have been consistently followed in the preparation of the condensed interim financial statements for the three months ended March 31, 2021.

**Adoption of New Standards and Interpretations, and Recent Accounting Pronouncements**

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

## Subsequent Events

On March 25, 2021, the Company's sole shareholder approved by special resolution to alter the Company's Notice of Articles and Articles to create an unlimited number of Class A Common Shares without par value (the "Class A Shares") and to set out the special rights and restrictions for the Class A Shares in Part 27 to the Company's Articles. The Company filed a Notice of Alteration with the British Columbia Registrar of Companies on March 29, 2021.

On April 6, 2021, the sole director of the Company adopted the 2021 Stock and Incentive Plan, which was approved by the sole shareholder of the Company on the same date.

On April 6, 2021, the Company entered into a share exchange agreement (the "Share Exchange Agreement") with Nepra Foods, Ltd., whereby the Company agreed to acquire all of the issued and outstanding shares of Nepra Foods, Ltd. ("NFL") from the shareholders of NFL (the "Shareholders") in exchange for certain shares in the capital of the Company, which Share Exchange Agreement closed on April 15, 2021.

In consideration for the acquisition of 100% ownership of NFL (the "NFL Acquisition"), the Company issued at closing to each NFL Shareholder, pro rata in proportion to their holdings of shares of NFL, certain shares in the capital of the Company on the following basis:

- a) U.S. NFL Shareholders received an aggregate of 3,038,529 Subordinate Voting Shares on the basis of 56.5082 Common Shares in the capital of the Company for each (1) NFL share with respect to 10% of the NFL shares held by each U.S. NFL Shareholder and an aggregate of 273,468.05 Proportionate Voting Shares on the basis of 0.565082 of a Class A Share for each (1) NFL share with respect to the remaining 90% of the NFL shares held by each U.S. NFL Shareholder; and
- b) Non-U.S. NFL Shareholders received an aggregate of 11,614,579 Subordinate Voting Shares on the basis of 56.5082 Common Shares in the capital of the Company for each (1) NFL share held by each non-U.S. NFL Shareholder.

Upon closing of the NFL Acquisition, the Company agreed to assume the obligations of NFL in respect of all NFL shares issuable under all contracts, agreements commitments or arrangements of NFL that provide for the issuance of NFL shares after the effect of any exchange ratio provided for in the Share Exchange Agreement, which includes honouring: (i) the aggregate principal amount of US\$990,990.20 of NFL Series I 8% Secured Convertible Notes (the "Series I Notes"), such that, upon completion of public offering in connection with a listing of the Company's Common Shares on a stock exchange in the United States or Canada (the "Going Public Transaction"), the principal amount of Series I Notes, plus accrued and unpaid interest, shall automatically convert into Common Shares ("Subordinate Voting Shares") at a conversion price equal to the greater of (A) eighty percent (80%) of the issuance price per security under the Going Public Transaction, and (B) C\$0.10 per Subordinate Voting Share; and (ii) the aggregate principal amount of US\$295,000 of NFL series II 8% Secured Convertible Notes (the "Series II Notes"), such that upon completion of the Going Public Transaction, the principal amount of Series II Notes, plus accrued and unpaid interest, shall automatically convert into Subordinate Voting Shares at a conversion price equal to the greater of (A) the issuance price per security under the Going Public Transaction, and (B) C\$0.10 per Subordinate Voting Share. No fractional Subordinate Voting Shares will be issued in connection with such conversion and all fractional shares will be rounded down to the nearest whole number without compensation therefor. The NFL Series I Notes and Series II Notes accrue interest at a rate of 8% per annum, calculated and payable in arrears on the earlier of the maturity date and the date of conversion of the Series I Note or Series II Note, as applicable, which notes mature on the date that is 24 months from the date of their respective issuance. The Series I Notes and Series II Notes are secured by a floating charge security on all of the assets of NFL.

On June 11, 2021, the Company closed the Series III convertible note financing and issued \$230,000 and US\$15,000 (CAD\$18,181) of Series III 9% Secured Convertible Notes (the "Series III Notes") bearing interest at a rate of 9% annually and maturing on June 11, 2022. The Series III Notes are secured by a floating charge on all assets of the Company. The principal amount of Series III Notes, plus accrued and unpaid interest to the date of maturity, is convertible, in whole or in part, at the option of the holder, at any time following 121 days after the issue date, but prior to the maturity date of such Series III Notes, into Subordinate Voting Shares at the greater of: (i) the issuance price per security under the Going Public Transaction; and (ii) C\$0.10 per Subordinate Voting Share. No fractional shares will be issued and any fractional shares will be rounded down to the nearest whole number without compensation therefor. At any time following 121 days after the issue date, but prior to the date that is eleven (11) days immediately preceding the maturity date of the Series III Notes, if the Subordinate Voting Shares are trading on a stock exchange in Canada or the United States and the closing price of the

Subordinate Voting Shares is C\$0.60 or more for a period of ten (10) consecutive trading days, the Company shall have the option to convert the principal amount plus accrued and unpaid interest to the date of maturity into Subordinate Voting Shares at the greater of: (i) the issuance price per security under the Going Public Transaction; and (ii) C\$0.10 per Subordinate Voting Share, by providing the holder not less than ten (10) days' prior written notice.

**Other Information**

Other information can be found at the following websites [www.sedar.com](http://www.sedar.com).

**Neptra Foods Inc.**

Management's Discussion and Analysis

For the Period from Incorporation on November 27, 2020 to  
December 31, 2020



*The following management's discussion and analysis ("MD&A") of Nepra Foods Inc. has been prepared as of April 16, 2021, and should be read in conjunction with the audited financial statements of Nepra Foods Inc. (the "Company") for the period from incorporation on November 27, 2020 to December 31, 2020. The Company's audited financial statements and the notes thereto have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and are reported in Canadian dollars.*

## **Forward Looking Information**

This MD&A includes certain forward-looking statements that are based upon current expectations which involve risks and uncertainties with the Company's business and the economic environment in which the business operates. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements, which are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. The forward-looking statements are not historical facts but reflect the Company's current expectations regarding future results or events. Forward-looking statements contained in this MD&A are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. These risks and uncertainties include, but are not limited to, those described under the headings "Financial Risk Management" in this MD&A as well as the "Risk Factors" in the Prospectus to which this MD&A is attached.

Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding future growth, results of operations, performance, business prospects and opportunities, the Company's ability to meet financial commitments, its ability to raise funds when required, ability to fund future operating costs and timing for future research and development of the Company's current and future products, and general business and economic conditions.

Readers are cautioned that the above factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated.

Forward-looking information involved known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information.

The Company believes the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A.

The forward-looking information contained in this MD&A is provide as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

## **Company Overview**

Nepra Foods Inc. (the "Company") was incorporated on November 27, 2020 under the British Columbia Business Corporations Act. The registered office of the Company is located at 1500 – 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

The recent outbreak of a strain of novel coronavirus (now commonly known as "COVID-19"), has spread across the globe and is impacting worldwide economic activity, and, on March 11, 2020, the World Health Organization declared COVID-19 to be a pandemic. Conditions surrounding the COVID-19 pandemic continue to evolve and government authorities have implemented emergency measures to mitigate the spread of COVID-19. 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 COVID-19 may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of COVID-19, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat COVID-19. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.

## **Overall Performance**

As at December 31, 2020, the Company had \$1 in cash, and the Company had a working capital deficit of \$8,156. For the Period from Incorporation on November 27, 2020 to December 31, 2020, the Company incurred operating expenses of \$8,157 comprised primarily of professional fees.

## **Results of Operations**

Total assets as at December 31, 2020 were \$1. Total liabilities as at December 31, 2020 were \$8,157; this consists of audit fee accruals and amounts owing for legal expenses.

For the period from incorporation on November 27, 2020 to December 31, 2020, the Company incurred operating expenses of \$8,157 comprised primarily of legal fees and the preparation and audit of the December 31, 2020 financial statements.

## **Share Capital**

The Company is authorized to issue an unlimited number of shares of common shares without par value.

As at December 31, 2020, there was 100 common shares issued and outstanding made up of 100 seed shares issued upon incorporation on November 27, 2020.

## **Capital Resources and Liquidity**

The accompanying audited financial statements have been prepared on a basis that contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

As at December 31, 2020, the Company had \$1 in cash, and the Company had a working capital deficit of \$8,156, and the Company had no major long-term expenditure commitments.

### *Going Concern*

To date, the Company has incurred losses and may incur further losses in the development of its business. As at December 31, 2020, the Company had working capital deficit of \$8,156 and an accumulated deficit of \$8,157. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to raise financing and generate profits and positive cash flows from operations in order to cover its operating costs. From time to time, the Company generates working capital to fund its operations by raising additional capital through equity financing. However, there is no assurance it will be able to continue to do so in the future. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

### *Cash Flows*

Historically and prospectively, the Company's primary sources of liquidity and capital resources have been proceeds from the issuance of common shares. Based on the current level of operations and management's expected results of operations over the next 12 months, management believes that cash generated from financings, cash on hand and anticipated future capital raises will be adequate to meet the Company's anticipated liquidity requirements, capital expenditures and working capital needs for the next 12 months.

The Company's future operating performance and its ability to service its debt will be subject to future economic conditions and to financial, business and other factors, many of which are beyond the Company's control. See "Financial Risk Management" of this MD&A for a discussion of the risks related to the Company's liquidity and capital structure.

<b>Increase (decrease) in cash For the Period from Incorporation on November 27, 2020 to December 31, 2020</b>		
Operating activities	\$	-
Investing activities		-
Financing activities		1
Total change in cash		1
Cash, beginning of the period		-
Cash, end of the period	\$	1

As at December 31, 2020, the Company had cash of \$1.

#### *Financing activities*

Cash generated from financing activities consist of the amount received for 100 seed shares.

#### **Off-Balance Sheet Arrangements**

None.

#### **Transactions with Related Parties**

As at December 31, 2020, related parties consist of the following individuals and entities:

Alex McAulay, Director, CFO

#### *Key management compensation*

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. Key management personnel comprise officers and directors of the Company.

Remuneration attributed to key management personnel for the period from incorporation on November 27, 2020 to December 31, 2020 was \$nil.

#### *Due to related parties*

As at December 31, 2020, there were no amounts owing to related parties.

#### **Proposed Transactions**

The Company was formed for the sole purpose to acquire all of the issued and outstanding equity securities of Nepra Foods, Ltd. to move the jurisdiction of the parent corporation with respect to the business currently being operated by Nepra Foods, Ltd. from Colorado, USA to British Columbia, Canada.

#### **Outstanding Share Data**

As at December 31, 2020, the Company had 100 common shares outstanding; however, as at April 16, 2021, the Company had 14,653,208 common shares outstanding and 273,468.05 Class A common shares outstanding.

#### **Financial Instruments and Other Instruments**

##### *Financial instrument risk*

The Company is exposed, through its operations, to the following financial risks:

- a) Market risk

- b) Credit risk
- c) Liquidity risk

The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies, and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

General objectives, policies, and processes:

Management has the overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. Management reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of management is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

a) Market risk

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

(i) Foreign currency risk:

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to the foreign currency risk is minimal.

