

NEPRA FOODS INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022, AND 2021
(EXPRESSED IN CANADIAN DOLLARS)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements for Nepra Foods Inc. (the “Company”) have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”). These condensed consolidated interim financial statements, which are the responsibility of management, are unaudited and have not been reviewed by the Company’s auditors. The Company’s Audit Committee and Board of Directors have reviewed and approved these condensed consolidated interim financial statements. In accordance with the disclosure requirements of National Instrument 51-102 released by the Canadian Securities Administrators, the Company’s independent auditors have not performed a review of these condensed consolidated interim financial statements.

NEPRA FOODS INC.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

	Notes	September 30, 2022	December 31, 2021
ASSETS			
Current assets			
Cash		\$ 181,525	\$ 1,463,859
Restricted cash		75,571	69,843
Accounts receivable	5	953,345	590,243
Prepaid expenses and deposits	6	891,290	958,615
Inventory	7	2,378,182	1,815,796
Due from related party	18	13,048	9,418
		4,492,961	4,907,774
Property and equipment	8, 18	538,279	447,522
Intangible assets	9	19,264	20,693
Deferred acquisition costs	10	17,822	134,551
Right-of-use assets	11	3,072,046	2,299,631
Long-term deposit		260,020	107,591
Total assets		\$ 8,400,392	\$ 7,917,762
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Accounts payable and accrued liabilities	13, 18	\$ 779,427	\$ 1,216,484
Loans payable – current portion	14	30,728	15,257
Lease liability – current portion	12, 18	644,812	138,647
Convertible notes	15	-	31,837
Deferred revenue	16	45,116	267,921
		1,500,083	1,670,146
Lease liability	12, 18	2,809,693	2,443,946
Loans payable	14, 18	890,445	388,187
Total liabilities		5,200,221	4,502,279
Shareholders' equity (deficiency)			
Share capital	17, 18	14,280,257	10,608,472
Reserves	17	1,536,453	666,393
Accumulated other comprehensive income (loss)		245,188	(45,281)
Deficit		(12,861,727)	(7,814,101)
Total shareholders' equity (deficiency)		3,200,171	3,415,483
Total liabilities and shareholders' equity		\$ 8,400,392	\$ 7,917,762

Nature of operations and going concern (Note 1)

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 Nine Months Ended September 30, 2022, and 2021

(Expressed in Canadian Dollars)

(Unaudited)

	Notes	For the nine months ended September 30,		For the three months ended September 30,	
		2022	2021	2022	2021
Revenue					
Sales	21	\$ 5,251,093	\$ 4,262,350	\$ 1,939,301	\$ 1,201,530
Consulting		21,138	130,089	21,138	411
		5,272,231	4,392,439	1,960,439	1,201,941
Cost of sales	7, 8, 11	4,419,569	3,615,052	1,623,534	1,048,201
		\$ 852,662	777,387	\$ 336,905	153,740
Expenses					
Accretion	14	1,215	1,080	413	363
Amortization	8, 9, 11	478,838	186,893	73,463	63,807
Bad debt		16,771	16,672	14,864	16,672
Consulting		176,214	529,989	62,380	471,948
General and administrative		1,711,321	550,066	314,357	248,358
Professional fees	18	396,827	577,246	90,035	106,573
Research and development		136,879	82,475	40,136	21,638
Salaries and benefits	18	1,989,838	1,287,628	761,915	397,704
Share-based payments	17, 18	587,785	119,965	(3,863)	119,965
Travel		100,873	57,421	37,378	24,904
		5,596,561	3,409,435	1,391,078	1,471,932
Net loss before other items		\$ (4,743,889)	\$ (2,632,048)	\$ (1,054,173)	\$ (1,318,192)
Other items					
Foreign exchange		5,187	25,101	2,303	20,581
Interest income		9,533	7,451	3,042	2,559
Change in fair value of convertible debt		(218)	(173,092)	-	(197,129)
Loss on conversion of debt		-	(24,113)	-	(24,113)
Finance costs	12, 14, 15, 18	(321,666)	(316,410)	(144,548)	(106,158)
Gain on fixed asset disposition		3,437	-	-	-
Transaction expense		-	(51,907)	-	-
Net loss		\$ (5,047,626)	\$ (3,165,018)	\$ (1,193,376)	\$ (1,622,452)
Other comprehensive income (items that may be reclassified to profit or loss)					
Exchange difference on translation between presentation and functional currencies		290,469	(39,390)	203,441	(45,746)
Comprehensive loss		\$ (4,757,157)	\$ (3,204,408)	\$ (989,935)	\$ (1,668,198)
Loss per share, basic and diluted		\$ (0.12)	\$ (0.26)	\$ (0.03)	\$ (0.09)
Weighted average number of shares outstanding, basic and diluted		43,749,708	12,381,375	47,161,759	17,886,837

