NEPRA FOODS INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(EXPRESSED IN CANADIAN DOLLARS)
(Unaudited)

NEPRA FOODS INC.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

As at	Notes		**June 30, 2021**		**December 31, 2020**
ASSETS					
Current assets					
Cash		$	178,007	$	492,976
Accounts and other receivables	**5, 18**		637,103		142,861
Prepaid expenses and deposits	**14**		25,603		97,859
Inventory	**5**		1,225,733		535,490
Due from related party	**11, 14**		9,194		8,689
			2,075,640		1,277,875
Long-term deposit	**8**		99,928		148,340
Property and equipment	**7, 14**		220,001		63,696
Right-of-use assets	**8**		2,368,587		22,958
Total assets		$	4,764,156	$	1,512,869
LIABILITIES AND SHAREHOLDERS' DEFICIENCY					
Current liabilities					
Accounts payable and accrued liabilities	**10, 14**	$	1,352,572	$	525,596
Loan payable – current portion	**11**		14,674		14,488
Lease liability – current portion	**10, 14**		39,187		13,927
Promissory note payable	**14**		198,320		203,888
Convertible notes	**12**		1,875,531		844,632
Due to related parties	**14**		5,499		-
			3,485,783		1,602,531
Lease liability	**9, 14**		2,453,848		12,714
Loans payable	**11, 14**		177,195		197,338
Total liabilities			6,116,826		1,812,583
Shareholders' deficiency					
Share capital	**13, 14**		1,312,612		829,358
Accumulated other comprehensive income			11,516		5,160
Deficit			(2,676,798)		(1,134,232)
Total shareholders' deficiency			(1,352,670)		(299,714)
Total liabilities and shareholders' deficiency		$	4,764,156	$	1,512,869

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 INC.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
For the three and six months ended June 30
(Expressed in Canadian Dollars)
(Unaudited)

	Notes	For the six months ended June 30, 2021		For the three months ended June 30, 2021	
		2021	2020	2021	2020
Revenue					
Sales	**17**	$ 3,060,820	$ 1,091,494	$ 1,686,323	$ 525,682
Consulting		129,678	50,480	63,837	26,202
		3,190,498	1,141,974	1,750,160	551,884
Cost of sales	**5, 6, 7**	2,566,851	887,342	1,413,818	415,576
		$ 623,647	254,632	$ 336,342	136,308
Expenses					
Accretion	**11**	717	437	353	437
Amortization	**7, 8**	123,086	871	61,477	443
Consulting		58,041	3,936	6,649	1,639
General and administrative		301,708	15,977	174,968	(2,459)
Interest expense		210,252	20,104	111,844	18,036
Professional fees	**14**	470,673	1,260	281,842	1,260
Research and development		60,837	14,873	30,788	4,495
Salaries and benefits	**14**	889,924	156,685	514,927	79,087
Travel		32,517	13,306	13,715	(1,020)
		2,147,755	227,449	1,196,563	101,918
Net income (loss) before other items		$ (1,524,108)	$ 27,183	$ (860,221)	$ 34,390
Other items					
Foreign exchange		4,520	-	4,641	-
Interest income	**8**	4,892	-	2,438	-
Change in fair value of convertible debt	**12**	24,037	-	277,336	-
Government grant income		-	44,569	-	44,569
Transaction expense	**16**	(51,907)	-	(51,907)	-
Net income (loss)		**$ (1,542,566)**	**$ 71,752**	**$ (627,713)**	**$ 78,959**
Other comprehensive income (items that may be reclassified to profit or loss)					
Exchange difference on translation between presentation and functional currencies		6,356	(28,246)	965	24,455
Comprehensive income (loss)		**$ (1,536,210)**	**$ 43,506**	**$ (626,748)**	**$ 103,414**
Income (loss) per share, basic and diluted		$ (0.14)	$ 0.06	$ (0.04)	$ 0.07
Weighted average number of shares outstanding, basic and diluted		11,087,631	1,170,282	14,926,676	1,170,282