(ii) Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate because of changes in market interest rates. The interest earned on cash is insignificant and the Company does not rely on interest income to fund its operations.

(iii) Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company does not hold equity investments in other entities and therefore is not exposed to a significant risk.

b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is not subject to significant credit risk.

c) Liquidity risk

Liquidity risk arises from the Company's general and capital financing needs. The Company continuously monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities, when feasible.

*Basis of Fair Value*

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for

- identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

The Company's financial instruments consist of cash and accounts payable and accrued liabilities. Cash is recorded at FVTPL using level 1 fair value measures. The carrying value of the Company's accounts payable and accrued liabilities which are recorded at amortized cost approximate their fair values due to their short-term maturities.

### **Significant Accounting Policies**

The accounting policies followed by the Company are set out in Note 3 to the audited financial statements for the period from incorporation on November 27, 2020 to December 31, 2020.

### **Adoption of New Standards and Interpretations, and Recent Accounting Pronouncements**

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

### **Subsequent Events**

On March 25, 2021, the Company's sole shareholder approved by special resolution to alter the Company's Notice of Articles and Articles to create an unlimited number of Class A Common Shares without par value (the "Class A Shares") and to set out the special rights and restrictions for the Class A Shares in Part 27 to the Company's Articles. The Company filed a Notice of Alteration with the British Columbia Registrar of Companies on March 29, 2021.

On April 6, 2021, the sole director of the Company adopted the 2021 Stock and Incentive Plan, which was approved by the sole shareholder of the Company on the same date.

On April 6, 2021, the Company entered into a share exchange agreement (the "Share Exchange Agreement") with Nepra Foods, Ltd., whereby the Company agreed to acquire all of the issued and outstanding shares of Nepra Foods, Ltd. ("NFL") from the shareholders of NFL ("the "Shareholders") in exchange for certain shares in the capital of the Company, which Share Exchange Agreement closed on April 15, 2021.

In consideration for the acquisition of 100% ownership of NFL (the "NFL Acquisition"), the Company issued at closing to each NFL Shareholder, pro rata in proportion to their holdings of shares of NFL, certain shares in the capital of the Company on the following basis:

- a) U.S. NFL Shareholders received 56.5082 Common Shares in the capital of the Company for each (1) NFL share with respect to 10% of the NFL shares held by each U.S. NFL Shareholder and 0.565082 of a Class A Share for each (1) NFL share with respect to the remaining 90% of the NFL shares held by each U.S. NFL Shareholder; and
- b) Each non-U.S. NFL Shareholder received 56.5082 Common Shares in the capital of the Company for each (1) NFL share held by such non-U.S. NFL Shareholder.

Upon closing of the NFL Acquisition, the Company agreed to assume the obligations of NFL in respect of all NFL shares issuable under all contracts, agreements commitments or arrangements of NFL that provide for the issuance of NFL shares after the effect of any exchange ratio provided for in the Share Exchange Agreement, which includes honouring: (i) the aggregate principal amount of US\$990,990.20 of NFL Series I 8% Secured Convertible Notes (the "Series I Notes"), such that, upon completion of public offering in connection with a listing of the Company's Common Shares on a stock exchange in the United States or Canada (the "Going Public Transaction"), the principal amount of Series I Notes, plus accrued and unpaid interest, shall automatically convert into Common Shares at a conversion price equal to the greater of (A) eighty percent (80%) of the issuance price per security under the Going Public Transaction, and (B) C\$0.10 per Common Share; and (ii) the aggregate principal amount of US\$295.000 of NFL series II 8% Secured Convertible Notes (the "Series II Notes"), such that upon completion of the Going Public Transaction, the principal amount of Series II Notes, plus accrued and unpaid interest, shall automatically convert into Common Shares at a conversion price equal to the greater of (A) the issuance price per security under the Going Public Transaction, and (B) C\$0.10 per Common Share. No fractional Common Shares will be issued in connection with such conversion and all fractional shares will be rounded down to the nearest whole number without compensation. The NFL Series I Notes and Series II Notes accrue interest at a rate of 8% per annum, calculated and payable in arrears on the earlier of the maturity date and the date of conversion of the Series I Note or Series II Note, as applicable, which notes mature on the date that is 24 months from the date of their respective issuance. The Series I Notes and Series II Notes are secured by a floating charge security on all of the assets of NFL.

**Neptra Foods, Ltd.**  
**Management Discussion and Analysis**  
**For the three months ended March 31, 2021**  
**(expressed in Canadian Dollars)**

**June 25, 2021**

The following management discussion and analysis (“MD&A”) of Neptra Foods, Ltd. (the “Company”) should be read in conjunction with the condensed consolidated interim financial statements of the Company for the three-month period ended March 31, 2021 and the related notes thereto. The Company’s condensed consolidated interim financial statements and note thereto have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). All currency amounts are expressed in Canadian dollars, unless otherwise noted.

Neptra Foods, Ltd. is classified as a “venture issuer” for the purposes of National Instrument 51-102. This MD&A was approved by the directors on June 25, 2021.

**Forward Looking Statements**

This MD&A includes certain forward-looking statements that are based upon current expectations which involve risks and uncertainties with the Company’s business and the economic environment in which the business operates. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements, which are often, but not always, identified by the use of words such as “seek”, “anticipate”, “budget”, “plan”, “continue”, “estimate”, “expect”, “forecast”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. The forward-looking statements are not historical facts but reflect the Company’s current expectations regarding future results or events. Forward-looking statements contained in this MD&A are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. These risks and uncertainties include, but are not limited to, those described under the headings “Financial Risk Management” in this MD&A as well as the “Risk Factors” in the Prospectus to which this MD&A is attached.

Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding future growth, results of operations, performance, business prospects and opportunities, the Company’s ability to meet financial commitments, its ability to raise funds when required, ability to fund future operating costs and timing for future research and development of the Company’s current and future products, and general business and economic conditions.

Readers are cautioned that the above factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated.

Forward-looking information involved known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information.

The Company believes the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A.

The forward-looking information contained in this MD&A is provide as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

## Nature of Business

The Company was incorporated as a limited liability company on August 15, 2019 under the provisions of the Colorado Revised Status. The Company operates as a vertically integrated healthy plant-based food and speciality ingredient company supporting allergen free and functional food brands. The Company's head office, principal address, and records office is located at 7025 S. Revere Parkway, Ste. 100 Centennial, CO 80112. The registered office of Company is located at 8958 Southurst Street, Highlands Ranch, Colorado, 80129.

The Company's wholly owned subsidiaries include, Gluten Free Baking Solutions, LLC ("GFBS"), incorporated on August 10, 2016, Gluten Free Sprouting and Malting, LLC ("GFSM"), incorporated on January 6, 2018, and Total Blending Solutions, Ltd. ("TBS"), incorporated on November 25, 2019.

On June 30, 2020, the Company completed a reorganization with GFBS and GFSM - related companies under common ownership. The Company issued 189,999 membership units to the members of GFBS and GFSM, in exchange for all the membership units in GFBS and GFSM, resulting in GFBS and GFSM becoming wholly owned subsidiaries of the Company.

The Company operates as a vertically integrated healthy plant-based food and speciality ingredient company supporting allergen free and functional food brands.

During the three months ended March 31, 2021, the Company focused on its sale and processing of specialty ingredients.

## Overall Performance

The key factors pertaining to the Company's overall performance for the three months ended March 31, 2021 are as follows:

The Company recorded revenue of \$1,440,338 for the three months ended March 31, 2021, as compared to revenue of \$590,090 for the three months ended March 31, 2020. The increase in processing and sale of specialty can be attributed to new customers and a higher volume of specialty ingredients sold. Revenue from consulting increased from \$24,278 for the three months ended March 31, 2021 to \$65,841 for the three months ended March 31, 2021 due to more consulting engagements.

The net loss for the three months ended March 31, 2021 was \$914,853 compared to a net loss of \$7,207 for the three months ended March 31, 2021. The net loss increased by \$907,646 due to increases in all expense categories for Nepra. The Company began aggressively on a path to working on a listing on the CSE which incurred significant professional fees of \$188,831 compared to none in the prior period. The



Company is embarking on an aggressive growth strategy and has incurred additional costs in all of the categories as it ramps up development.

The Company has negative operating cash flow, and its level of operations has been determined by the availability of capital resources. Cash used in operating activities increased by \$1,169,217 due to the significant increase in working capital required to support the growth of the business. Inventory outflows increased by \$768,803 and accounts receivable increased by \$329,866 as the Company used the proceeds from financings in December and Q1 to grow the business.

Working capital deficit increased as at March 31, 2021 to a deficit of \$818,620 from \$176,316 as at December 31, 2020. Working capital deficit increased by \$642,304 because the Company issued convertible notes equivalent to \$443,278. These notes will convert into common shares upon the Company's completion of its Initial Public Offering (IPO).

## Going Concern

As at March 31, 2021, the Company had a net working capital deficit of \$818,620. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to raise financing and generate profits and positive cash flows from operations in order to cover its operating costs. From time to time, the Company generates working capital to fund its operations by raising additional capital through equity or debt financing. However, there is no assurance it will be able to continue to do so in the future. The accompanying combined financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying combined financial statements. If the going concern assumption was not appropriate for the accompanying financial statements, adjustments would be necessary to the statement of financial position classifications used. Such adjustments could be material. Additional funds will be required to enable the Company to pursue its initiatives, and the Company may be unable to obtain such financing on terms which are satisfactory to it. Furthermore, there is no assurance that the business will be profitable. These factors indicate the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern. Should the Company be unable to complete these plans to obtain additional financing and be unable to continue as a going concern, the Company may be forced to cease operations.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

## Results of Operations for the three months ended March 31, 2021

### *Revenue*

For the three months ended March 31, 2021, the Company generated total revenues of \$1,440,338 compared to revenue of \$590,090 for the three months ended March 31, 2020. Revenue generated for the three months ended March 31, 2021 consisted of the processing and sale of specialty ingredients, as well as consulting to support allergen free and functional food brands. The revenue from the processing and sale of specialty ingredients increased to \$1,374,497 from \$565,812 during the three months ended

March 31, 2021 and can be attributed to increased inventory purchases that have been financed in the quarter. Revenue from consulting increased to \$65,841 during the three months ended March 31, 2021 from \$24,278 during the three months ended March 31, 2020 due to more consulting engagements.

*Cost of sales and gross profit*

For the three months ended March 31, 2021, the Company's costs of sales and gross profit were \$1,153,033 and \$471,766 respectively, compared to \$287,305 and \$118,324 respectively, for the three months ended September 30, 2019. Gross profit margin was comparable at 20% quarter over quarter.

The increase in the Company's gross profit margin can be attributed to the 15% increased revenues during the nine months ended September 30, 2020 as compared to the comparative period, offset against only a 10% increase in cost of sales during the nine months ended September 30, 2020 as compared to the comparative period.