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 Nine Months Ended September 30, 2022 and 2021
(Expressed in Canadian Dollars)
(Unaudited)

	2022	2021
Operating activities		
Net loss	\$ (5,047,626)	\$ (3,165,018)
Adjustments for non-cash items		
Amortization	499,508	199,595
Bad debt	16,771	16,672
Accretion	1,215	1,080
Interest	305,680	165,368
Change in fair value of convertible notes	218	173,093
Loss on conversion of debt	-	24,113
Gain on fixed asset disposition	(3,437)	-
Transaction expense	-	51,907
Foreign exchange	(2,348)	(7,832)
Shared-based payments	587,785	119,965
Changes in non-cash working capital items:		
Accounts receivable	(312,075)	(389,126)
Prepaid expenses and deposits	(7,181)	(709,164)
Inventory	(382,604)	(941,962)
Accounts payable and accrued liabilities	(552,814)	505,398
Due to related party	(2,667)	(751)
Deferred revenue	(228,518)	-
Net cash used in operating activities	(5,128,093)	(3,956,662)
Investing activities		
Purchase of equipment	(173,874)	(218,914)
Equipment disposed	92,553	-
Cash acquired in reverse takeover	-	251
Deferred acquisition cost refund	119,277	-
Net cash from (used in) investing activities	37,956	(218,663)
Financing activities		
Proceeds from issuance of common shares	3,921,267	443,642
Net IPO proceeds	-	6,517,059
Repayment of lease liability	(641,723)	-
Loan repayments	(19,306)	(16,957)
Revolving loan proceeds	463,021	-
Proceeds from convertible notes	-	1,068,295
Net cash provided by financing activities	3,723,259	8,012,039
Net increase/(decrease) in cash	(1,366,878)	3,836,714
Effect of change in foreign exchange rates on cash	90,272	(50,207)
Cash, beginning	1,533,702	492,976
Cash, ending	\$ 257,096	\$ 4,279,483

Supplemental Disclosure with Respect to Cash Flows (Note 19)

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' Equity (Deficiency)

For the Nine Months Ended September 30, 2022, and 2021

(Expressed in Canadian Dollars)

(Unaudited)

	Share capital			Reserves	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity (deficiency)
	Common shares*	Class A shares*	Amount				
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
Shares issued pursuant to IPO	15,903,465	-	5,966,153	251,921	-	-	6,218,074
Finder's shares	636,138	-	298,985	-	-	-	298,985
Debt conversion	4,409,231	-	1,735,691	-	-	-	1,735,691
Share-based payments	-	-	-	119,965	-	-	119,965
Currency translation adjustment	-	-	-	-	(39,390)	-	(39,390)
Net loss	-	-	-	-	-	(3,165,018)	(3,165,018)
Balance, September 30, 2021	14,653,208	273,468	\$ 9,313,441	\$ 371,886	\$ (34,230)	\$ (4,299,250)	\$ 5,351,847
Balance, December 31, 2021	36,554,944	273,468	\$ 10,608,472	\$ 666,393	\$ (45,281)	\$ (7,814,101)	\$ 3,415,483
Shares issued in prospectus offering	10,000,000	-	3,463,955	457,313	-	-	3,921,268
Shares issued for convertible debt	43,932	-	32,792	-	-	-	32,792
Conversion of class A shares	1,416,219	(14,162)	-	-	-	-	-
Conversion of restricted share units	252,500	-	175,038	(175,038)	-	-	-
Share-based payments	-	-	-	587,785	-	-	587,785
Currency translation adjustment	-	-	-	-	290,469	-	290,469
Net loss	-	-	-	-	-	(5,047,626)	(5,047,626)
Balance, September 30, 2022	48,267,595	259,306	\$ 14,280,257	\$ 1,536,453	\$ 245,188	\$ (12,861,727)	\$ 3,200,171

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

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

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2022, and 2021
(Expressed in Canadian Dollars)
(Unaudited)

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. The Company’s common shares are listed for trading on the Canadian Securities Exchange (“CSE”) under the symbol “NPRA”. 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 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.

