

**Neptra Foods Inc.**  
**Management Discussion and Analysis**  
**For the years ended December 31, 2021 and 2020**  
**(expressed in Canadian Dollars)**

**May 3, 2022**

The following management discussion and analysis (MD&A) of the Company's financial condition and results of operations for the year ended December 31, 2021 should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2021 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"). All currency amounts are expressed in Canadian dollars, unless otherwise noted.

Neptra Foods Inc. is classified as a "venture issuer" for the purposes of National Instrument 51-102. This MD&A was approved by the directors on May 3, 2022.

**Disclaimer**

Certain statements in this report are forward-looking statements which reflect management's expectations regarding future growth, results of operations, performance, business prospects and opportunities such as intended work programs on existing properties, the Company's ability to meet financial commitments and its ability to raise funds when required. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations, or intentions regarding the future. When used in this MD&A, such information uses such words as "may", "would", "could", "will", "intend", "predict", "aim", "seek", "potential", "expect", "believe", "plan", "anticipate", "estimate" or the negative of these terms, or other similar expressions intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that may cause actual results, performance, or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits the Company will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions only as of the date of this report. These assumptions, which include management's current expectations, the global economic environment, and the Company's ability to manage its operating costs, may prove to be incorrect. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual realities to differ materially from those contained in any forward-looking statements. There is a significant risk that such forward-looking statements or information will not prove to be accurate. No forward-looking statement is a guarantee of future results. Several risks and uncertainties could cause actual results to differ materially from those expressed or implied by the forward-looking statements.

The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking

information contained in this MD&A. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

## Nature of Business

Neptra Foods Inc. (“Neptra” or “the Company”) was incorporated on November 27, 2020 under the provisions of the British Columbia Business Corporations Act. The Company operates as a vertically integrated healthy plant-based food and specialty 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. The Company’s Common Shares are listed for trading on the Canadian Securities Exchange (“CSE”) under the symbol “NPRA” and began trading on September 20, 2021. The Common Shares are also listed on the OTCQB under the trading symbol “NPRFF” and on the FSE under the trading symbol “2P6”.

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

The Company’s wholly owned subsidiaries include Neptra 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.

On June 30, 2020, the Company completed a reorganization with GFBS and Gluten Free Sprouting and Malting, LLC (“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. GFSM dissolved on December 31, 2020.

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 according to the United States Food and Drug Administration (“FDA”) and the Food Allergen Labeling and Consumer Protection Act of 2004, Public Law 108-282, Title II, as amended (“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”), (iv) plant-based baked goods, snacks, and spreads (“Plant-Based Baked Goods, Snacks and Spreads”) and (v) plant-based ready-to-eat meals (“Plant-Based Meals”). 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, twelve (12) Plant-Based Baked Goods, Snacks and Spreads SKUs and five (5) Plant-Based Meals SKUs.

During the year ended December 31, 2021, the Company focused on its sale and processing of specialty ingredients.

## Operational Updates

After the initial public offering (“IPO”) in which the Company raised gross proceeds of \$7,474,629 in late September 2021, Nepra’s operations have experienced a significant capacity expansion during the quarter ended December 31, 2021 of its hemp flour and oil processing line, as well as the establishment of additional revenue streams resulting from its procurement and installation of new ingredients and food production manufacturing equipment.

### *Hemp Flour and Oil Production*

Investments in labor, industrial hemp seed inventory, and various manufacturing equipment, including automation, packaging, bottling, and storage have enabled Nepra to increase its allergen-free hemp flour production capacity by 400% to produce 1,500 pounds of finished product per day. A joint product of the hemp product flour line is the production of cold-pressed hemp heart oil. Current inventories of hemp heart oil are estimated at 10,000 gallons with several strategic customers currently sampling for purchase, including a club store retailer, a private label of salad dressings made from Nepra’s proprietary cold-pressed virgin hemp oil. Nepra produces its refined hemp oil using a cold process to preserve the natural omegas, yielding an extra fresh oil that is vibrant, golden, and well-balanced for blending into a wide variety of clean label dressings, including Creamy Italian, Balsamic Vinaigrette, Citrus Thai, and Creamy Caesar. The anticipated volume agreement is estimated to generate initial orders totaling up to 20,000 gallons of dressings per month to be sold in large retail chains across the United States.

In preparation for further expansion, the Company is planning to double its hemp seed pressing operation with new equipment and intends to hire additional production staff with the aim of reaching a throughput target of 2,500 pounds of flour produced per day by the end of 2022. Nepra recently added a second Canadian supplier of industrial hemp seeds to its supply chain to lower input costs and improve its supply chain resilience.

The Company has also begun discussions to potentially invest in industrial hemp seed production in the U.S. which could result in the direct-farming of a Nepra proprietary strain of industrial hemp plant that may produce larger and more balanced seeds to meet Nepra’s specific manufacturing requirements.