*General and administrative costs*

General and administrative costs for the three months ended March 31, 2021 and 2020 can be summarized as follows (in Canadian Dollars):

<b>For the three months ended March 31,</b>	<b>2021</b>		<b>2020</b>		<b>Change \$</b>	<b>Change %</b>
Advertising and promotion	\$	11,991	\$	278	\$ 11,713	4213%
Insurance expense		10,211		7,257	2,954	41%
Meals and entertainment		1,789		1,083	706	65%
Office expense		41,137		2,967	38,170	1286%
Rent		53,347		-	53,347	100%
Subscription and dues		6,076		-	6,076	100%
Utilities		2,189		-	2,189	100%
<b>Total G&amp;A</b>	<b>\$</b>	<b>126,740</b>	<b>\$</b>	<b>11,585</b>	<b>\$ 115,155</b>	<b>994%</b>

Total general and administrative expenses increased by \$115,155 compared to the three months ended March 31, 2020. This is mainly due to an increase in office expenses of \$38,170, as the Company entered into a lease agreement for an office space and building beginning in January 1, 2021. Expenses relate to setting up the office and building space. Advertising and promotion increased by \$11,713 due to expenses related to the Company's branding and website developments.

Consulting fees increased by \$49,095 from \$2,297 during the three months ended March 31, 2020 to \$51,392 for the three months ended March 31, 2021. The increase in consulting expenses relates mainly to costs incurred related to the Company's intended IPO.

Research and development costs increased by \$19,671 from \$10,378 during the three months ended March 31, 2020 to \$30,049 for the three months ended March 31, 2021. The increase can be attributed to the Company creating more new product mix and process for the three months ended September 30, 2020 as compared to 2018, and therefore, requiring more research and development costs.

## Summary of Quarterly Results

The following financial data was derived from the seven most recently completed financial quarters:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>	<b>June 30, 2020</b>
Revenue	\$1,440,338	\$1,022,213	\$696,686	\$553,179
Income (Loss) for the period	\$(914,853)	(\$595,198)	\$49,390	\$11,982
Loss per share - basic and diluted	(\$1.50)	(\$1.43)	\$0.23	\$0.06
Weighted average number of shares outstanding	611,255	417,497	218,265	190,000

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>September 31, 2019</b>	<b>June 30, 2019</b>
Revenue	\$590,090	\$40,868	\$629,058	\$453,950
Income/Loss for the period	(\$7,207)	(\$139,229)	(\$2,356)	(\$24,955)
Loss per share - basic and diluted	(\$0.04)	(\$0.73)	(\$0.01)	(\$0.13)
Weighted average number of shares outstanding	190,000	190,000	190,000	190,000

Revenue increased for the three months ended March 31, 2021 from \$1,022,213 from the three months ended December 31, 2020 to \$1,440,338. The increase in revenue is attributable to increases in consulting income, and also increased inventory purchases as financed in the period. Net loss increased from the prior quarter from \$595,198 to \$914,853. The increase in net loss is attributable to the loss from change in fair value of convertible debentures of \$253,299. The Company also had an increase in salaries as the Company hired additional employees.

The factors that have caused variations in results over the quarters are mostly related to seasonal demands, new customers, and the timing of when orders were placed and products were shipped. The Company had higher revenue during the quarter ended December 31, 2020 due to more orders, new customers, and new products beginning to be sold, including hemp heart flour. Other variations from quarter to quarter were impacted by the acquisition of new customers and the timing of when existing customers re-ordered and when products were shipped. The loss for the quarter ended December 31, 2020 was greater than in prior quarters due to share-based compensation of \$435,538 being issued during this time period, as well accounting work beginning for the 2018 and 2019 fiscal years beginning during this quarter. The audit accrual for the 2020 fiscal year audit was also accrued during this period.

## Liquidity and Capital Resources

As at March 31, 2021, the Company had a working capital deficit of \$818,620 as compared to \$176,316 as at December 31, 2020, an increase in working capital deficit of \$642,304. The working capital deficit increase can be attributed to an increase in the Company's convertible debentures from a financing of \$437,466 (USD\$341,000) and further loan proceeds of \$497,419 (USD\$395,000) for convertible debentures closed in April 2021. The Company also had an increase in accounts payables and accrued liabilities of \$311,501. These were offset by an increase in inventory of \$768,803 related to incoming finished goods products as the Company had more capital to fund purchases.

## Cash Flows

A summary of cash flows for the three months ended March 31, 2021 and 2020 is as follows (in Canadian Dollars):

<b>For the three months ended March</b>	<b>2021</b>	<b>2020</b>	<b>\$ Change</b>
Operating activities	\$ (1,160,505)	\$ 8,712	\$ (1,169,217)
Investing activities	(156,069)	-	(156,069)
Financing activities	1,343,997	(4,201)	1,348,198
<b>Change in cash</b>	<b>\$ 27,422</b>	<b>\$ 4,511</b>	<b>22,912</b>

The net cash used in operating activities related to net loss from continued operations incurred for the three months ended March 31, 2021 was \$1,160,505 as compared to cash provided by operating activities of \$8,712 for the three months ended March 31, 2020. Cash used in operating activities increased by \$1,169,217 mainly due to total inventory purchases during the three months ended March 31, 2021 of \$768,803, including \$1,304,293 remaining in inventory at March 31, 2021 compared to \$535,490 in inventory at December 31, 2020. This was partially offset by an increase in the Company's accounts payable and accrued liabilities by \$311,501.

During the three months ended March 31, 2021, the Company's cash flows used in investing activities increased by \$156,069 compared to the three months ended March 31, 2020. The increase can mainly be attributed to the purchase of warehouse equipment such as pressing machines used to convert inventory.

During the three months ended March 31, 2021, the Company's cash flows from financing activities increased by \$1,348,198 compared to the three months ended March 31, 2020. The increase can mainly be attributed to convertible debenture financing completed for proceeds of \$439,396 and proceeds from loans payable of \$500,270. The Company also completed a private placement financing for proceeds of \$443,278.

## Related Party Disclosures

### *a) Due to related parties*

As at March 31, 2021, included in due from related parties is \$8,856 (2020 - \$8,688) due from Marc Olmstead, director of the Company. The amount is unsecured, non-interest bearing and due on demand.

As at March 31, 2021, included in due from related parties is \$2,960 (2020 - \$Nil) due from Chadwick White of the Company. The amount is unsecured, non-interest bearing and due on demand.

As at March 31, 2021, included in accounts and other receivables is \$65,466 (2020 - \$Nil) due from Robert G. Wood and Co., Inc., a company controlled by David Wood, a director of the Company. The amount is unsecured, non-interest bearing and due on demand.

As at March 31, 2021, included in prepaids and deposits is \$Nil (2020 - \$9,557) for a salary advance paid to Chadwick White, a director of the Company. The amount is unsecured, non-interest bearing and due on demand.

As at March 31, 2021, included in accounts payable and accrued liabilities is \$52,934 (2020 – \$41,939) due to Chadwick White, a director of the Company. The amount consists of expenses charged to a personal credit card of a director of the Company and is unsecured, non-interest bearing and due on demand.

As at March 31, 2021, included in accounts payable and accrued liabilities is \$28,878 (2020 – \$28,338) due to ACM Management Inc., a company controlled by Alex McAulay, a director and CFO of the Company. The amount consists of accounting fees charged and is unsecured, non-interest bearing and due on demand.

As at March 31, 2021, included in accounts payable and accrued liabilities is \$28,806 (2020 – \$29,150) due to a LLC controlled by a director of the Company. The amount consists of lease payments due for a building previously occupied by the Company and is unsecured, non-interest bearing and due on demand.

As at March 31, 2021, included in accounts payable and accrued liabilities is \$31,238 (2020 – \$19,115) due to David Wood, CEO and Director of the Company. The amount consists of salary owed and is unsecured, non-interest bearing and due on demand.

As at March 31, 2021, included in accounts payable and accrued liabilities is \$8,224 (2020 – \$19,115) due to Robert Hopp, the President and COO of the Company at the time. The amount consists of salary owed and is unsecured, non-interest bearing and due on demand.

During the three months March 31, 2021, the Company had outstanding revolving loans from Robert G. Wood and Co., Inc. (“RG Wood”), a company controlled by the David Wood and includes interest charged on the promissory note. The loans are unsecured, bear interest at 6% per annum, and are due on demand. The balance payable as of March 31, 2021 was \$22,650 (2020 - \$8,185).

As at March 31, 2021, the Company had an outstanding promissory note of USD\$160,000 with RG Wood. The promissory note is unsecured, bears interest at a rate of 10% per annum, and matures on June 30, 2021. The balance payable as of March 31, 2021 was \$201,486 (2020 - \$203,888). Interest of \$15,125 (2020 – 10,983) for the promissory note was charged and included in the revolving loan balance above. Interest charged on the revolving loan during the three months ended March 31, 2021 was \$4,833 (2020 - \$Nil).

*b) Related party transactions*

Key management consists of the directors and officers who are responsible for planning, directing, and controlling the activities of the Company. The Company incurred charges with related parties recorded at their exchange amounts as agreed upon by transacting parties as follows:

<b>For the three months ended March 31,</b>	<b>2021</b>		<b>2020</b>	
Salaries and benefits	\$	162,963	\$	21,600
	<b>\$</b>	<b>162,963</b>	<b>\$</b>	<b>21,600</b>

During the three months ended March 31, 2021 and 2020, key management personnel were not paid any post-employment benefits, termination benefits or any other long-term benefits.

*Other transactions*

During the three months ended March 31, 2021, the Company settled debt owing to ACM Management Inc., a company controlled by the CFO Alex McAulay, of \$39,361 in exchange for 17,651 common shares of the Company.

During the three months ended March 31, 2021, the Company was charged USD\$3,132 (CAD\$3,967) (2020 – USD\$3,132 or CAD\$4,156) in lease payments for equipment, to RG Wood, a company controlled by David Wood, a director and the CEO of the Company.

## Use of Judgments, Estimates and Assumptions

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. These financial statements do not include any accounts that require significant estimates as the basis for determining the stated amounts.

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

## Significant Accounting Policies

The significant accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with the accounting policies disclosed in Note 3 of the audited consolidated financial statements for the year ended December 31, 2020.

## Changes in Accounting Policies including Initial Adoption

### Initial adoption of new accounting standards

Adoption of new accounting standards have been disclosed in Note 3 of the Company's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2021.

### Future accounting standards issued but not yet in effect

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

Pronouncements that may have a significant impact to the Company have been disclosed in Note 3 of the Company's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2021.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

## Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements and does not contemplate having them in the foreseeable future.

## Subsequent Events

- On April 2, 2021, the Company closed the Series II convertible debt financing and issued US\$295,000 (CAD\$370,349) of convertible debt bearing interest at 8% annually and maturing on April 2, 2023. The convertible debt is secured by a floating charge on all assets of the Company. If the Company or the Parent of the Company completes a listing of the Company's common shares on a stock exchange in Canada or the United States ("Qualified Public Offering"), the principal and interest shall automatically be converted into common shares of the Parent at a price equal to the greater of: (i) the issuance price per security under the Qualified Public Offering; and (ii) CAD\$0.10 per share. No fractional shares will be issued and any fractional shares will be rounded down to the nearest whole number.