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 nine months ended September 30, 2022 the Company had negative cash flows from operations of \$5,128,093, and as at September 30, 2022, had an accumulated deficit of \$12,861,727. 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

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2022, and 2021
(Expressed in Canadian Dollars)
(Unaudited)

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, 2021 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, 2021. These condensed consolidated interim financial statements are presented in Canadian dollars. The functional currency of the Company is the Canadian dollar and the functional currency of its wholly-owned subsidiaries is the US dollar. The amounts in the tables are expressed in Canadian dollars, unless otherwise stated.

These condensed consolidated interim financial statements were approved and authorized for issuance on November 29, 2022, by the Directors of the Company.

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, 2021. These condensed consolidated interim statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2021.

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 condensed consolidated interim financial statements.

4. Critical Accounting Estimates and Judgements

In preparing these condensed consolidated interim financial statements, management has made judgments, estimates and assumptions that affect the applicable of the Company's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Management reviews these estimates and underlying assumptions on an ongoing basis, based on experience

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements
 For the Three and Nine Months Ended September 30, 2022, and 2021
 (Expressed in Canadian Dollars)
 (Unaudited)

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 consolidated financial statements as at and for the year ended December 31, 2021.

5. Accounts Receivable

	September 30, 2022	December 31, 2021
Trade receivables	\$ 950,605	\$ 592,148
Sales tax receivable	22,766	-
Expected credit losses	(20,026)	(1,905)
Net accounts receivable	\$ 953,345	\$ 590,243

As at September 30, 2022, the Company had net accounts receivable of \$953,345 (December 31, 2021 - \$590,243). As at September 30, 2022, the Company has recorded an allowance for expected credit losses of \$20,026 (December 31, 2021 - \$1,905).

6. Prepaid Expenses and Deposits

Prepays and deposits is composed of the following amounts:

	September 30, 2022	December 31, 2021
Deposit on inventory	\$ 755,624	\$ 850,719
Insurance	-	89,321
Prepaid professional fees and other	135,666	18,575
	\$ 891,290	\$ 958,615

7. Inventory

Inventory consists primarily of raw materials and finished goods.

	September 30, 2022	December 31, 2021
Raw materials	\$ 10,966	\$ 201,323
Work-in-progress	2,937	13,530
Finished goods	2,364,279	1,600,943
	\$ 2,378,182	\$ 1,815,796

During the nine months ended September 30, 2022, the Company sold inventory with a value of \$4,419,569 (2021 - \$3,615,052) and incurred inventory write-offs of \$nil (2021 - \$4,052) which are included in cost of sales.

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements
 For the Three and Nine Months Ended September 30, 2022, and 2021
 (Expressed in Canadian Dollars)
 (Unaudited)

8. Property and Equipment

	Furniture and equipment		Production equipment		Leasehold improvements		Computer equipment		Total
Cost									
Balance, December 31, 2020	\$	8,138	\$	62,679	\$	-	\$	-	\$ 70,817
Additions		161,707		146,789		54,121		52,746	415,363
Foreign exchange adjustment		2,060		1,671		699		682	5,112
Balance, December 31, 2021	\$	171,905	\$	211,139	\$	54,820	\$	53,428	\$ 491,292
Additions		-		116,770		85,641		3,102	205,513
Dispositions		(73,620)		(18,932)		-		-	(92,552)
Foreign exchange adjustment		8,860		24,277		10,588		4,602	48,327
Balance, September 30, 2022	\$	107,145	\$	333,254	\$	151,049	\$	61,132	\$ 652,580
Accumulated Amortization									
Balance, December 31, 2020	\$	4,882	\$	2,239	\$	-	\$	-	\$ 7,121
Amortization		9,503		19,541		4,860		2,302	36,206
Foreign exchange adjustment		106		244		63		30	443
Balance, December 31, 2021	\$	14,491	\$	22,024	\$	4,923	\$	2,332	\$ 43,770
Amortization		17,942		27,763		11,976		8,251	65,932
Dispositions		(3,437)		-		-		-	(3,437)
Foreign exchange adjustment		2,221		3,781		1,256		778	8,036
Balance, September 30, 2022	\$	31,217	\$	53,568	\$	18,155	\$	11,361	\$ 114,301
Net Book Value									
At December 31, 2021	\$	157,414	\$	189,115	\$	49,897	\$	51,096	\$ 447,522
At September 30, 2022	\$	75,928	\$	279,686	\$	132,894	\$	49,771	\$ 538,279

Amortization of equipment used in production is included in the cost of inventory. During the nine months ended September 30, 2022, amortization of \$20,670 (2021 - \$14,064) was included in the cost of inventory.