### *Wholesale Ingredients*

In support of Nepra’s intention to double its wholesale specialty ingredients business in 2022, the Company has invested in increasing its inventory, expanding its supply chain, and engaging in strategic partnerships. In February 2022, the Company entered into a strategic arrangement with Sarda Bio

Polymers Pvt. Ltd. (“Sarda”), an Indian ingredients manufacturer, and paid USD\$550,000 as a pre-payment for an aggregate of 54 metric tons of 99% hemp protein isolate to be delivered by Sarda between April and October 2022. The Company’s pre-payment is expected to allow Sarda to invest in additional equipment for its facilities in order to enable Sarda to meet the delivery expectations to the Company, which will enable the Company to expand research and production of its proprietary plant-based egg white replacement powder called ProCell™. This arrangement is anticipated to allow Nepra to market its allergen-free egg white replacement to commercial bakeries seeking to completely remove allergens from their operations by using a plant-based alternative that provides similar functionality as conventional egg white powders, including structure and foaming capability. This expansion, which entails capacity ownership in perpetuity will allow Nepra Foods to market this unique allergen-free egg white replacement to existing customers and commercial bakeries that are seeking to remove allergens from their operation facilities by using a plant-based alternative. Unlike current plant-based liquid egg replacements, Nepra’s is specifically designed for commercial baking, providing an interchangeable functionality compared to conventional egg white powders, including the structure and foaming capabilities to produce all baked goods, even meringues and soufflés.

The egg white powder market has long been plagued by fluctuating supplies of conventional eggs and increasing demand from commercial food manufacturers for allergen-free alternatives. The Company’s investment and strategic partnership is expected to enable the Company to begin sampling its plant-based product in Q2 2022 to wholesale customers with a plan for a full product launch in Q3 2022. As a result of Nepra’s investment in capacity expansion, the Company’s plant-based allergen-free egg white powder inventories are expected to climb to 35MT in 2022 with further expansion to 54MT in early 2023. The additional manufacturing capacity in India is expected to grow Nepra’s rapidly expanding wholesale ingredients business currently based in Centennial, Colorado.

Another exciting development is Nepra’s strategic partnership in Thailand to expand its wholesale ingredients blending capacity and strengthen its global supply chain for specialty ingredients originating in southeast Asia. This strategic partnership will allow Nepra to double its existing blending capacity and create a more reliant supply of specialty ingredients, including our highly sought-after Essential Bases and Essential Blends made from tapioca starches and cassava flours used in the commercial baking industry to produce allergen-free baked goods. The Company believes the specialty ingredients market is a rapidly growing segment driven by the demand for plant-based ingredients and foods that are allergen-free and perform like conventional wheat-based ingredients and consumer packaged goods containing gluten.

#### *Consumer Packaged Goods*

In October 2021, the Company added Plant-Based Meals to its product offerings through the introduction of PROPASTA™ ready-to-eat meals, which utilizes the Company’s proprietary plant-based meat analogues and pasta. Since initial introduction, the Company has expanded its PROPASTA™ Plant-Based Frozen Meals product line to include five (5) SKUs. Nepra invested in its pilot line operations to enable the rapid scale up of PROPASTA™ in time for Natural Foods Expo West, the largest plant-based trade show which was held in Anaheim, California in early March 2022. Nepra’s PROPASTA™ brand officially launched at the expo, generating interest from retail chains, private-label brands, and online distributors. Nepra’s team of food scientists and expert chefs created three market-launch SKUs, including Spaghetti and Meatballs, Ricotta Filled Raviolis with Marinara, and Macaroni and Cheese to demonstrate the versatility of using

hemp proteins to create state-of-the-art pasta, meat-analogs, and dairy-free cheeses. Initial commercial production of PROPASTA™ began in April 2022.

One of the largest and most strategic investments made by Nepra after its IPO was the purchase of a plant-based protein texturizer to produce its meat analogs. This equipment, currently installed and being made ready for production, is expected to be able to produce up to 800,000 pounds of textured hemp protein (THP™) annually. Nepra plans to use up to 300,000 pounds of THP™ product in its PROPASTA™ consumer packaged ready-to-eat frozen meals and intends to sell the remainder to institutional customers, including restaurant chains, schools, and hospitals.

Food manufacturing equipment, including a pasta machine, meatball maker, blast freezer, marinara kettle, packaging, and a walk-in freezer for storage is now installed and operational. The Company anticipates producing 500 units per day in-house before transitioning to a large-scale contract manufacturer. Internal production would be used to market to grocers and will be available online for direct-to-consumer purchase. Additional revenue opportunities exist with institutional customers interested in purchasing Nepra's high-protein hemp pasta and THP™ meatballs in bulk. Initial production of THP™ began in April 2022.

## Overall Performance

The key factors pertaining to the Company's overall performance for the year ended December 31, 2021 are as follows:

The Company recorded revenue of \$6,052,109 for the year ended December 31, 2021, as compared to revenue of \$2,855,386 for the year ended December 31, 2020. Revenue from the processing and sale of specialty ingredients increased by \$3,179,965 from \$2,741,811 in 2020 to \$5,921,776 in 2021. This increase is primarily attributed to a higher sales volume of specialty starch products to existing customers. Revenue from consulting increased by \$16,758 from \$113,575 in 2020 to \$130,333 in 2021 as a result of new customer acquisitions.

The net loss for the year ended December 31, 2021 was \$6,679,869 compared to \$542,022 for the year ended December 31, 2020. The higher net loss in 2021 was largely due to higher consulting expense of \$1,816,208 in 2021 (2020 - \$5,604), higher salaries and benefit costs of \$1,802,930 in 2021, (2020 - \$413,521), and higher general and administrative costs of \$991,048 in 2021 (2020 - \$84,391). These amounts were partially offset by a higher gross profit which increased by \$188,124 from \$564,962 in 2020 to \$753,086 in 2021.