- On April 6, 2021, the Company entered into a share exchange agreement (the “Share Exchange Agreement”) with Nepra Foods Inc. (the “Parent”), whereby the Parent will acquire all of the issued and outstanding shares of the Company from the Company’s shareholders (the “Shareholders”) in exchange for certain shares in the capital of the Parent.

Pursuant to the Share Exchange Agreement, the Company’s shareholders will receive securities of the Parent on the following basis:

- (i) U.S. Shareholders will receive 56.5082 common shares of the Parent for each 1 share of the Company with respect to 10% of the shares of the Company held by each U.S Shareholder and 0.565082 of a Class A common share of the Parent for each 1 share of the Company with respect to 90% of the shares of the Company held by each U.S. Shareholder, and
- (ii) Each non-U.S. Shareholder will receive 56.5082 common shares for each 1 share of the Company.

The Share Exchange Agreement closed on April 15, 2021 and the Company became a wholly-owned subsidiary of the Parent. As a result of the acquisition, the Company is deemed to be the acquirer for accounting purposes and therefore its assets, liabilities and operations will be included in the consolidated financial statements at their historical carrying value. The Company’s operations are considered to be a continuance of the business and operations.

At the time of the Reverse Takeover (“RTO”), the Parent did not constitute a business as defined under IFRS 3; therefore, the RTO is accounted for under IFRS 2, where the difference between the consideration given to acquire the Company and the net asset value of the Company is recorded as a transaction cost to profit and loss.

## Proposed Transactions

There are no proposed transactions as at the date of this MD&A.



## Financial Instruments and Other Instruments

### Basis of Fair Value

	Level	March 31, 2021	December 31, 2020
<b>FINANCIAL ASSETS</b>			
<b>FVTPL</b>			
Cash	1	\$ 506,959	\$ 492,976
<b>Other assets, at amortized cost</b>			
Accounts and other receivable		472,727	142,861
Long-term deposit		99,027	148,340
Due from related party		11,816	8,689
<b>Total financial assets</b>		<b>\$ 1,090,529</b>	<b>\$ 792,866</b>
<b>FINANCIAL LIABILITIES</b>			
<b>FVTPL</b>			
Convertible notes	3	1,286,395	844,632
<b>Other liabilities, at amortized cost</b>			
Accounts payable and accrued liabilities		837,097	525,596
Convertible notes to be issued		497,418	-
Loans payable		198,488	211,826
Lease liability		2,519,098	26,641
Promissory note payable		201,486	203,888
Due to related parties		22,650	-
<b>Total financial liabilities</b>		<b>\$ 5,562,632</b>	<b>\$ 1,812,583</b>

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

The carrying value of the Company's financial instruments approximate their fair values due to their short-term maturities. Cash is measured at fair value on a recurring basis.

## Risk Management

The Company is exposed, through its operations, to the following financial risks:

- a) Market Risk
- b) Credit Risk
- c) Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies, and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

General Objectives, Policies, and Processes:

The directors and officers have overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The directors and officers review the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous reported periods unless otherwise stated in the note.

The overall objective of the directors and officers is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

**a) Market Risk**

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

**(i) Foreign Currency Risk:**

The Company's functional currency is the United States dollar and major purchases and sales are transacted in United States dollars. As a result, management believes the Company's exposure to foreign currency risk is minimal.

**(ii) Interest Rate Risk:**

Interest rate risk is the risk that future cash flows will fluctuate because of changes in market interest rates. The interest earned on cash is insignificant, and the Company does not rely on interest to fund its operations. The Company's outstanding promissory note, loans payable, and convertible notes bear interest at fixed rates. As a result, at March 31, 2021, management believes that the Company is not exposed to any significant interest rate risk.

**(iii) Equity Price Risk**

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impacts on the Company's earnings due to movements in individual equities or the general movements in the level of the stock market. The Company's common shares are not yet publicly traded, and the Company does not hold equity investments in other entities. As a result, the Company is not at a significant risk to fluctuating equity prices.

**b) Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's cash, due from related party and accounts receivables are exposed to credit risk. The Company limits its exposure to credit loss on cash by placing its cash with a high-quality financial institution. The Company has concentrations of credit risk with respect to accounts receivable as large amounts of its accounts receivable are concentrated amongst a small number of customers. The Company performs credit evaluations of its customers but generally does not require collateral to support accounts receivable.

The Company has certain amounts of aged receivables that are not deemed impaired as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
1 – 60 days	\$ 413,473	\$ 96,343
61 - 90 days (past due)	11,594	34,289
Over 90 days (past due)	29,400	14,239
Provision for expected credit losses	(1,889)	(2,010)
<b>Total</b>	<b>\$ 452,578</b>	<b>\$ 142,861</b>

The Company is exposed to increased credit risk due to major customers that comprise 10% or more of revenue. For the three months ended March 31, 2021 and 2020, the following revenue was recorded from major customers:

Amount of revenue from major customers	<b>March 31, 2021</b>	<b>March 31, 2020</b>
Customer A	\$ 575,617	\$ 348,511
Customer B	\$ 261,096	\$ 58,321
Customer C	\$ 185,276	\$ 58,429
Customer D	\$ -	\$ 67,993

Due from related party consists of advances made to a director of the Company and is believed to be credit worthy.

### **c) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. Historically, the Company's sources of funding has been loans from a company controlled by the CEO and director, secured government loans, a secured equipment loan, and convertible notes. The Company's access to financing is uncertain. There can be no assurance of continued access to significant debt or equity funding.

	<b>Within one year</b>	<b>Between one and five years</b>	<b>More than five years</b>
Accounts payable and accrued liabilities	\$ 837,097	\$ -	\$ -
Loans payable	14,675	183,813	-
Lease liability	243,547	1,559,210	2,374,845
Promissory note payable	201,486	-	-
Convertible notes	1,286,395	-	-
Convertible notes to be issued	497,418	-	-
Due to related parties	-	22,650	-
	\$ 3,080,618	\$ 1,756,673	\$ 2,374,845

## Risks

The material risk factors involved with the Company include, but are not limited to, the following:

### Dependence on Key Personnel and Consultants

The success of the Company will be largely dependent upon the performance of its management and key employees. Failure by the Company to retain or to attract and retain additional key employees with necessary skills could have a materially adverse impact upon the Company's growth and profitability. These individuals, and the contributions they will make, are important to the future operations and success of the Company. The unexpected loss or departure of any of the key officers, employees or consultants of the Company could be detrimental to the Company's future operations. The Company's success will depend in part on its ability to attract and retain qualified personnel, as they are needed. The competition for highly skilled technical, management, sales and other employees is high in the Company's industry and the cost of hiring and retaining such personnel has been increasing. There can be no assurance that the Company will be able to engage the services of such personnel or retain the Company's current personnel.

### Limited Operating History

The Company has had a limited history of operations and is in the early stage of development and must be considered a start-up. As such, the Company will be subject to many risks common to such enterprises, including start-up losses, lack and uncertainty of revenues, markets and profitability, under-capitalization, cash shortages, and limitations with respect to personnel, financial and other resources. The Company has a limited history of earnings and its limited operating history makes it difficult to predict how its business will develop and its future operating results. There is no assurance that any future products will generate earnings, operate profitably, or provide a return on investment in the future and the likelihood of success and any potential return on a shareholder's investment must be considered in light of the Company's early stage of operations.

**Disruption of Trade, Suppliers, and Facilities**

The Company imports specialty ingredients from Thailand and is at risk should there be changes in government policies or international shipping disruptions. The Company does not control the operations at the third-party facilities, including any third-party warehouses. All these facilities are vulnerable to damage or interruption from earthquakes, hurricanes, floods, fires, terrorist attacks, power losses, telecommunications failures, and similar events. They also could be subject to break-ins, computer viruses, denial of service attacks, sabotage, intentional acts of vandalism and other misconduct. The occurrence of a natural disaster or an act of terrorism, a decision to close the third-party facilities without adequate notice or other unanticipated problems could result in lengthy interruptions in the Company's operations.

**Other MD&A Requirements****Outstanding Share Data**

As at the date of this report, Nepra Foods, Ltd. had 743,253.58 common shares issued and outstanding.

**Nepra Foods, Ltd.**  
**Management Discussion and Analysis**  
**For the years ended December 31, 2020 and 2019**  
**(expressed in Canadian Dollars)**

**June 8, 2021**

The following management discussion and analysis (MD&A) of Nepra Foods, Ltd.'s (the "Company") financial condition and results of operations for the year ended December 31, 2020 should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2020 and related notes thereto. The requisite financial data presented for the relevant periods has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Nepra Foods, Ltd. is classified as a "venture issuer" for the purposes of National Instrument 51-102. This MD&A was approved by the directors on June 8, 2021.

**Forward Looking Information**

This MD&A includes certain forward-looking statements that are based upon current expectations which involve risks and uncertainties with the Company's business and the economic environment in which the business operates. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements, which are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. The forward-looking statements are not historical facts but reflect the Company's current expectations regarding future results or events. Forward-looking statements contained in this MD&A are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. These risks and uncertainties include, but are not limited to, those described under the headings "Financial Risk Management" in this MD&A as well as the "Risk Factors" in the Prospectus to which this MD&A is attached.

Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding future growth, results of operations, performance, business prospects and opportunities, the Company's ability to meet financial commitments, its ability to raise funds when required, ability to fund future operating costs and timing for future research and development of the Company's current and future products, and general business and economic conditions.

Readers are cautioned that the above factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated.

Forward-looking information involved known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information.

The Company believes the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A.

The forward-looking information contained in this MD&A is provide as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

## Nature of Business

Neptra Foods, Ltd. (the “Company”) was incorporated as a limited liability company on August 15, 2019 under the provisions of the Colorado Revised Status. The Company’s head office, principal address, and records office is located at 7025 S. Revere Parkway, Ste. 100, Centennial, CO 80112. The registered office of Company is located at 8958 Southurst Street, Highlands Ranch, Colorado, 80129.

The Company’s wholly owned subsidiaries include Gluten Free Baking Solutions, LLC (“GFBS”), incorporated on August 10, 2016, and Total Blending Solutions, Ltd. (“TBS”), incorporated on November 25, 2019. Gluten Free Sprouting and Malting, LLC (“GFSM”), incorporated on January 6, 2018, was a subsidiary of the Company until its dissolution on December 31, 2020.

On June 30, 2020, the Company completed a reorganization with GFBS and GFSM - related companies under common control. The Company issued 189,999 membership units to the members of GFBS and GFSM, in exchange for all the membership units in GFBS and GFSM, resulting in GFBS and GFSM becoming wholly owned subsidiaries of the Company.

The Company operates as a vertically integrated healthy plant-based food and speciality ingredient company supporting allergen free and functional food brands. During the year ended December 31, 2020, the Company focused on its sale and processing of specialty ingredients.

## Overall Performance

The key factors pertaining to the Company’s overall performance for the year ended December 31, 2020 are as follows:

The Company recorded revenue of \$2,855,386 for the year ended December 31, 2020, as compared to revenue of \$1,639,501 for the year ended December 31, 2019. The revenue from the processing and sale of specialty ingredients increased by \$1,173,346 from \$1,568,465 in 2019 to \$2,741,811 in 2020 and can be attributed to new customers, new products, and a higher volume of specialty ingredients sold. Revenue from consulting increased by \$42,539 from \$71,036 in 2019 to \$113,575 in 2020 due to more recipe consulting engagements.