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

NEPRA FOODS, INC.
Condensed Consolidated Interim Statements of Cash Flows
For the six months ended June 30, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited)

		2021		2020
Operating activities				
Net (loss) income	$	(1,542,566)	$	71,752
Adjustments for non-cash items				
Amortization		131,430		7,576
Accretion		717		437
Interest		187,060		4,523
Government grant income		-		(44,569)
Change in fair value of convertible debt		(24,037)		-
Transaction expense		51,907		-
Foreign exchange		(1,866)		-
Changes in non-cash working capital items:				
Accounts receivable		(501,253)		(47,598)
Prepaid expenses and deposits		65,133		3,400
Inventory		(702,844)		(42,160)
Accounts payable and accrued liabilities		824,878		119,702
Due to related party		(3,225)		(263,449)
Net cash used in operating activities		(1,514,666)		(190,386)
Investing activity				
Purchase of equipment		(172,404)		-
Cash acquired in reverse takeover		251		-
Net cash used in investing activity		(172,153)		-
Financing activities				
Proceeds from issuance of shares		443,642		-
Repayment of lease liability		(70,000)		(8,546)
Proceeds from loans		-		210,330
Loan repayments		(9,645)		-
Proceeds from convertible debt		1,049,519		-
Net cash provided by financing activities		1,413,516		201,784
Change in cash		(273,303)		11,398
Effect of change in foreign exchange rates on cash		(41,666)		(4,849)
Cash, beginning		492,976		17,462
Cash, ending	$	178,007	$	24,013

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 INC.
Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency
For the six months ended June 30, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited)

	Share capital			Accumulated other comprehensive income (loss)	Deficit	Total shareholders' deficiency
	Common Shares*	Class A Shares*	Amount			
Balance, December 31, 2019	**1,073,653**	**96,629**	**$ 1**	**$ 2,638**	**$ (592,210)**	**$ (589,571)**
Currency translation adjustment	-	-	-	(28,246)	-	(28,246)
Net income	-	-	-	-	71,752	71,752
Balance, June 30, 2020	**1,073,653**	**96,629**	**$ 1**	**$ (25,608)**	**$ (520,458)**	**$ (546,065)**
Balance, December 31, 2020	**3,655,711**	**273,468**	**$ 829,358**	**$ 5,160**	**$ (1,134,232)**	**$ (299,714)**
Shares issued for settlement of debt	997,426	-	39,361	-	-	39,361
Shares issued in private placement	9,999,971	-	443,642	-	-	443,642
Reverse takeover	100	-	251	-	-	251
Currency translation adjustment	-	-	-	6,356	-	6,356
Net loss	-	-	-	-	(1,542,566)	(1,542,566)
Balance, June 30, 2021	**14,653,208**	**273,468**	**$ 1,312,612**	**$ 11,516**	**$ (2,676,798)**	**$ (1,352,670)**

** The number of shares outstanding before the RTO have been restated to reflect the effect of issuing 0.873288 RTO share for each share outstanding.*

1. Nature of Operations and Going Concern

Nepra Foods Inc. ("Nepra" or the "Company") was incorporated on November 27, 2020 under the provisions of the under the British Columbia Business Corporations Act. 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 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.

On April 16, 2021, the Company completed the reverse take over ("RTO") of Nepra Foods, Ltd ("Nepra US"). Nepra US 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, Nepra US converted from a LLC to a corporation. These condensed consolidated interim financial statements are presented as a continuation of Nepra US as the deemed acquirer (Note 16).

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 six months ended June 30, 2021, the Company had negative cash flows from operations of $1,514,666, and as at June 30, 2021, had working capital deficiency and an accumulated deficit of $1,410,143 and $2,676,798 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. These condensed consolidated 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.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 30, 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, Nepra Foods, Ltd., incorporated August 15, 2019, Gluten Free Baking Solutions, LLC ("GFBS"), incorporated on August 10, 2016, and Total Blending Solutions, Ltd. ("TBS"), incorporated on November 25, 2019.