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 \$6,194,306 mainly due to the increase in inventory of \$1,257,100, increase in salaries due to expanded operations and termination benefits paid to the estate of the late Robert Hopp, increases in consulting, professional, and general and administrative expenses, as well as research and development of new potential products.

Working capital increased as at December 31, 2021 to \$3,237,628 from a deficit of \$324,656 as at December 31, 2020. Working capital increased mostly due to the funds raised from private placement financings, shares sold under the Company's initial public offering, and the issuance of convertible notes. The Company also transferred its promissory note balance that was due in 2021 to its revolving loan

facility, maturing in 2025, with Robert G. Wood and Company Inc., a Company controlled by David Wood, CEO and Director. See also the Liquidity and Capital Resources discussion below.

## Going Concern

During the year ended December 31, 2021, the Company had negative cash flows from operations of \$6,616,436, and as at December 31, 2021, had an accumulated deficit of \$7,814,101. 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>2021</b>		<b>2020</b>		<b>2019</b>
Total assets	\$	7,917,762	\$	1,512,869	\$ 347,323
Total revenues		6,052,109		2,855,386	1,639,501
Total non-current financial liabilities		2,832,133		210,052	27,215
General and administrative expenses		991,048		84,391	51,933
Net loss		(6,679,869)		(542,022)	(217,180)
Basic and diluted net loss per unit		(0.35)		(0.33)	(0.20)
Comprehensive loss		(6,760,310)		(539,500)	(195,303)
Basic and diluted comprehensive loss per unit	\$	(0.35)	\$	(0.33)	\$ (0.20)

(1) Based on weighted average number of shares issued and outstanding for the period.

## Results of Operations for the years ended December 31, 2021 and 2020

### Revenue

For year ended December 31, 2021, the Company generated total revenues of \$6,052,109, an increase of \$3,196,723 compared to revenue of \$2,855,386 for the year ended December 31, 2020. Revenue from the year ended December 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 by \$3,179,965 from \$2,741,811 in 2020 to \$5,921,776 in 2021 and is primarily attributed to an increase in the sales volume of specialty starch products to existing customers. Revenue from consulting increased by \$16,758 from \$113,575 in 2020 to \$130,333 in 2021 resulting from new customer acquisitions.

### Cost of sales and gross profit

For the year ended December 31, 2021, the Company's costs of sales and gross profit were \$5,229,023 and \$753,086 respectively, compared to \$2,290,424 and \$564,962 respectively, for the year ended December 31, 2020. Gross profit margin decreased from 20% in 2020 to 12% in 2021. The decrease in gross profit margin was largely due to significantly higher international shipping costs for specialty ingredients stemming from COVID-19 related supply chain and transportation issues.

### Expenses

Amortization expense increased by \$225,746 from \$28,818 in 2020 to \$254,564 in 2021. This increase is due to amortization on the right-of-use asset created as a result of entering into the lease agreement for the Centennial, Colorado facility which commenced on January 1, 2021.

Consulting fees expense increased by \$1,810,604 from \$5,604 in 2020 to \$1,816,208 in 2021. This increase is attributed to consulting and marketing expenses in relation to the initial public offering which was completed on September 17, 2021.

General and administrative costs for the years ended December 31, 2021 and 2020 can be summarized as follows (in Canadian Dollars):

<b>For the year ended</b>	<b>2021</b>	<b>2020</b>	<b>Change \$</b>	<b>Change %</b>
Advertising and promotion	\$ 375,686	\$ 9,270	\$ 366,416	3,953%
Insurance expense	74,827	18,743	56,084	299%
Meals and entertainment	9,200	3,823	5,377	141%
Office and miscellaneous expense	249,200	51,268	197,932	386%
Rent	213,657	-	213,657	100%
Repairs and maintenance	3,939	1,287	2,652	206%
Shareholder communication	26,032	-	26,032	100%
Subscriptions and Dues	17,247	-	17,247	100%
Utilities	21,260	-	21,260	100%
<b>Total G&amp;A</b>	<b>\$ 991,048</b>	<b>\$ 84,391</b>	<b>\$ 906,657</b>	<b>1,074%</b>

Total general and administrative expenses increased by \$906,657 compared to the prior year. This is due to an increase of \$366,416 in advertising and promotion related to brand and website development, presentations, and preparation for Expo West which was held in Anaheim, California in early March 2022, as well as an increase in rent of \$213,657 due to the variable costs related to the leased facility in Centennial, Colorado, and equipment rentals. There was also a \$197,932 increase in office and miscellaneous due to expanded operations and going public on the CSE.

Professional fees increased by \$642,601 from \$70,740 in 2020 to \$713,341 in 2021. The increase is mostly a result of fees associated with the preparation and execution of the initial public offering completed on September 17, 2021, more operational activity and growth of the Company, the reverse takeover that occurred on April 16, 2021 and work completed in 2021 to reflect the corporate reorganization that occurred in 2020.

Research and development costs increased by \$114,517 from \$41,095 in 2020 to \$155,612 in 2021. The increase is attributed to the Company's efforts to develop new product offerings such as new PROPASTA™, textured hemp protein (THP™), and plant-based egg white powder products.