The net loss for the year ended December 31, 2020 was \$542,022 compared to \$217,180 for the year ended December 31, 2019. The higher net loss in 2020 was largely due to share-based payments with a value of \$428,541 being issued in 2020, but no share-based payments in 2019. The Company also incurred higher salaries and benefits costs of \$413,521 (2019 – \$300,522). This was partially offset by higher gross profit which increased by \$291,970 from \$272,992 to \$564,962 in 2020.



The Company has negative operating cash flow and its level of operations has been determined by the availability of capital resources. Cash used in operating activities increased by \$405,259 mainly due to the change in prepaids and deposits of \$99,573 (2019 - \$588) that included a deposit for equipment purchases and January 2021 rent at the new building, funding coming from a mix of sources including convertible notes and loans (financing activities) rather than advances from related parties (operating activities) and the larger net loss for the year.

Working capital deficiency decreased as at December 31, 2020 to a deficiency of \$324,656 from \$603,590 as at December 31, 2019. Working capital deficiency decreased mostly due to the funds raised from the non-current loans received and the settlement in equity for debt owing to a related party that was outstanding as at December 31, 2019. The Company also increased its inventory level to better supply customers and support the higher sales volumes, and increased its prepaid expenses and deposits as it paid deposits for January 2021 rent at a new facility and to purchase equipment. See also the Liquidity and Capital Resources discussion below.

### Going Concern

As at December 31, 2020, the Company had a net working capital deficiency of \$324,656. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to raise financing and generate profits and positive cash flows from operations in order to cover its operating costs. From time to time, the Company generates working capital to fund its operations by raising additional capital through equity or debt financing. However, there is no assurance it will be able to continue to do so in the future. The accompanying consolidated financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements. If the going concern assumption was not appropriate for the accompanying financial statements, adjustments would be necessary to the statement of financial position classifications used. Such adjustments could be material. Additional funds will be required to enable the Company to pursue its initiatives, and the Company may be unable to obtain such financing on terms which are satisfactory to it. Furthermore, there is no assurance that the business will be profitable. These factors indicate the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern. Should the Company be unable to complete these plans to obtain additional financing and be unable to continue as a going concern, the Company may be forced to cease operations.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

## Selected Annual Information

The table below sets forth selected results of operations for the Company's three most recently completed year ends (in Canadian Dollars). All figures are in accordance with IFRS.

<b>December 31,</b>	<b>2020</b>		<b>2019</b>		<b>2018</b>	
Total assets	\$	1,512,869	\$	347,323	164,890	\$
Total revenues		2,855,386		1,639,501	1,459,112	
Total non-current financial liabilities		210,052		27,215	41,986	
General and administrative expenses		110,048		51,933	44,883	
Net loss		(542,022)		(217,180)	(256,119)	
Basic and diluted net loss per unit		(2.13)		(1.14)	(1.35)	
Comprehensive loss		(539,500)		(195,303)	(279,300)	
Basic and diluted comprehensive loss per unit	\$	(2.12)	\$	(1.03)	(1.47)	\$

(1) Based on weighted average number of shares issued and outstanding for the period.

## Results of Operations for the years ended December 31, 2020 and 2019

### *Revenue*

For year ended December 31, 2020, the Company generated total revenues of \$2,855,386, an increase of \$1,215,885 compared to revenue of \$1,639,501 for the year ended December 31, 2019. Revenue from the year ended December 31, 2020 consisted of the processing and sale of specialty ingredients, as well as consulting to support allergen free and functional food brands. The revenue from the processing and sale of specialty ingredients increased by \$1,173,346 from \$1,568,465 in 2019 to \$2,741,811 in 2020 and can be attributed to new customers and a higher volume of specialty ingredients sold. Revenue from consulting increased by \$42,539 from \$71,036 in 2019 to \$113,575 in 2020 due to more recipe consulting engagements.

### *Cost of sales and gross profit*

For the year ended December 31, 2020, the Company's costs of sales and gross profit were \$2,290,424 and \$564,962 respectively, compared to \$1,366,509 and \$272,992 respectively, for the year ended December 31, 2019. Gross profit margin increased from 17% in 2019 to 20% in 2020.

The increase in the Company's gross profit margin can be attributed to the 75% increase product sales and 60% increase in consulting revenue compared to 2019, while cost of sales increased less than product sales at 68%. Cost of sales had lower inventory write-offs in 2020 (\$39,125) compared to 2019 (\$112,631). Gross profit increased due to the higher volume of product sales and higher gross profit margin.

### *General and administrative costs*

General and administrative costs for the years ended December 31, 2020 and 2019 can be summarized as follows (in Canadian Dollars):

<b>For the year ended</b>	<b>2020</b>	<b>2019</b>	<b>Change \$</b>	<b>Change %</b>
Advertising and promotion	\$ 9,270	\$ 2,131	\$ 7,139	335%
Interest and bank charges	24,953	25,709	(756)	(3%)
Office and miscellaneous expense	51,972	5,725	46,247	808%
Insurance	18,743	10,322	8,421	82%
Meals and entertainment	3,823	8,046	(4,223)	(52%)
Repairs and maintenance	1,287	-	1,287	100%
<b>Total G&amp;A</b>	<b>\$ 110,048</b>	<b>\$ 51,933</b>	<b>\$ 58,115</b>	<b>112%</b>

Total general and administrative expenses increased by \$58,115 compared to the prior year. This is due to an increase of \$7,139 in advertising and promotion, an increase in insurance of \$8,421, and a \$46,247 increase in office and miscellaneous. This increase is attributed to larger operations and growing the Company, as well as beginning to prepare for a potential public listing of the Company's securities. The overall increase in general and administrative expenses was partially offset by a decrease of \$4,223 in meals and entertainment due to COVID-19.

Professional fees expense increased by \$41,901 from \$28,839 in 2019 to \$70,740 in 2020. The increase can be attributed to the Company accruing for the financial statement audits and review engagements and incurring accounting fees for beginning to prepare financial statements in anticipation of a potential initial public offering.

Research and development costs increased by \$6,664 from \$34,431 in 2019 to \$41,095 in 2020. The increase can be attributed to the Company developing with new products, particularly the hemp heart flour and hemp heart oil.

Salaries and benefits increased from \$300,522 in 2019 to \$413,521 in 2020. The increase of \$112,999 can be attributed to a USD\$15,000 (CAD\$19,903) in salaries being accrued for each of David Wood, CEO and Director and Robert Hopp, President and COO. The Company also paid more to Chadwick White, as well as paying new staff in 2020. In addition, the increase in the value of the US dollar (currency of salaries and benefits) relative to the Canadian dollar (presentation currency) increased the amount of the expense presented on the financial statements.

Share-based payments were \$428,541 in 2020 (2019 -\$Nil). The Company granted equity to key officers and directors in exchange for entering into employment and non-compete agreements in 2020.

Travel decreased by \$34,458 from \$58,272 in 2019 to \$23,814 in 2020. The decrease can be attributed to COVID-19 and the travel restrictions.

## Summary of Quarterly Results

The following financial data was derived from the eight most recently completed financial quarters:

	<b>December 31, 2020</b>	<b>September 30, 2020</b>	<b>June 30, 2020</b>	<b>March 31, 2020</b>
Revenue	\$1,022,213	\$696,686	\$553,179	\$583,308
Income (loss) for the period	(\$595,198)	\$49,390	\$11,982	(\$8,196)
Loss per share - basic and diluted	(\$1.43)	\$0.23	\$0.06	(\$0.04)
Weighted average number of shares outstanding	417,497	218,265	190,000	190,000

	<b>December 31, 2019</b>	<b>September 30, 2019</b>	<b>June 30, 2019</b>	<b>March 31, 2019</b>
Revenue	\$40,868	\$629,058	\$453,950	\$515,625
Income/Loss for the period	(\$139,229)	(\$2,356)	(\$24,955)	(\$28,762)
Loss per share - basic and diluted	(\$0.73)	(\$0.01)	(\$0.13)	(0.15)
Weighted average number of shares outstanding	190,000	190,000	190,000	190,000

The factors that have caused variations in results over the quarters are mostly related to seasonal demands, new customers, and the timing of when orders were placed and products were shipped. The Company had higher revenue during the quarter ended December 31, 2020 due to more orders, new customers, and new products beginning to be sold, including hemp heart flour. Other variations from quarter to quarter were impacted by the acquisition of new customers and the timing of when existing customers re-ordered and when products were shipped. The loss for the quarter ended December 31, 2020 was greater than in prior quarters due to share-based compensation of \$428,541 being issued during this time period, as well as accounting work beginning for the 2018 and 2019 fiscal years beginning during this quarter. The audit accrual for the 2020 fiscal year audit was also accrued during this period.

## Liquidity and Capital Resources

As at December 31, 2020, the Company had a working capital deficiency of \$324,656 as compared to \$603,590 as at December 31, 2019, a decrease in working capital deficiency of \$278,934. The working capital deficiency decreased mostly due to the cash proceeds from the issuance of convertible notes and non-current loans received, including the loan from the U.S. Small Business Administration under the Economic Injury Disaster Loan program ("SBA loan"). The Company also increased its inventory level to \$535,490 (2019 – \$232,310) to better supply customers and support the higher sales volumes. The working capital deficiency also decreased because USD\$160,000 (CAD\$212,112) of the balance due to a related party was settled with units of the Company (converted into common shares on November 1, 2020). There was also an increase in prepaids and deposits which included a deposit for the January 2021 lease payment for the new facility, and a USD\$40,500 (CAD\$51,609) deposit paid for equipment purchased in 2021.

The Company expects that it will need additional capital to fund operations and increased working capital over the next 12 months in order to its obligations as they come due. The Company plans to fund the capital required by raising funds through an initial public offering.

## Cash Flows

A summary of cash flows for the years ended December 31, 2020 and 2019 is as follows (in Canadian Dollars):

<b>For the year ended</b>	<b>2020</b>	<b>2019</b>	<b>Change</b>
Operating activities	\$ (422,130)	\$ (16,871)	\$ (405,259)
Investing activities	(174,094)	-	(174,094)
Financing activities	1,071,591	(11,882)	1,083,473
<b>Change in cash</b>	<b>\$ 475,367</b>	<b>\$ (28,753)</b>	<b>\$ 504,120</b>

The net cash used in operating activities related to net loss from continued operations of \$422,130 incurred for the year ended December 31, 2020 compared to cash used in operating activities of \$16,871 for the year ended December 31, 2019. Cash used in operating activities increased by \$405,259 mainly due to additional inventory purchased and \$535,490 of inventory on hand at December 31, 2020 compared to \$232,310 on hand as of December 31, 2019. \$303,180 of additional inventory was kept on hand compared to December 31, 2019 in order to better supply customers and support the higher sales volumes. In addition, there was an increase in cash used for deposits which included the January 2021 lease payment for the new facility, and a USD\$40,500 (CAD\$51,609) deposit paid for equipment purchased in 2021. The cash used in operations was also higher in 2020 due to the Company receiving funding from loans and convertible notes (financing activities) rather than mostly from related party operating advances as was the case in 2019 (\$213,167).