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.

(Expressed in Canadian Dollars)

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.

5. Accounts receivable

		June 30, 2021		**December 31, 2020**
Accounts receivable	$	638,963	$	144,871
Expected credit losses		(1,860)		(2,010)
Net accounts receivable	$	**637,103**	**$**	**142,861**

6. Inventory

Inventory consists primarily of raw materials and finished goods.

		June 30, 2021		**December 31, 2020**
Raw materials	$	140,920	$	101,335
Work-in-progress		79,998		16,251
Finished goods		1,004,815		417,904
	$	**1,225,733**	**$**	**535,490**

7. Property and Equipment

		Furniture and equipment		**Warehouse equipment**		**Leasehold improvements**		**Total**
Cost								
Balance, December 31, 2019	$	8,474	$	-	$	-	$	8,474
Additions		-		62,679		-		62,679
Foreign exchange adjustment		(336)		-		-		(336)
Balance, December 31, 2020	**$**	**8,138**	**$**	**62,679**	**$**	**-**	**$**	**70,817**
Additions		41,159		89,369		41,876		172,404
Foreign exchange adjustment		(478)		(2,266)		(260)		(3,004)
Balance, June 30, 2021	**$**	**48,819**	**$**	**149,782**	**$**	**41,616**	**$**	**240,217**

(Expressed in Canadian Dollars)

7. Property and Equipment (cont'd)

Accumulated Amortization								
Balance, December 31, 2019	$	3,486	$	-	$	-	$	3,486
Amortization		1,712		2,354		-		4,066
Foreign exchange adjustment		(316)		(115)		-		(431)
Balance, December 31, 2020	**$**	**4,882**	**$**	**2,239**	**$**	**-**	**$**	**7,121**
Amortization		2,890		8,638		1,845		13,373
Foreign exchange adjustment		(150)		(116)		(12)		(278)
Balance, June 30, 2021	**$**	**7,622**		**10,761**		**1,833**		**20,216**
Net Book Value								
At December 31, 2020	$	3,256	$	60,440	$	-	$	**63,696**
At June 30, 2021	**$**	**41,197**	**$**	**139,021**	**$**	**39,783**	**$**	**220,001**

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:

At December 31, 2020	**$**	**148,340**
Adjustment to fair value		(50,001)
Interest income		4,884
Foreign exchange adjustment		(3,295)
At June 30, 2021	**$**	**99,928**

(Expressed in Canadian Dollars)

8. Right-of-use Assets (cont'd)

The Company's right-of-use asset consists of a lease for equipment and a lease for a building.

Right-of-use asset		Equipment		Building		Total
At December 31, 2019	**$**	**36,246**	**$**	**-**	**$**	**36,246**
Additions		-		231,975		231,975
Amortization expense		(13,170)		(27,106)		(40,276)
Derecognition		-		(206,200)		(206,200)
Foreign exchange adjustment		(118)		1,331		1,213
At December 31, 2020	**$**	**22,958**	**$**	**-**	**$**	**22,958**
Additions		-		2,509,395		2,509,395
Amortization expense		(6,128)		(118,351)		(124,479)
Foreign exchange adjustment		(589)		(38,698)		(39,287)
At June 30, 2021	**$**	**16,241**	**$**	**2,352,346**	**$**	**2,368,587**

A portion of the amortization of equipment and building right-of-use assets is included in the cost of inventory.

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 $70,000 in 2021 (2020 – $8,546).