Salaries and benefits increased by \$1,389,409 from \$413,521 in 2020 to \$1,802,930 in 2021. The increase is attributed to hiring additional operations staff and filling key leadership, sales, and operations positions to facilitate the Company's scaling, including the hiring of John Maculley as COO. In addition, the Company was required to pay the estate of the late Robert Hopp (former President and COO) termination benefits upon his passing.

Share-based payments increased by \$290,596 from \$428,541 in 2020 to \$719,137 in 2021. The increase is due to the Company granting restricted share units to new members of management and employee stock options.

Travel expense increased by \$66,163 from \$23,814 in 2020 to \$89,977 in 2021. This increase is mostly due to higher domestic and international travel required to support investor relations activities.

Finance costs increased by \$335,415 from \$67,538 in 2020 to \$402,953 in 2021. This increase is largely due to interest expense on the lease liability created as a result of entering into the lease agreement for the new Centennial, Colorado facility which commenced on January 1, 2021.

## Summary of Quarterly Results

The following financial data was derived from the eight most recently completed financial quarters:

	<b>December 31, 2021</b>	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>March 31, 2021</b>
Revenue	1,659,670	\$1,201,941	\$1,750,160	\$1,440,338
Income (loss) for the period	(\$3,514,851)	(\$1,622,452)	(\$627,713)	(\$914,853)
Loss per share - basic and diluted	(\$0.10)	(\$0.09)	(\$0.04)	(\$0.13)
Weighted average number of shares outstanding	36,575,023	17,886,837	14,926,676	7,205,947



	<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

Revenue increased for the three months ended December 31, 2021 from \$1,201,941 for the three months ended September 30, 2021 to \$1,659,670. The increase in revenue is attributable to increases in sales of processed products in the period. Net loss increased from the prior quarter from \$1,622,452 to \$3,514,851. The increase in net loss is attributable to an increase in share-based payments of \$599,172 in the three months ended December 31, 2021, compared to \$119,965 in the three months ended September 30, 2021. The increase in share-based payments is due to the issuance of restricted share units and vesting of previously issued employee stock options.

Revenue decreased for the three months ended September 30, 2021 from \$1,750,160 for the three months ended June 30, 2021 to \$1,201,941. The decrease in revenue is attributable to increases in sales of processed products in the period. Net loss increased from the prior quarter from \$627,713 to \$1,622,452. The increase in net loss is attributable to an increase in share-based payments of \$119,965 on the three months ended September 30, 2021, compared to \$Nil in the three months ended June 30, 2021. The increase in net loss is also attributable to an increase in consulting fees to \$471,948 during the three months ended September 30, 2021 compared to \$6,649 during the 3 months ended June 30, 2021 due to an increase in costs related to the IPO, corporate marketing, and promotion consulting expenses.

Revenue increased for the three months ended June 30, 2021 from \$1,440,338 for the three months ended March 31, 2021 to \$1,750,160. The increase in revenue is attributable to increases in sales of processed products in the period. Net loss decreased from the prior quarter from \$914,853 to \$627,713. The decrease in net loss is attributable to an increase in gross profit in the period of \$49,034, as well as a decrease in the change in fair value of convertible debentures of \$229,262.

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 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 up to and including the quarter ended December 31, 2020 were mostly related to seasonal demands, new customers, and the timing order placement and product shipment. The Company had higher revenue during the quarter ended December 31, 2020 due to increased 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 performed during this quarter. The audit accrual for the 2020 fiscal year audit was also recorded during this period.

## Liquidity and Capital Resources

As at December 31, 2021, the Company had working capital of \$3,237,628 as compared to a working capital deficiency of \$324,656 as at December 31, 2020, which is an increase in working capital of \$3,562,284. The working capital increased due to the cash proceeds raised from private placement financings, Series II and Series III convertible notes which were issued and converted into common shares during the year-ended December 31, 2021, and proceeds from the IPO. The Company also transferred its promissory note balance that was due in 2021 to its revolving loan facility that matures in 2025 from Robert G. Wood and Company Inc., a Company controlled by David Wood, CEO and Director.

The Company expects that it will need additional capital to fund operations and increased working capital over the next 12 months in order to settle its obligations as they come due. The Company plans to fund the capital required by raising funds through share issuances and loans. See Subsequent Events.

## Cash Flows

A summary of cash flows for the years ended December 31, 2021 and 2020 is as follows (in Canadian Dollars):

<b>For the year ended</b>	<b>2021</b>		<b>2020</b>		<b>Change</b>
Operating activities	\$	(6,616,436)	\$	(422,130)	\$ (6,194,306)
Investing activities		(543,906)		(174,094)	(369,812)
Financing activities		8,279,187		1,071,591	7,207,596
<b>Change in cash</b>	<b>\$</b>	<b>1,118,845</b>	<b>\$</b>	<b>475,367</b>	<b>\$ 643,478</b>

Cash used in operating activities increased by \$6,194,306 mainly due to an increase in cash outflow for inventory purchases from \$363,122 for the year ended December 31, 2020 to \$1,257,100 for the year ended December 31, 2021. Cash used in inventory increased as the Company increased its inventory on hand to better supply customers and support the higher sales volumes. Cash used in operating activities also increased due to an increase in salaries from expanded operations and termination benefits paid to the estate of the late Robert Hopp, increases in consulting, professional, and general and administrative expenses, and research and development of new potential products.