Cash flows used in investing activities increased from \$nil during the year ended December 31, 2019 to \$174,094 during the year ended December 31, 2020. This is due to the Company acquiring equipment during the year ended December 31, 2020 and paying a lease security deposit USD\$116,409 (CAD\$148,340) of for the new building, with no activity during the year ended December 31, 2019.

During the year ended December 31, 2020, the Company's cash flows from financing activities increased by \$1,083,473 compared to the year ended December 31, 2019. The increase can mainly be attributed to the \$25,000 proceeds from the issuance of common shares, proceeds from loans totalling \$214,536, and the \$849,143 proceeds from the issuance of convertible notes. The Company did not raise any funds from the issuance of equity, loans, or convertible notes in 2019.

## Related Party Disclosures

Key management consists of the directors and officers who are responsible for planning, directing, and controlling the activities of the Company.

### *Due to/from related parties*

As at December 31, 2020, included in due from related parties is USD\$6,818 (CAD\$8,688) (2019 – USD\$4,818 or CAD\$6,272) due from Marc Olmsted, a director of the Company. The amount is unsecured, non-interest bearing and due on demand.

As at December 31, 2020, included in prepaids and deposits is USD\$7,500 (CAD\$9,557) (2019 - \$Nil) for a salary advance paid to a Chadwick White, a director of the Company. The amount is unsecured, non-

interest bearing and due on demand.

As at December 31, 2020, included in accounts payable and accrued liabilities is USD\$32,911 (CAD\$41,939) (2019 – USD\$28,518 or CAD\$37,124) due to Chadwick White, a director of the Company. The amount consists of expenses charged to a personal credit card of Chadwick White and is unsecured, non-interest bearing and due on demand.

As at December 31, 2020, included in accounts payable and accrued liabilities is USD\$15,000 (CAD\$19,115) (2019 – \$Nil) due to David Wood, a director and the CEO of the Company. The amount consists of salary owed and is unsecured, non-interest bearing and due on demand.

As at December 31, 2020, included in accounts payable and accrued liabilities is USD\$15,000 (CAD\$19,115) (2019 – \$Nil) due to Robert Hopp, the President and COO of the Company at the time. The amount consists of salary owed and is unsecured, non-interest bearing and due on demand.

As at December 31, 2020, included in accounts payable and accrued liabilities is USD\$22,875 (CAD\$29,150) (2019 – \$Nil) due to 2080 W. Cornell LLC, a limited liability company controlled by David Wood. The amount is unsecured, non-interest bearing and due on demand.

As at December 31, 2020, included in accounts payable and accrued liabilities is \$28,338 (2019 – \$Nil) due to ACM Management Inc., a company controlled by Alex McAulay, a director and the CFO of the Company. The amount is unsecured, non-interest bearing and due on demand.

During the year ended December 31, 2020 the Company received revolving loans from Robert G. Wood and Co., Inc. (“RG Wood”), a company controlled by David Wood. The loan is unsecured, bears interest at 6% per annum, and matures on December 31, 2025. The balance payable as of December 31, 2020 was USD\$6,424 (CAD\$8,185) which includes interest charged on the promissory note.

During the year ended December 31, 2019, the Company received revolving loans from RG Wood and Firefighter Trucks of Colorado (“FF Trucks”), entities controlled by David Wood. The loans were due on demand and unsecured. The balance payable to RG Wood as at December 31, 2019 was \$468,058. There was no balance due to FF Trucks at December 31, 2019.

On July 1, 2020, the Company entered into an agreement with RG Wood to convert USD\$160,000 (CAD \$217,200) owed by the Company into a promissory note. The promissory note is unsecured, bears interest at a rate of 10% per annum, and matures on June 30, 2021. The balance payable to RG Wood as of December 31, 2020 was USD160,000 (CAD\$203,888).

*Related party transactions*

<b>For the year ended December 31,</b>		<b>2020</b>		<b>2019</b>
Salaries and benefits	\$	390,049	\$	303,644
Share-based payments		428,541		-
	\$	<b>818,590</b>	\$	<b>303,644</b>

During the years ended December 31, 2020 and 2019, key management personnel were not paid any post-employment benefits, termination benefits or any other long-term benefits.

During the year ended December 31, 2020, the Company incurred USD\$123,266 (CAD\$165,191) (2019 – USD\$105,635 or CAD\$140,165) in salaries or fees paid to Chadwick White, a director of the Company. The Company also paid for health insurance benefits for Chadwick White in the amount of USD\$24,279 (CAD\$32,537) (2019 – USD\$21,800 or CAD\$28,926).

During the year ended December 31, 2020, the Company incurred USD\$15,000 (CAD\$19,903) (2019 - \$Nil) in salaries accrued to David Wood, a director and the CEO of the Company. The Company also paid for health insurance benefits for David Wood in the amount of USD\$8,718 (CAD\$11,683) (2019 – USD\$7,786 or CAD\$10,331).

During the year ended December 31, 2020, the Company incurred USD\$15,000 (CAD\$19,903) (2019 - \$Nil) in salaries accrued to Robert Hopp, the President and COO of the Company.

During the year ended December 31, 2020, the Company paid or accrued salaries and benefits for the use of employees provided of USD\$125,470 (CAD\$168,145) (2019 – USD\$93,619 or CAD\$124,222) to RG Wood, a Company controlled by David Wood, a director and the CEO of the Company. Of this amount, USD\$104,792 (CAD\$140,434) (2019 – USD\$93,619 or CAD\$124,222) was for salaries and benefits paid to Marc Olmsted, a director of the Company.

During the year ended December 31, 2020, the Company issued 100,000 common shares with a value of USD\$175,000 (CAD\$230,069) (2019 - \$Nil) to Chadwick White, a director of the Company, for entering into a non-compete agreement.

During the year ended December 31, 2020, the Company issued 42,857 common shares with a value of USD\$75,000 (CAD\$99,236) (2019 - \$Nil) to David Wood, a director and the CEO of the Company, for a signing bonus and entering into a non-compete agreement.

During the year ended December 31, 2020, the Company issued 42,857 common shares with a value of USD\$75,000 (CAD\$99,236) (2019 - \$Nil) to Robert Hopp, the President and COO of the Company, for a signing bonus and entering into a non-compete agreement.

#### *Other Transactions*

During the year ended December 31, 2020, the Company paid or accrued \$USD12,528 (CAD\$16,789) (2019 – USD\$12,528 or CAD\$16,623) in lease payments for equipment, to RG Wood, a company controlled by David Wood, a director and the CEO of the Company.

During the year ended December 31, 2020, the Company paid or accrued USD\$22,875 (CAD\$30,655) (2019 – \$Nil) in lease payments for the use of the building, to 2080 W. Cornell LLC, a limited liability corporation controlled by David Wood, a director and the CEO of the Company.

During the year ended December 31, 2020, the Company was charged interest in the amount of USD\$9,878 (CAD\$13,238) (2019 - \$Nil) for the promissory note and revolving loan from RG Wood and is included in the revolving loan balance due to RG Wood above.

During the year ended December 31, 2020, the Company was charged interest in the amount of USD\$3,500 (CAD \$4,690) (2019 - \$Nil) for a promissory note due to Everestt, LLC, a limited liability company controlled by the spouse of Robert Hopp, the President and COO of the Company.

During the year ended December 31, 2020, the Company incurred \$28,338 (2019 – Nil) in professional fees charged by ACM Management Inc., a company controlled by Alex McAulay, a director and the CFO of the Company.

During the year ended December 31, 2020, the Company purchased equipment from RG Wood, a Company controlled by David Wood, a director and the CEO of the Company for \$62,679 (2019 - \$Nil).

On October 31, 2020, the Company settled debt owing to RG Wood, a Company controlled by David Wood, a director and the CEO of the Company in the amount of USD\$160,000 (CAD\$212,112) in exchange for 91,429 membership units of the Company. The units were converted into common shares on the basis of one common share of the Company for each membership unit on November 1, 2020.

During the year ended December 31, 2020, the Company settled debt owing to a Company controlled by the spouse of Robert Hopp of USD\$123,500 (CAD\$163,724) in exchange for 70,571 membership units of the Company. The units were converted into common shares on the basis of one common share of the Company for each membership unit on November 1, 2020.

## Use of Judgments, Estimates and Assumptions

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. These financial statements do not include any accounts that require significant estimates as the basis for determining the stated amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are noted below:



**Going concern**

The Company's ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances.

**Useful lives of equipment**

Equipment is amortized or depreciated over its useful lives. Useful lives are based on management's estimate of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of loss and other comprehensive loss in specific periods.

**Provision for expected credit losses ('ECLs')**

The Company performs impairment testing annually for accounts receivable in accordance with IFRS 9. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. IFRS 9 outlines a three-stage approach to recognizing ECLs which is intended to reflect the increase in credit risks of a financial instrument based on 1) 12-month expected credit losses or 2) lifetime expected credit losses. The Company measures provision for ECLs on its trade receivables at an amount equal to lifetime ECLs.

**Impairment**

Long-lived assets, including equipment, are reviewed for indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU). Judgments and estimates are required in defining a CGU and determining the indicators of impairment and the estimates required to measure an impairment, if any.

**Share-based payments**

The Company measures the cost of equity-settled transactions with employees and non-employees by reference to the fair value of the equity instruments at the date at which they are granted. The Company has estimated the fair value of the equity instruments issued for share-based payments based on the common share price agreed upon for a private placement and shares for debt settlements.

**Government assistance**

On May 16, 2020, the Company received a loan from the U.S. Small Business Administration under the Economic Injury Disaster Loan program. The benefit of the government loan that was received at below market rate of interest is treated as a government assistance. The Company has estimated the incremental borrowing rate to be 10% for the purposes of calculating the fair value of the government loan and the resulting income.

## **Income taxes**

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

## **Significant Accounting Policies**

The significant accounting policies applied in the preparation of the Company's consolidated financial statements are disclosed in Note 3 of the audited consolidated financial statements for the years ended December 31, 2020 and 2019.

## **Changes in Accounting Policies including Initial Adoption**

### **Initial adoption of new accounting standards**

Adoption of new accounting standards have been disclosed in Note 3 of the Company's audited consolidated financial statements for the years ended December 31, 2020 and 2019.

### **Future accounting standards issued but not yet in effect**

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

Pronouncements that may have a significant impact to the Company have been disclosed in Note 3 of the Company's audited consolidated financial statements for the year ended December 31, 2020.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

## **Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements and does not contemplate having them in the foreseeable future.