9. Intangible Assets

	Trademark		Software		Total
Balance, December 31, 2020	\$	-	\$	-	\$ -
Additions		11,276		9,154	20,430
Foreign exchange adjustment		145		118	263
Balance, December 31, 2021	\$	11,421	\$	9,272	\$ 20,693
Amortization		(577)		(2,342)	(2,919)
Foreign exchange adjustment		896		594	1,490
Balance, September 30, 2022	\$	11,740	\$	7,524	\$ 19,264

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2022, and 2021
(Expressed in Canadian Dollars)
(Unaudited)

10. Deferred Acquisition Costs

As of December 31, 2021, the Company had advanced \$134,551 in down payments and deposits to acquire production and manufacturing equipment to various suppliers. During the nine months ended September 30, 2022, the Company decided to lease some of this equipment under a master lease agreement as opposed to purchasing the equipment (Notes 11 and 12). Consequently, the Company received a refund for the previously issued deposits of \$117,793. As of September 30, 2022, the Company a total of \$17,822 remained in deferred acquisition costs.

At December 31, 2020	\$	-
Deposits and down payments		132,835
Foreign exchange adjustment		1,716
At December 31, 2021	\$	134,551
Refunds		(119,277)
Foreign exchange adjustment		2,548
At September 30, 2022	\$	17,822

11. 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 18).

During the period ended September 30, 2022, the Company entered into a master lease agreement (the “Master Lease Agreement”) for various pieces of production and manufacturing equipment up to a total cost of USD \$1,200,000. As part of the agreement, the Company paid a deposit of \$122,493 (USD \$97,956) for the minimum lease term of 24 months. As of September 30, 2022, the Company is committed to paying a monthly rental fee of USD\$36,999 until at least March 31, 2024 based on the lease factor of 0.058 per dollar and a total cost of USD\$637,907 spent as of September 30, 2022.

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:

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2022, and 2021
(Expressed in Canadian Dollars)
(Unaudited)

At December 31, 2020	\$	148,340
Adjustment to fair value		(50,001)
Interest income		10,068
Foreign exchange adjustment		(816)
At December 31, 2021	\$	107,591
Interest income		8,369
Foreign exchange adjustment		9,482
At September 30, 2022	\$	125,442

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

Right-of-use assets	Equipment	Building	Total
At December 31, 2020	\$ 22,958	\$ -	\$ 22,958
Additions	-	2,509,395	2,509,395
Amortization expense	(12,319)	(237,899)	(250,218)
Foreign exchange adjustment	(241)	17,737	17,496
At December 31, 2021	\$ 10,398	\$ 2,289,233	\$ 2,299,631
Additions	958,165	-	958,165
Amortization expense	(255,138)	(182,562)	(437,700)
Foreign exchange adjustment	77,196	174,754	251,950
At September 30, 2022	\$ 790,621	\$ 2,281,425	\$ 3,072,046

A portion of the amortization of equipment and building right-of-use assets is included in the cost of inventory. During the nine months ended September 30, 2022, amortization of \$3,639 (2021 - \$9,222) was included in the cost of inventory.

12. Leases

The lease liability of the equipment which commenced on October 16, 2017 has been calculated using an incremental borrowing rate of 10% per annum. The lease liability of the building has been calculated using an incremental borrowing rate of 10% per annum. The lease liability of the Master Lease Agreement has been calculated using a rate of 22% per annum. The Company's total accrued or paid payments for its leases were \$652,050 in the nine months ended September 30, 2022 (2021 - \$115,342).

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

	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Amortization charge of equipment right-of-use assets	\$ 255,139	\$ 9,222
Amortization charge of building right-of-use assets	182,562	178,089
Interest expense	285,573	187,899
	\$ 723,274	\$ 375,210

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2022, and 2021
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended September 30, 2022	Three months ended September 30, 2021
Amortization charge of equipment right-of-use assets	\$ 125,994	\$ 3,094
Amortization charge of building right-of-use assets	60,854	59,738
Interest expense	102,426	63,424
	\$ 289,274	\$ 126,256

The Company's lease liability related to equipment and the building is as follows:

Lease liability	September 30, 2022	December 31, 2021
Current portion	\$ 644,812	\$ 138,647
Long-term portion	2,809,693	2,443,946
Total lease liability	\$ 3,454,505	\$ 2,582,593