Cash flows used in investing activities increased from \$174,094 during the year ended December 31, 2020 to \$543,906 during the year ended December 31, 2021. This is primarily due to the Company acquiring equipment during the year ended December 31, 2021. In addition to the equipment purchases, the Company also acquired trademarks and incurred deferred acquisition costs for down payments on equipment leased subsequent to December 31, 2021.

During the year ended December 31, 2021, the Company's cash flows from financing activities increased by \$7,207,596 compared to the year ended December 31, 2020. The increase can mainly be attributed to the net proceeds of \$6,779,881 from the issuance of shares under the Company's initial public offering, \$443,642 net proceeds from the Company's private placement financing, and the \$1,068,295 proceeds from the issuance of convertible notes.

## 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, 2021, included in due from related parties is \$8,657 (2020 - CAD\$8,688) due from Marc Olmsted, a director of the Company. The amount is unsecured, non-interest bearing and due on demand.

As at December 31, 2021, included in due from related parties is \$761 (2020 - \$Nil) due from Chadwick White, a director of the Company. The amount is unsecured, non-interest bearing and due on demand.

As at December 31, 2021, included in prepaids and deposits is \$Nil (2020 - \$9,557) 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, 2021, included in accounts payable and accrued liabilities is \$24,119 (2020 – \$41,939) 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, 2021, included in accounts payable and accrued liabilities is \$44,494 (2020 – \$28,338) due to ACM Management Inc., a company controlled by Alex McAulay, CFO and Director. The amount is unsecured, non-interest bearing and due on demand.

As at December 31, 2021, included in accounts payable and accrued liabilities is \$Nil (2020 – \$29,150) due to 2080 W. Cornell LLC, a limited liability corporation controlled by David Wood. The amount is unsecured, non-interest bearing and due on demand.

As at December 31, 2021, included in accounts payable and accrued liabilities is \$24,388 (2020 – \$Nil) due to Robert G. Wood and Company Inc. (“RG Wood”), a company controlled by a director of the Company. The amount consists of expense reimbursements owed and is unsecured, non-interest bearing and due on demand.

As at December 31, 2021, included in accounts payable and accrued liabilities is \$15,907 (2020 – \$Nil) due RG Wood, a company controlled by a director of the Company. The amount consists of lease payments owed and is unsecured, non-interest bearing and due on demand.

As at December 31, 2021, included in accounts payable and accrued liabilities is \$Nil (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 December 31, 2021, included in accounts payable and accrued liabilities is \$Nil (2020 – \$19,115) due to the late Robert Hopp, former President and COO of the Company. The amount consists of salary owed and is unsecured, non-interest bearing and due on demand.

As at December 31, 2021, included in accounts payable and accrued liabilities is \$68,248 (2020 - \$Nil) due to the estate of the late Robert Hopp, former President and COO of the Company. The amount consists of

termination benefits owed upon Robert Hopp's passing and is unsecured, non-interest bearing and due on demand.

As at December 31, 2021, the Company had a lease liability balance of \$12,668 (2020 \$26,639) for an equipment lease entered into with RG Wood, a company controlled by David Wood, CEO and Director of the Company

*Related party transactions*

<b>For the year ended December 31,</b>	<b>2021</b>		<b>2020</b>	
Salaries and benefits	\$	1,165,058	\$	390,049
Termination benefits		169,228		-
Share-based payments		376,057		428,541
	<b>\$</b>	<b>1,710,343</b>	<b>\$</b>	<b>818,590</b>

During the year ended December 31, 2021, USD\$135,000 (CAD\$169,228) was accrued or paid for termination benefits of the late Robert Hopp, the former President and COO of the Company.

During the year ended December 31, 2021 the Company incurred \$87,533 (2020 – \$19,903) for salaries and benefits of the late Robert Hopp, the former President and COO of the Company.

During the year ended December 31, 2021, the Company incurred \$Nil (2020 - \$197,728) in consulting fees paid or accrued to Chadwick White, Chief Innovation Officer and Director of the Company.

During the year ended December 31, 2021, the Company paid \$202,289 (2020 - \$Nil) for salaries and benefits of Chadwick White, Chief Innovation Officer and Director of the Company.

During the year ended December 31, 2021, the Company paid \$135,638 (2020 - \$Nil) in salaries and benefits to family members of Chadwick White, Chief Innovation Officer, and Director of the Company.

During the year ended December 31, 2021, the Company paid \$23,253 (2020 - \$Nil) in consulting fees to Clay White, a family member of Chadwick White, Chief Innovation Officer, and Director of the Company.

During the year ended December 31, 2021, the Company paid RG Wood, a company controlled by the David Wood, CEO and Director of the Company, \$Nil (2020 - \$140,434) for salaries and benefits that were paid to Marc Olmsted, Director of the Company. During the year ended December 31, 2021, the Company paid \$138,031 for salaries and benefits of Marc Olmsted, Director the Company.

During the year ended December 31, 2021, the Company paid or accrued salaries and benefits for the use of employees provided of \$Nil (2020 – \$27,711) to RG Wood, a Company controlled by David Wood, CEO and Director.

During the year ended December 31, 2021, the Company paid \$128,997 (2020 - \$Nil) for salaries and benefits of Paul Feldman, Chief Engineer.