## **Commitments**

Refer to subsequent events note below

## Subsequent Events

The Company entered into a lease agreement for the building located at 7025 South Revere Parkway, Ste. 100, Centennial, Colorado 80112. The lease includes annual step-up payments and commences January 1, 2021 and expires on June 30, 2031. The minimum annual rent is as follows:

Year ended December 31, 2021 US\$144,248 (CAD\$183,816)

Year ended December 31, 2022 US\$297,151 (CAD\$378,660)

Year ended December 31, 2023 US\$306,065 (CAD\$390,019)

Year ended December 31, 2024 US\$315,247 (CAD\$401,720)

Year ended December 31, 2025 US\$324,705 (CAD\$413,772)

Year ended December 31, 2026 US\$334,446 (CAD\$426,185)

Year ended December 31, 2027 US\$344,479 (CAD\$438,970)

Year ended December 31, 2028 US\$354,814 (CAD\$452,140)

Year ended December 31, 2029 US\$365,458 (CAD\$465,704)

Year ended December 31, 2030 US\$376,422 (CAD\$479,676)

Year ended December 31, 2031 US\$196,857 (CAD\$250,855)

The Company is also required to pay annual operating expenses for the lease, currently estimated at US\$168,480 (CAD\$214,694).

On February 24, 2021, the Company issued 17,651 common shares to settle outstanding debt of US\$30,888 (CAD\$38,789).

On March 3, 2021, the Company closed the second tranche of the Series I convertible debt financing and issued US\$341,000 (CAD\$430,750) of convertible debt bearing interest at 8% annually. The convertible debt matures March 3, 2023 and all other terms are the same as tranche one which closed on December 22, 2020.

On March 3, 2021, the Company closed a private placement and issued 176,965 common shares for proceeds of US\$350,000 (CAD\$442,119).

On April 2, 2021, the Company closed the Series II convertible debt financing and issued US\$295,000 (CAD\$370,349) of convertible debt bearing interest at 8% annually and maturing on April 2, 2023. The convertible debt is secured by a floating charge on all assets of the Company. If the Company or the Parent of the Company completes a listing of the Company's common shares on a stock exchange in Canada or the United States ("Qualified Public Offering"), the principal and interest shall automatically be converted into common shares of the Parent at a price equal to the greater of: (i) the issuance price per security under the Qualified Public Offering; and (ii) CAD\$0.10 per share. No fractional shares will be issued and any fractional shares will be rounded down to the nearest whole number.

On April 6, 2021, the Company entered into a share exchange agreement (the “Share Exchange Agreement”) with Nepra Foods Inc. (the “Parent”), whereby the Parent will acquire all of the issued and outstanding shares of the Company from the Company’s shareholders (the “Shareholders”) in exchange for certain shares in the capital of the Parent.

- (i) U.S. Shareholders will receive 56.5082 common shares of the Parent for each 1 share of the Company with respect to 10% of the shares of the Company held by each U.S Shareholder and 0.565082 of a Class A common share of the Parent for each 1 share of the Company with respect to 90% of the shares of the Company held by each U.S. Shareholder, and
- (ii) Each non-U.S. Shareholder will receive 56.5082 common shares for each share of the Company.

On April 15, 2021, the Share Exchange Agreement closed and the Company became a wholly-owned subsidiary of the Parent.

As a result of the acquisition, the Company is deemed to be the acquirer for accounting purposes and therefore its assets, liabilities and operations will be included in the consolidated financial statements at their historical carrying value. The Company’s operations are considered to be a continuance of the business and operations.

At the time of the Reverse Takeover (“RTO”), the Parent did not constitute a business as defined under IFRS 3; therefore, the RTO is accounted for under IFRS 2, where the difference between the consideration given to acquire the Company and the net asset value of the Company is recorded as a transaction cost to profit and loss.

## Financial Instruments and Other Instruments

### Basis of Fair Value

	Level	December 31, 2020	December 31, 2019
<b>FINANCIAL ASSETS</b>			
<b>FVTPL</b>			
Cash	1	\$ 492,976	\$ 17,463
<b>Other assets, at amortized cost</b>			
Accounts receivable		142,861	46,801
Due from related party		8,689	6,272
<b>Total financial assets</b>		\$ 644,526	\$ 70,536
<b>FINANCIAL LIABILITIES</b>			
<b>FVTPL</b>			
Convertible notes	3	\$ 844,632	\$ -
<b>Other liabilities, at amortized cost</b>			
Accounts payable and accrued liabilities		525,596	428,742
Loans payable		211,826	-
Lease liability		26,641	40,094
Promissory note payable		203,888	-
Due to related parties		-	468,058
<b>Total financial liabilities</b>		\$ 1,812,583	\$ 936,894

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that

require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

The carrying value of the Company's financial instruments approximate their fair values due to their short-term maturities. Cash is measured at fair value on a recurring basis.

## Risk Management

The Company is exposed, through its operations, to the following financial risks:

- a) Market Risk
- b) Credit Risk
- c) Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies, and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

### General Objectives, Policies, and Processes:

The directors and officers have overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The directors and officers review the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous reported periods unless otherwise stated in the note.

The overall objective of the directors and officers is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

#### **a) Market Risk**

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

##### **(i) Foreign Currency Risk:**

The Company's functional currency is the United States dollar and major purchases and sales are transacted in United States dollars. As a result, management believes the Company's exposure to foreign currency risk is minimal.

##### **(ii) Interest Rate Risk:**

Interest rate risk is the risk that future cash flows will fluctuate because of changes in market interest rates. The interest earned on cash is insignificant, and the Company does

not rely on interest to fund its operations. The Company's outstanding promissory note, loans payable, and convertible notes bear interest at fixed rates. As a result, at December 31, 2020, management believes that the Company is not exposed to any significant interest rate risk.

**(iii) Equity Price Risk**

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impacts on the Company's earnings due to movements in individual equities or the general movements in the level of the stock market. The Company's common shares are not yet publicly traded, and the Company does not hold equity investments in other entities. As a result, the Company is not at a significant risk to fluctuating equity prices.

**b) Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's cash, due from related party and accounts receivables are exposed to credit risk. The Company limits its exposure to credit loss on cash by placing its cash with a high-quality financial institution. The Company has concentrations of credit risk with respect to accounts receivable as large amounts of its accounts receivable are concentrated amongst a small number of customers. The Company performs credit evaluations of its customers but generally does not require collateral to support accounts receivable. The Company has certain amounts of aged receivables that are not deemed impaired as follows:

	December 31, 2020	December 31, 2019
1 – 60 days	\$ 96,343	\$ 37,425
61 - 90 days (past due)	34,289	5,213
Over 90 days (past due)	14,239	5,757
Provision for expected credit losses	(2,010)	(1,594)
<b>Total</b>	<b>\$ 142,861</b>	<b>\$ 46,801</b>

The Company is exposed to increased credit risk due to major customers that comprise 10% or more of revenue. For the year ended December 31, 2020 and 2019, the following revenue was recorded from major customers:

Amount of revenue from major customers	December 31, 2020	December 31, 2019
Customer A	\$ 862,383	\$ 167,963
Customer B	\$ 511,434	\$ -
Customer C	\$ 985,734	\$ -

Due from related party consists of advances made to a director of the Company and is believed to be credit worthy.

### c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. Historically, the Company's sources of funding has been loans from a company controlled by the CEO and director, secured government loans, a secured equipment loan, and convertible notes. The Company's access to financing is uncertain. There can be no assurance of continued access to significant debt or equity funding.

	Within one year	Between one and five years	More than five years
Accounts payable and accrued liabilities	\$ 525,596	\$ -	\$ -
Loans payable	14,488	189,153	-
Lease liability	15,964	13,303	-
Promissory note payable	203,888	-	-
Convertible notes	844,632	-	-
Due to related parties	-	8,185	-
	\$ 1,604,568	\$ 210,641	\$ -

## Risks

The material risk factors involved with the Company include, but are not limited to, the following:

### Dependence on Key Personnel and Consultants

The success of the Company will be largely dependent upon the performance of its management and key employees. Failure by the Company to retain or to attract and retain additional key employees with



necessary skills could have a materially adverse impact upon the Company's growth and profitability. These individuals, and the contributions they will make, are important to the future operations and success of the Company. The unexpected loss or departure of any of the key officers, employees or consultants of the Company could be detrimental to the Company's future operations. The Company's success will depend in part on its ability to attract and retain qualified personnel, as they are needed. The competition for highly skilled technical, management, sales and other employees is high in the Company's industry and the cost of hiring and retaining such personnel has been increasing. There can be no assurance that the Company will be able to engage the services of such personnel or retain the Company's current personnel.

### **Limited Operating History**

The Company has had a limited history of operations and is in the early stage of development and must be considered a start-up. As such, the Company will be subject to many risks common to such enterprises, including start-up losses, lack and uncertainty of revenues, markets and profitability, under-capitalization, cash shortages, and limitations with respect to personnel, financial and other resources. The Company has a limited history of earnings and its limited operating history makes it difficult to predict how its business will develop and its future operating results. There is no assurance that any future products will generate earnings, operate profitably, or provide a return on investment in the future and the likelihood of success and any potential return on a shareholder's investment must be considered in light of the Company's early stage of operations.

### **Disruption of Trade, Suppliers, and Facilities**

The Company imports specialty ingredients from Thailand and is at risk should there be changes in government policies or international shipping disruptions. The Company does not control the operations at the third-party facilities, including any third-party warehouses. All these facilities are vulnerable to damage or interruption from earthquakes, hurricanes, floods, fires, terrorist attacks, power losses, telecommunications failures, and similar events. They also could be subject to break-ins, computer viruses, denial of service attacks, sabotage, intentional acts of vandalism and other misconduct. The occurrence of a natural disaster or an act of terrorism, a decision to close the third-party facilities without adequate notice or other unanticipated problems could result in lengthy interruptions in the Company's operations.

Refer to the Risk Factors section of the prospectus to which this MD&A is attached for additional risks.

## **Other MD&A Requirements**

### **Outstanding Share Data**

As at the date of this report, the Company had 743,253.58 common shares issued and outstanding.

### **Proposed Transactions**

There are no proposed transactions as at the date of this MD&A.

**SCHEDULE "C"**

**AUDIT COMMITTEE CHARTER**

**(see attached)**

**NEPRA FOODS INC.**  
**CHARTER OF THE AUDIT COMMITTEE**

**PURPOSE AND PRIMARY RESPONSIBILITY**

1. This Charter sets out the Audit Committee’s purpose, composition, member qualification, member appointment and removal, responsibilities, operations, manner of reporting to the Board of Directors (the “**Board**”) of Nepra Foods Inc., (the “**Company**”), annual evaluation and compliance with this Charter.
2. The primary responsibility of the Audit Committee is that of oversight of the financial reporting process on behalf of the Board. This includes oversight responsibility for financial reporting and continuous disclosure, oversight of external audit activities, oversight of financial risk and financial management control, and oversight responsibility for compliance with tax and securities laws and regulations as well as whistle blowing procedures. The Audit Committee is also responsible for the other matters as set out in this Charter and/or such other matters as may be directed by the Board from time to time. The Audit Committee should exercise continuous oversight of developments in these areas.