The Company's lease liability is as follows:

Lease liability		June 30, 2021		December 31, 2020
Current portion	$	39,187	$	13,927
Long-term portion		2,453,848		12,714
Total lease liability	$	**2,493,035**	**$**	**26,641**

The consolidated statement of loss and comprehensive loss shows the following amounts relating to leases:

		June 30, 2021		June 30, 2020
Amortization charge of equipment right-of-use assets	$	6,128	$	6,704
Amortization charge of building right-of-use assets		118,351		-
Interest expense		124,475		1,965
	$	**248,954**	**$**	**8,669**

(Expressed in Canadian Dollars)

9. Leases (cont'd)

The Company is committed to minimum lease payments as follows:

Maturity analysis		**June 30, 2021**		**December 31, 2020**
Less than one year	$	258,029	$	15,964
One year to five years		1,551,079		13,303
More than five years		2,233,891		-
Total undiscounted lease liabilities	$	**4,042,999**	**$**	**29,267**

10. Accounts Payable and Accrued Liabilities

		June 30, 2021		**December 31, 2020**
Trade payables	$	1,174,797	$	462,518
Accrued liabilities		177,775		63,078
	$	**1,352,572**	**$**	**525,596**

11. Loans Payable

a) On May 16, 2020 ("date of advance"), GFBS received a loan for gross proceeds of $210,330 (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) 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 Company received an additional USD$3,000 (CAD$4,206) for total proceeds of USD$153,000 (CAD$214,536). As at June 30, 2021, accrued interest of USD$7,553 (USD $6,094) is recorded in accounts payable and accrued liabilities.

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.

(Expressed in Canadian Dollars)

11. Loans Payable (cont'd)

The balance outstanding at June 30, 2021 is as follows:

Balance, December 31, 2019	$	-
Principal balance		210,330
Assistance 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)
Balance, December 31, 2020	$	**144,117**
Accretion		717
Foreign exchange adjustment		(3,941)
Balance, June 30, 2021	$	**140,893**

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
Balance, December 31, 2020	**$**	**59,524**
Loan repayments		(9,566)
Interest		2,680
Foreign exchange adjustment		(1,662)
Total loan balance		50,976
Less current portion		(14,674)
Non-current balance, June 30, 2021	$	**36,302**

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 June 30, 2021 was $5,499 (2020 – $8,185). See Note 14.

12. Convertible Notes

On March 3, 2021, Nepra Foods Ltd. closed the second tranche of the Series I convertible note financing and issued US$341,000 (CAD$439,396) 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 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 the greater of 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.

On April 2, 2021, Nepra Foods Ltd. closed the Series II convertible note financing and issued US$295,000 (CAD$380,123) of convertible notes bearing interest at 8% annually. The convertible notes mature on April 2, 2023 and are secured by a floating charge on all assets of the Company. If 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 the greater 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.

On June 11, 2021, the Company closed the Series III convertible note financing and issued CAD$230,000 of convertible notes bearing interest at a rate of 9% annually and maturing on June 11, 2022. The convertible notes are secured by a floating charge on all 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 common shares at the greater 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. 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 notes, if the common shares are trading on a stock exchange in Canada or the United States and the closing price of the common shares is equal to or greater than CAD$0.60 for a period of ten (10) consecutive trading days, the Company can convert the principal amount plus accrued and unpaid interest to the date of maturity into common shares at the greater of the issuance price under the Qualified Public Offering or CAD $0.10 by providing the holder not less than ten (10) days' prior written notice.

The fair value of the Series III convertible notes as at June 30, 2021 was determined to be its transaction value. The fair value of the Series I and Series II convertible note were estimated to have decreased based the estimated fair value of Series III tranche and the future discounted cashflows.

(Expressed in Canadian Dollars)

12. Convertible Notes (cont'd)

Balance at December 31, 2019	$	**-**
Proceeds		849,143
Interest		5,131
Foreign exchange adjustment		(9,642)
Balance at December 31, 2020	$	**844,632**
Proceeds		1,049,519
Interest		59,905
Change in fair value		(24,037)
Foreign exchange adjustment		(54,488)
Balance at June 30, 2021	$	**1,875,531**

13. Share Capital

On April 16, 2021, the Company completed the RTO of Nepra US. As the financial statements are considered a continuance of the operations of Nepra US and due to the reverse takeover, all of the share numbers and share prices in these financial statements have been adjusted, on a retroactive basis, to reflect this exchange.