During the year ended December 31, 2021, the Company paid \$203,533 (2020 - \$31,586) for salaries and benefits of David Wood, CEO and Director of the Company.

During the year ended December 31, 2021, the Company paid \$136,716 (2020 - \$Nil) for salaries and benefits of family members of David Wood, CEO and Director of the Company.

During the year ended December 31, 2021, the Company paid \$50,022 (2020 - \$Nil) for salaries and benefits of John Maculley, COO of the Company.

During the year ended December 31, 2021, the Company paid \$19,338 (2020 - \$Nil) for salaries and benefits to family members of John Maculley, COO of the Company.

During the year ended December 31, 2021, the Company paid consulting fees of \$33,441 and signing bonus of \$6,268 to Genba Management Group LLC, a company controlled by John Maculley, COO of the Company.

During the year ended December 31, 2021, the Company incurred share-based payments expense of \$52,655 (2020 - \$Nil) from the issuance of 300,000 stock options to David Wood, CEO and Director of the Company.

During the year ended December 31, 2021, the Company incurred share-based payments expense of \$52,655 (2020 - \$Nil) from the issuance of 300,000 stock options to Chadwick White, Chief Innovation Officer and a Director of the Company.

During the year ended December 31, 2021, the Company incurred share-based payments expense of \$52,655 (2020 - \$Nil) from the issuance of 300,000 stock options to Paul Feldman, Chief Engineer of the Company.

During the year ended December 31, 2021, the Company incurred share-based payments expense of \$52,655 (2020 - \$Nil) from the issuance of 300,000 stock options to Marc Olmsted, Director the Company.

During the year ended December 31, 2021, the Company incurred share-based payments expense of \$52,655 (2020 - \$Nil) from the issuance of 300,000 stock options to Alex McAulay, CFO, Corporate Secretary and Director of the Company.

During the year ended December 31, 2021 the Company incurred share-based payments expense of \$26,328 (2020 - \$Nil) from the issuance of 150,000 stock options to Joel Leonard, Director of the Company.

During the year ended December 31, 2021 the Company incurred share-based payments expense of \$26,328 (2020 - \$Nil) from the issuance of 150,000 stock options to David Breda, Director of the Company.

During the year ended December 31, 2021 the Company incurred share-based payments expense of \$60,127 (2020 - \$Nil) from the issuance of 300,000 restricted share units to John Macculley, COO of the Company.

During the year ended December 31, 2020, the Company issued 565,082 common shares and 50,857 Class A shares with a value of USD\$175,000 (CAD\$230,069) (2019 - \$Nil) to Chadwick White, Director, for entering into a non-compete agreement.

During the year ended December 31, 2020, the Company issued 242,182 common shares and 21,796 Class A shares with a value of USD\$75,000 (CAD\$99,236 (2019 - \$Nil) to David Wood, CEO and Director, for a signing bonus and entering into a non-compete agreement.

During the year ended December 31, 2020, the Company issued 242,182 common shares and 21,796 Class A shares with a value of USD\$75,000 (CAD\$99,236) (2019 - \$Nil) to the late Robert Hopp, former President and COO, for a signing bonus and entering into a non-compete agreement.

#### *Other Transactions*

During the year ended December 31, 2021, \$Nil (2020 – \$30,655 (USD\$22,875)) was charged by a 2080 W. Cornell LLC, a limited liability corporation controlled by David Wood, CEO and Director of the Company for lease payments due for a building occupied by the Company. As at December 31, 2021, \$Nil (2020 – \$29,150 (USD\$22,875)) is included in accounts payable and accrued liabilities and is unsecured, non-interest bearing and due on demand.

During the year ended December 31, 2021, the Company paid or accrued \$15,704 (USD\$12,812) (2020 – CAD\$16,623 (USD\$12,528)) in lease payments for equipment, to RG Wood, a company controlled by David Wood, CEO and Director.

During the year ended December 31, 2021, the Company settled debt owing to ACM Management Inc., a company controlled by Alex McAulay, CFO and Director of the Company, of \$39,361 in exchange for 997,426 common shares of the Company

During the year ended December 31, 2020, the Company entered into an agreement with RG Wood, a company controlled by David Wood, 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, 2021 was CAD \$Nil (2020 - \$203,888 (USD\$160,000)). Interest of \$9,783 (2020 - \$10,983) for the promissory note was charged and included in the revolving loan balance.

During the year ended December 31, 2020, the Company entered into an unsecured revolving loan facility with RG Wood, a company controlled by David Wood, CEO and Director of the Company for up to

USD\$200,000. The loan facility is unsecured, bears interest at a rate of 6% per annum, and matures on December 31, 2025. The balance payable as of December 31, 2021 was \$218,701 (2020 - \$8,185). Interest of \$7,280 (2020 - \$Nil) for the revolving note was charged and included in accounts payable and accrued liabilities.

During the year ended December 31, 2020, the Company entered into an unsecured revolving loan facility with Firefighter Trucks of Colorado LLC, a company controlled by David Wood, CEO and Director of the Company for up to USD\$200,000. The loan facility is unsecured, bears interest at a rate of 6% per annum, and matures on December 31, 2025. The balance payable as of December 31, 2021 was \$Nil (2020 - \$ Nil). Interest of \$ Nil (2020 - \$Nil) for the promissory note was charged and included in the revolving loan balance.