**MEMBERSHIP**

1. If the Company is a “venture issuer”, as such term is defined under National Instrument 52-110 – Audit Committees (“**NI 52-110**”), at least a majority of the Audit Committee must be comprised of directors who are not executive officers, employees or control persons (a “**Non-Executive Director**”) of the Company or of an affiliate of the Company, provided that at any time the Board may deem it to be in the best interest of the Company to comply with the independence requirements set out in Section 2 hereof. Notwithstanding the foregoing, should the Company become listed on a more senior exchange, each member of the Audit Committee will also satisfy the independence requirements of such exchange.
2. If the Company is not a venture issuer, at least a majority of the Audit Committee must be comprised of independent directors of the Company as defined in sections 1.4 and 1.5 of NI 52-110, provided that should the Company become listed on a more senior exchange, each member of the Audit Committee will also satisfy the independence requirements of such exchange.
3. The Audit Committee will consist of at least three directors, all of whom shall be financially literate, provided that an Audit Committee member who is not financially literate may be appointed to the Audit Committee if such member becomes financially literate within a reasonable period of time following his or her appointment. Upon graduating to a more senior stock exchange, if required under the rules or policies of such exchange, the Audit Committee will consist of at least three directors, all of whom shall meet the experience and financial literacy requirements of such exchange and of NI 52-110.
4. The members of the Audit Committee will be appointed annually (and from time to time thereafter to fill vacancies on the Audit Committee) by the Board. An Audit Committee member may be removed or replaced at any time at the discretion of the Board and will cease to be a member of the Audit Committee on ceasing to be an independent director or a Non-Executive Director, as applicable.
5. The Chair of the Audit Committee will be appointed by the Board.

**AUTHORITY**

6. In addition to all authority required to carry out the duties and responsibilities included in this Charter, the Audit Committee has specific authority to:
  - (i) engage, set and pay the compensation for independent counsel and other advisors as it determines necessary to carry out its duties and responsibilities, and any such consultants or professional advisors so retained by the Audit Committee will report directly to the Audit Committee;

- (ii) communicate directly with management and any internal auditor, and with the external auditor without management involvement; and
- (iii) incur ordinary administrative expenses that are necessary or appropriate in carrying out its duties, which expenses will be paid for by the Company.

## **DUTIES AND RESPONSIBILITIES**

7. The duties and responsibilities of the Audit Committee include:

- (i) recommending to the Board the external auditor to be nominated by the Board;
- (ii) recommending to the Board the compensation of the external auditor to be paid by the Company in connection with (i) preparing and issuing the audit report on the Company's financial statements, and (ii) performing other audit, review or attestation services;
- (iii) reviewing the external auditor's annual audit plan, fee schedule and any related services proposals (including meeting with the external auditor to discuss any deviations from or changes to the original audit plan, as well as to ensure that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditor or the reporting of their findings to the Audit Committee);
- (iv) overseeing the work of the external auditor;
- (v) ensuring that the external auditor is independent by receiving a report annually from the external auditors with respect to their independence, such report to include disclosure of all engagements (and fees related thereto) for non-audit services provided to the Company;
- (vi) ensuring that the external auditor is in good standing with the Canadian Public Accountability Board by receiving, at least annually, a report by the external auditor on the audit firm's internal quality control processes and procedures, such report to include any material issues raised by the most recent internal quality control review, or peer review, of the firm, or any governmental or professional authorities of the firm within the preceding five years, and any steps taken to deal with such issues;
- (vii) ensuring that the external auditor meets the rotation requirements for partners and staff assigned to the Company's annual audit by receiving a report annually from the external auditors setting out the status of each professional with respect to the appropriate regulatory rotation requirements and plans to transition new partners and staff onto the audit engagement as various audit team members' rotation periods expire;
- (viii) reviewing and discussing with management and the external auditor the annual audited and quarterly unaudited financial statements and related Management Discussion and Analysis ("MD&A"), including the appropriateness of the Company's accounting policies, disclosures (including material transactions with related parties), reserves, key estimates and judgements (including changes or variations thereto) and obtaining reasonable assurance that the financial statements are presented fairly in accordance with IFRS and the MD&A is in compliance with appropriate regulatory requirements;
- (ix) reviewing and discussing with management and the external auditor major issues regarding accounting principles and financial statement presentation including any significant changes in the selection or application of accounting principles to be observed in the preparation of the financial statements of the Company and its subsidiaries;
- (x) reviewing and discussing with management and the external auditor the external auditor's written communications to the Audit Committee in accordance with generally accepted auditing standards and other applicable regulatory requirements arising from the annual audit and quarterly review engagements;

- (xi) reviewing and discussing with management and the external auditor all earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies prior to such information being disclosed;
- (xii) reviewing the external auditor's report to the shareholders on the Company's annual financial statements;
- (xiii) reporting on and recommending to the Board the approval of the annual financial statements and the external auditor's report on those financial statements, the quarterly unaudited financial statements, and the related MD&A and press releases for such financial statements, prior to the dissemination of these documents to shareholders, regulators, analysts and the public;
- (xiv) satisfying itself on a regular basis through reports from management and related reports, if any, from the external auditors, that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements that such information is fairly presented;
- (xv) overseeing the adequacy of the Company's system of internal accounting controls and obtaining from management and the external auditor summaries and recommendations for improvement of such internal controls and processes, together with reviewing management's remediation of identified weaknesses;
- (xvi) reviewing with management and the external auditors the integrity of disclosure controls and internal controls over financial reporting;
- (xvii) reviewing and monitoring the processes in place to identify and manage the principal risks that could impact the financial reporting of the Company and assessing, as part of its internal controls responsibility, the effectiveness of the over-all process for identifying principal business risks and report thereon to the Board;
- (xviii) satisfying itself that management has developed and implemented a system to ensure that the Company meets its continuous disclosure obligations through the receipt of regular reports from management and the Company's legal advisors on the functioning of the disclosure compliance system, (including any significant instances of non-compliance with such system) in order to satisfy itself that such system may be reasonably relied upon;
- (xix) resolving disputes between management and the external auditor regarding financial reporting;
- (xx) establishing procedures for:
  - 1. the receipt, retention and treatment of complaints received by the Company from employees and others regarding accounting, internal accounting controls or auditing matters and questionable practises relating thereto; and
  - 2. the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- (xxi) reviewing and approving the Company's hiring policies with respect to partners or employees (or former partners or employees) of either a former or the present external auditor;
- (xxii) pre-approving all non-audit services to be provided to the Company or any subsidiaries by the Company's external auditor;
- (xxiii) overseeing compliance with regulatory authority requirements for disclosure of external auditor services and Audit Committee activities;

(xxiv) establishing procedures for:

3. reviewing the adequacy of the Company's insurance coverage, including the Directors' and Officers' insurance coverage;
4. reviewing activities, organizational structure, and qualifications of the Chief Financial Officer ("CFO") and the staff in the financial reporting area and ensuring that matters related to succession planning within the Company are raised for consideration at the Board;
5. obtaining reasonable assurance as to the integrity of the Chief Executive Officer ("CEO") and other senior management and that the CEO and other senior management strive to create a culture of integrity throughout the Company;
6. reviewing fraud prevention policies and programs, and monitoring their implementation;
7. reviewing regular reports from management and others (e.g., external auditors, legal counsel) with respect to the Company's compliance with laws and regulations having a material impact on the financial statements including:
  - (I) Tax and financial reporting laws and regulations;
  - (II) Legal withholding requirements;
  - (III) Environmental protection laws and regulations; and
  - (IV) Other laws and regulations which expose directors to liability;

8. A regular part of Audit Committee meetings involves the appropriate orientation of new members as well as the continuous education of all members. Items to be discussed include specific business issues as well as new accounting and securities legislation that may impact the organization. The Chair of the Audit Committee will regularly canvass the Audit Committee members for continuous education needs and in conjunction with the Board education program, arrange for such education to be provided to the Audit Committee on a timely basis.

9. On an annual basis the Audit Committee shall review and assess the adequacy of this Charter taking into account all applicable legislative and regulatory requirements as well as any best practice guidelines recommended by regulators or stock exchanges with whom the Company has a reporting relationship and, if appropriate, recommend changes to the Audit Committee Charter to the Board for its approval.

## MEETINGS

10. The quorum for a meeting of the Audit Committee is a majority of the members of the Audit Committee.

11. The Chair of the Audit Committee shall be responsible for leadership of the Audit Committee, including scheduling and presiding over meetings, preparing agendas, overseeing the preparation of briefing documents to circulate during the meetings as well as pre-meeting materials, and making regular reports to the Board. The Chair of the Audit Committee will also maintain regular liaison with the CEO, CFO, and the lead external audit partner.

12. The Audit Committee will meet in camera separately with each of the CEO and the CFO of the Company at least annually to review the financial affairs of the Company.

13. The Audit Committee will meet with the external auditor of the Company in camera at least once each year, at such time(s) as it deems appropriate, to review the external auditor's examination and report.

14. The external auditor must be given reasonable notice of, and has the right to appear before and to be heard at, each meeting of the Audit Committee.

15. Each of the Chair of the Audit Committee, members of the Audit Committee, Chair of the Board, external auditor, CEO, CFO or secretary shall be entitled to request that the Chair of the Audit Committee call a meeting which shall be held within 48 hours of receipt of such request to consider any matter that such individual believes should be brought to the attention of the Board or the shareholders.

#### **REPORTS**

16. The Audit Committee will report, at least annually, to the Board regarding the Audit Committee's examinations and recommendations.

17. The Audit Committee will report its activities to the Board to be incorporated as a part of the minutes of the Board meeting at which those activities are reported.

#### **MINUTES**

18. The Audit Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

#### **ANNUAL PERFORMANCE EVALUATION**

19. The Board will conduct an annual performance evaluation of the Audit Committee, taking into account the Charter, to determine the effectiveness of the Committee.

**CERTIFICATE OF THE COMPANY**

Dated: June 28, 2021

This amended and restated prospectus (which includes the marketing materials included or incorporated by reference) constitutes full, true, and plain disclosure of all material facts relating to the securities offered by this amended and restated prospectus as required by the securities legislation of each of British Columbia, Alberta, and Ontario.

*“David Wood” (signed)*

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David Wood  
CEO and Director

*“Alex McAulay” (signed)*

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Alex McAulay  
CFO and Director

On Behalf of the Board of Directors

*“Chadwick White” (signed)*

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Chadwick White  
Director

*“Joel Leonard” (signed)*

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Joel Leonard  
Director



## CERTIFICATE OF PROMOTERS

Dated: June 28, 2021

This amended and restated prospectus (which includes the marketing materials included or incorporated by reference) constitutes full, true, and plain disclosure of all material facts relating to the securities offered by this amended and restated prospectus as required by the securities legislation of each of British Columbia, Alberta, and Ontario.

*“David Wood” (signed)*

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David Wood

*“Alex McAulay” (signed)*

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Alex McAulay

**CERTIFICATE OF THE AGENTS**

Dated: June 28, 2021

To the best of our knowledge, information and belief, this amended and restated prospectus (which includes the marketing materials included or incorporated by reference) constitutes full, true, and plain disclosure of all material facts relating to the securities offered by this amended and restated prospectus as required by the securities legislation of each of British Columbia, Alberta, and Ontario.

**CANACCORD GENUITY CORP.**

*“Jason Sleeth” (signed)*

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Jason Sleeth  
Managing Director, Capital Markets  
Origination