Authorized capital
The Company is authorized to issue unlimited common shares and unlimited Class A common shares with no par value.

Issued capital
During the six months ended June 30, 2021:
- On February 24, 2021, the Company issued 997,426 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 9,999,971 common shares for proceeds of US$350,000 (CAD$443,642).
- On April 16, 2021, 100 common shares were issued in connection with the RTO between the Company and Nepra US (Note 16)

During the six months ended June 30, 2020:
There was no share capital activity during the six months ended June 30, 2020.

14. Related Party Transactions

a) Due to related parties
As at June 30, 2021, included in due from related parties is $9,194 (2020 - $8,688) due from directors of the Company. The amount is unsecured, non-interest bearing and due on demand.

As at June 30, 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.

14. Related Party Transactions (cont'd)

As at June 30, 2021, included in accounts payable and accrued liabilities is $Nil (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 June 30, 2021, included in accounts payable and accrued liabilities is $125,074 (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 June 30, 2021, included in accounts payable and accrued liabilities is $28,354 (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 June 30, 2021, included in accounts payable and accrued liabilities is $32,145 (2020 – $Nil) 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 June 30, 2021, included in accounts payable and accrued liabilities is $Nil (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 June 30, 2021, included in accounts payable and accrued liabilities is $167,221 (2020 – $19,115) due to the estate of a former officer of the Company. The amount consists of salary owed and is unsecured, non-interest bearing and due on demand.

During the six months June 30, 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 June 30, 2021 was $5,499 (2020 - $8,185).

As at June 30, 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 June 30, 2021 was $198,319 (2020 - $203,888). Interest of $19,956 (2020 – 10,983) for the promissory note was charged and included in the accrued liabilities balance. Interest charged on the revolving loan during the six months ended June 30, 2021 was $9,734 (2020 - $Nil).

(Expressed in Canadian Dollars)

14. Related Party Transactions (cont'd)

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:

For the six months ended June 30,		**2021**		**2020**
Salaries and benefits	$	231,973	$	29,469
Termination benefits		167,332		-
	$	**399,305**	**$**	**29,469**

Other transactions

During the six months ended June 30, 2021, the Company settled debt owing to a company controlled by the CFO of $39,361 in exchange for 997,426 common shares of the Company.

During the six months ended June 30, 2021, the Company was charged USD$6,264 (CAD$7,764) (2020 – USD$3,132 or CAD$4,156) in lease payments for equipment by a company controlled by the CEO and Director.

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.

		For the six months ended June 30, 2021		**For the six months ended June 30, 2020**
Cash paid for interest	**$**	23,192	**$**	15,581
Shares issued for reverse takeover		251		-
Lease payments in accrued liabilities		7,813		-
Cash paid for income taxes		-		-
Fair value of shares issued for debt settlement	**$**	39,361	**$**	-

(Expressed in Canadian Dollars)

16. Reverse Takeover Transaction of Nepra Foods Inc.

On April 6, 2021, Nepra US entered into a share exchange agreement (the "Share Exchange Agreement") with the Company, whereby the Company will acquire all of the issued and outstanding shares Nepra US from Nepra US's shareholders ("the "Shareholders") in exchange for certain shares in the capital of the Company. Pursuant to the agreement, the Nepra US's shareholders will receive securities of the Company on the following basis:

(i) U.S. Shareholders will receive 56.5082 common shares of the Company. for each 1 share of Nepra US with respect to 10% of the shares of Nepra US held by each U.S Shareholder and 0.565082 of a Class A common share of the Company for each 1 share of Nepra US with respect to 90% of the shares of Nepra US held by each U.S. Shareholder, and
(ii) Each non-U.S. Shareholder will receive 56.5082 Common Shares of the Company for each 1 share of Nepra US.