During the year ended December 31, 2021, the Company was charged \$Nil (2020 - \$27,711) by RG Wood, a company controlled by David Wood, CEO and Director of the Company, for the services of its employees that were not related parties of the Company.

During the year ended December 31, 2021, \$159,296 (2020 – \$28,338) was charged by ACM Management Inc., a Company controlled by Alex McAulay, CFO and Director of the Company, for accounting fees

During the year ended December 31, 2021, the Company purchased equipment from RG Wood, a company controlled by David Wood, CEO and Director of the Company for \$59,005 (2020 - \$62,679).

During the year ended December 31, 2021, the Company was charged interest in the amount of \$Nil (2020 - \$4,690 (USD\$3,500)) for a promissory note due to Everestt, LLC, a limited liability corporation controlled by the widow of late Robert Hopp, former President and COO.

During the year ended December 31, 2020, the Company settled debt owing to RG Wood, a Company controlled by David Wood, CEO and Director, in the amount of \$212,112 in exchange for 516,648 common shares and 46,498 Class A shares of the Company.

During the year ended December 31, 2020, the Company settled the promissory note owing to Everestt, LLC, a limited liability corporation controlled by the spouse of the late Robert Hopp, former President and COO in the amount of \$163,724 in exchange for 398,789 common shares and 35,891 Class A shares of the Company.

### Use of Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, and expenses. Although management uses historical experience and its best knowledge of the amounts, 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 property and equipment**

Property and equipment are amortized or depreciated over their 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 purposes 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.

#### **Convertible notes**

The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount factors, and the presence of any derivative financial instruments.



### **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 on 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.

### **Useful lives of intangible assets**

The amortization of intangible assets is dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of the assets. Many factors used in assessing recoverable amounts are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. These changes may result in future impairments.

### **Determination of functional currency**

The determination of the functional currency for the Company and its subsidiaries was based on management's judgment of the underlying transactions, events and conditions relevant to each entity.

## **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, 2021 and 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 audited consolidated financial statements for the years ended December 31, 2021 and 2020.

### *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, 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.

## Commitments

Refer to subsequent events note below

## Subsequent Events

- a) On January 1, 2022, the Company granted 170,000 restricted share units to certain employees of the Company which vest as follows: 25% immediately, 25% on April 1, 2022, 25% on July 1, 2022 and 25% on October 1, 2022.
- b) On January 1, 2022, the Company granted 100,000 restricted share units and 100,000 employee stock options to an employee of the Company. The restricted share units vest as follows: 25% on April 1, 2022, 25% on July 1, 2022, 25% on October 1, 2022 and 25% on January 1, 2023. The stock options vest as follows: 12.5% immediately, 12.5% on April 1, 2022, 12.5% on July 1, 2022, 12.5% on October 1, 2022, 12.5% on January 1, 2023, 12.5% on April 1, 2023, 12.5% on July 1, 2023 and 12.5% on October 1, 2023.
- c) On January 11, 2022, the Company entered into a 24 month lease agreement with a total cost of \$1,200,000.
- d) On January 24, 2022, the Company issued 42,500 shares upon vesting of restricted share units granted on January 1, 2022
- e) On January 25, 2022, Series III convertible notes with total principal and interest of \$20,648 were converted into 43,932 common shares at a price of \$0.47 per share
- f) In February 2022, the Company received loan proceeds of USD\$400,500 under the existing revolving loan agreements entered into with a related party on July 1, 2020. Amounts advanced under these agreements bear interest at 6% per annum and are due on or before December 31, 2025.
- g) On March 30, 2022, the Company completed a public offering of 10,000,000 units at a price of \$0.45 per unit for gross proceeds of \$4,500,000. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one common share at a price of \$0.70 per share until expiry on March 30, 2025. In connection with the offering, the Company incurred cash finder's fees of \$288,792 and issued 641,760 finder's warrants. Each warrant is exercisable into one common share at an exercise price of \$0.45 until expiry on March 30, 2025.

## 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	December 31, 2021	December 31, 2020
<b>FINANCIAL ASSETS</b>			
<b>FVTPL</b>			
Cash	1	\$ 1,463,859	\$ 492,976
Restricted cash		69,843	-
<b>Other assets, at amortized cost</b>			
Accounts receivable		590,243	142,861
Due from related party		9,418	8,689
<b>Total financial assets</b>		<b>\$ 2,133,363</b>	<b>\$ 644,526</b>
<b>FINANCIAL LIABILITIES</b>			
<b>FVTPL</b>			
Convertible notes	3	\$ 31,837	\$ 844,632
<b>Other liabilities, at amortized cost</b>			
Accounts payable and accrued liabilities		1,216,484	525,596
Loans payable		403,444	211,826
Promissory note payable		-	203,888
<b>Total financial liabilities</b>		<b>\$ 1,651,765</b>	<b>\$ 1,785,942</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.

## Reconciliation of Use of Proceeds from Financing Activities

On September 16, 2021, the Company closed the September 2021 Public Financing for net proceeds of \$6,779,881. The following table sets out a comparison of how the Company intended to use the net proceeds from the September 2021 Public Financing (as described in the 2021 Long Form Prospectus) and its actual use of proceeds. It includes an explanation of variances and the impact of variances on the ability of the Company to achieve its business and milestones.

Intended Use of Proceeds <sup>(1)</sup>		Actual Use of Proceeds	Variance – (Over)/Under Expenditure	Explanation of Variance and Impact on Business Objectives
Expenditure	Amount			
Product inventory	\$700,000	\$1,441,000	(\$741,000)	Due to trends of consistent delays in the transportation industry, the Company has taken on more inventory to ensure it has enough inventory on hand to meet customer demand. The Company has doubled its anticipated expenditure as a result.
Marketing & Outreach	\$1,360,000	\$1,429,000	(\$69,000)	No material variances on dollars spent. Due to significant market challenges, the Company fully expended its budget earlier than anticipated.
Product Sales & Marketing	\$300,000	\$187,000	\$113,000	The Company is on track to spend its expected budget.
Facilities Buildout	\$410,000	\$301,000	\$109,000	The Company has completed its initial purchases of equipment for the production facility. The Company has not completed its development kitchen buildout yet due to budget reallocation. This has not impacted innovation or production.
R&D/Product innovation	\$500,000	\$142,000	\$358,000	The Company has made further progress towards its objectives to develop its products further. Production delays of specialty ingredients made exclusively for the Company have caused a decrease in anticipated expenditures, but the Company expects to fully expend this original budget.
CPG Brand Funding	\$610,000	\$700,000	(\$90,000)	The Company has paused the launch of the Carb Savvy brand that was previously disclosed due to a business decision to focus resources on the ProPasta brand. The Company engaged Navigating the Curve Consulting Inc. to provide marketing services.
General and administrative expenses	\$1,030,000	\$1,675,000	(\$645,000)	The launch of the consumer products division has added significant overhead to the Company's operations. The Company anticipates spending \$345,000 per month going forward on G&A. The increase in G&A is anticipated to be offset by sales from its new consumer products division.
Unallocated General Working	\$1,015,000	-	\$1,015,000	Unallocated capital was allocated to the above items indiscriminately.

<u>Intended Use of Proceeds<sup>(1)</sup></u>		<u>Actual Use of Proceeds</u>	<u>Variance – (Over)/Under Expenditure</u>	<u>Explanation of Variance and Impact on Business Objectives</u>
<u>Expenditure</u>	<u>Amount</u>			
Capital				
<b>Total</b>	<b>\$5,925,000</b>	<b>\$5,875,000</b>	<b>\$50,000</b>	

Notes:

(1) For full details of the Company's intended use of proceeds for the September 2021 Public Financing, see "Use of Proceeds" in the 2021 Long Form Prospectus.

Although the Company intends to spend remaining net proceeds of the September 2021 Public Financing as set forth above, 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 remaining net proceeds of the September 2021 Public Financing, if necessary. 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.

## 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, they have 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 generates revenues and incurs expenditures primarily through its subsidiaries in United States dollar. The functional currency of the Company's subsidiary is the United States dollar. In addition, the Company holds financial assets and liabilities in foreign currencies that expose the Company to the foreign exchange risks. Assuming all other variables remain constant, a 5% (2020 - Nil) weakening or strengthening of the Canadian dollar would result in approximately \$101,063 (2020 - \$Nil) foreign exchange gain or loss in the consolidated statement of comprehensive loss. In 2020, management believed the Company was not subject to foreign currency risk as the comparative financial statements (prior to the reverse takeover) are those of Nepra Foods, Ltd. which has the US dollar as its functional currency.

**(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. The Company's outstanding promissory note, loans payable, and convertible notes bear interest at fixed rates. As a result, at December 31, 2021, management believes that the Company is not exposed to any significant interest rate risk.

**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>December 31, 2021</b>	<b>December 31, 2020</b>
1 – 60 days	\$ 567,379	\$ 96,343
61 - 90 days (past due)	-	34,289
Over 90 days (past due)	24,769	14,239
Provision for expected credit losses	(1,905)	(2,010)
<b>Total</b>	<b>\$ 590,243</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 year ended December 31, 2021 and 2020, the following revenue was recorded from major customers:

Amount of revenue from major customers	December 31, 2021	December 31, 2020
Customer A	\$ 2,709,388	\$ 862,383
Customer B	\$ 1,923,319	\$ 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 through equity financings, loans from a company controlled by the CEO and director, and convertible notes. Subsequent to December 31, 2021, the Company received an additional \$400,500 US from loan proceeds from a company controlled by David Wood, CEO and Director. Additionally, on March 30, 2022, the Company completed a public offering of 10,000,000 units at a price of \$0.45 per unit for gross proceeds of \$4,500,000. 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	\$ 1,216,848	\$ -	\$ -
Loans payable	25,931	366,638	276,694
Lease liability	390,557	1,625,842	2,076,046
Convertible notes	20,760	-	-
	\$ 1,654,096	\$ 1,992,480	\$ 2,352,740

## 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 Asia and Canada 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. These facilities are vulnerable to damage or interruption from earthquakes, hurricanes, floods, fires, terrorist attacks, loss of power, telecommunications failures, and similar events. The facilities 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, 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**

	<b>December 31, 2021</b>	<b>As at the date of this report</b>
<b>Class A shares</b>	273,468	273,468
<b>Common shares</b>	36,554,944	46,641,376
<b>Restricted share units</b>	300,000	527,500
<b>Warrants</b>	879,389	11,521,149
<b>Options</b>	2,050,000	2,150,000