On April 15, 2021, the Share Exchange Agreement closed and Nepra US became a wholly-owned subsidiary of the Company. On April 16, 2021, an aggregate of 14,653,108 shares and 273,468 Class A common shares of the Company were issued to the shareholders of Nepra US in exchange for their 743,254 shares in Nepra US.

As a result of the acquisition, Nepra US is deemed to be the acquirer for accounting purposes and therefore the RTO has been accounted for as if Nepra US issued its own shares to acquire the shares of the Company through the issuance of 14,653,108 common shares at an estimated value of $2.51 per share. As Nepra US is deemed to be the acquirer for accounting purposes, its assets, liabilities and operations will be included in the consolidated financial statements at their historical carrying value. The Company's results of operations have been included from the RTO effective date. Nepra US's operations are considered to be a continuance of the business and operations.

At the time of the RTO, the Company did not constitute a business as defined under IFRS 3 – *Business Combinations*; therefore, the RTO is accounted for under IFRS 2 – *Share-based payments*, 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 and is calculated as follows:

Consideration:		
Fair value of shares retained by former Nepra shareholders (100 shares)	$	251
Fair value of net assets assumed:		
Cash		251
Accounts payable and accrued liabilities		(51,907)
Net identifiable assets acquired		(51,656)
Transaction expense	$	51,907

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, 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 six months ended June 30, 2021.

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, polices and processes for managing those risks or the methods used to measure them from previous reported periods unless otherwise stated in the note.

18. Financial Instruments and Risk Management (cont'd)

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 June 30, 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.

(Expressed in Canadian Dollars)

18. Financial Instruments and Risk Management (cont'd)

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:

		June 30, 2021		December 31, 2020
1 – 60 days	$	591,659	$	96,343
61 - 90 days (past due)		437		34,289
Over 90 days (past due)		46,867		14,239
Provision for expected credit losses		(1,860)		(2,010)
Total	$	637,103	$	142,861

The Company is exposed to increased credit risk due to major customers that comprise 10% or more of revenue. For the six months ended June 30 2021 and 2020, the following revenue was recorded from major customers:

Amount of revenue from major customers		June 30, 2021		June 30, 2020
Customer A	$	1,119,929	$	350,936
Customer B	$	1,001,862	$	297,147
Customer C	$	-	$	249,725

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.

(Expressed in Canadian Dollars)

18. Financial Instruments and Risk Management (cont'd)

		Within one year		Between one and five years		More than five years
Accounts payable and accrued liabilities	$	1,352,572	$	-	$	-
Loans payable		14,674		177,195		-
Lease liability		39,187		1,551,079		2,233,891
Promissory note payable		198,320		-		-
Convertible notes		1,875,531		-		-
Due to related parties		5,499		-		-
	$	3,486,783	$	1,728,274	$	2,233,891

d) Basis of Fair Value

	Level		June 30, 2021		December 31, 2020
FINANCIAL ASSETS					
FVTPL					
Cash	1	$	178,007	$	492,976
Other assets, at amortized cost					
Accounts receivable			637,103		142,861
Long-term deposit			99,928		148,340
Due from related party			9,194		8,689
Total financial assets		$	924,232	$	792,866
FINANCIAL LIABILITIES					
FVTPL					
Convertible notes	3		1,875,531		844,632
Other liabilities, at amortized cost					
Accounts payable and accrued liabilities			1,352,572		525,596
Loans payable			191,869		211,826
Lease liability			2,493,035		26,641
Promissory note payable			198,320		203,888
Due to related parties			5,499		-
Total financial liabilities		$	6,116,826	$	1,812,583

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)

18. Financial Instruments and Risk Management (cont'd)

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.

The Company derives the fair value of the convertible debentures by comparing the estimated fair value of Series III tranche and the future discounted cashflows using the effective interest rate of the Series III tranche. A 10% increase in the effective interest rate would result in an increase in the fair value of the convertible debentures of $48,090. A 10% decrease in the effective interest rate would result in a decrease in the fair value of convertible debentures of $48,090.