Changes in lease liabilities are due to the following:

	September 30, 2022	December 31, 2021
Balance, beginning of period	\$ 2,582,593	\$ 26,641
New lease liabilities	958,165	2,459,395
Interest	285,574	251,754
Payments	(639,999)	(160,764)
Reclassification of lease liability to accounts payable upon derecognition of lease liability	(12,051)	(15,704)
Effect of changes in foreign exchange rates	280,223	21,271
Balance, end of period	\$ 3,454,505	\$ 2,582,593

The Company is committed to minimum lease payments as follows:

Maturity analysis	September 30, 2022	December 31, 2021
Less than one year	\$ 1,028,835	\$ 390,557
One year to five years	2,103,747	1,625,842
More than five years	1,891,356	2,076,047
Total undiscounted lease liabilities	5,023,938	4,092,446
Less: unearned interest	(1,569,433)	(1,509,853)
Total lease liability	\$ 3,454,505	\$ 2,582,593

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2022, and 2021
(Expressed in Canadian Dollars)
(Unaudited)

13. Accounts Payables and Accrued Liabilities

	September 30, 2022	December 31, 2021
Trade payables	\$ 591,764	\$ 1,071,994
Accrued liabilities	187,663	144,490
	\$ 779,427	\$ 1,216,484

14. 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 for the year-ended December 31, 2020. The Company received an additional USD\$3,000 (CAD\$4,206) for total proceeds of USD\$153,000 (CAD\$214,536). Effective March 17, 2021, the loan was amended to defer repayments by an additional 12 months. The extended term was determined to be a modification of debt and resulted in recognition of a gain on modification of debt of \$5,224 (USD \$4,167) for the year ended December 31, 2021. As at September 30, 2022, accrued interest of \$18,032 (USD\$13,125) 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.

The balance outstanding at September 30, 2022 is as follows:

Balance, December 31, 2020	\$ 144,117
Accretion expense	1,537
Modification of debt	(5,224)
Foreign exchange adjustment	(565)
Balance, December 31, 2021	\$ 139,865
Accretion expense	1,215
Foreign exchange adjustment	11,557
Total loan balance, September 30, 2022	152,637
Less: current portion	(13,781)
Non-current balance, September 30, 2022	\$ 138,856

- 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.

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2022, and 2021
(Expressed in Canadian Dollars)
(Unaudited)

Balance, December 31, 2020	\$	59,524
Loan repayments		(19,306)
Interest		5,061
Foreign exchange adjustment		(401)
Balance, December 31, 2021		44,878
Loan repayments		(14,753)
Interest		2,972
Foreign exchange adjustment		2,838
Total loan balance, September 30, 2022		35,935
Less current portion		(16,946)
Non-current balance, September 30, 2022	\$	18,989

The loan is secured by the equipment purchased with the proceeds of the loan. See Note 18.

- c) On July 1, 2020, the Company's wholly-owned subsidiary entered into an unsecured revolving loan facility with a related party for up to USD\$200,000. The outstanding balance, if any, on the revolving loan is due on or before December 31, 2025. The facility bears interest of 6% per annum. On January 1, 2022, the revolving loan facility was amended to increase the amount resulting in an amended total of USD\$600,000. The balance due on the revolving loan facility as of September 30, 2022 was \$732,600 (December 31, 2021 - \$218,701). As at September 30, 2022, accrued interest of \$21,003 (USD\$15,288) (December 31, 2021 - \$7,374 (USD\$5,808)) in connection with the revolving loan facility is recorded in accounts payable and accrued liabilities. See Note 18.
- d) On July 1, 2020, the Company's wholly-owned subsidiary entered into an unsecured revolving loan facility with a related party for up to USD\$200,000. The outstanding balance, if any, on the revolving loan is due on or before December 31, 2025. The facility bears interest of 6% per annum. In February 2022, the Company drew down USD\$200,000 on the facility. On April 19, 2022, the Company repaid \$201,670 in principal and accrued interest. The balance due on the revolving loan facility as of September 30, 2022, was \$nil (December 31, 2021 - \$nil). As at September 30, 2022, accrued interest of \$nil (December 31, 2021 - \$nil) in connection with the revolving loan facility is recorded in accounts payable and accrued liabilities. See Note 18.

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2022, and 2021
(Expressed in Canadian Dollars)
(Unaudited)

15. Convertible Notes

	Series I	Series II	Series III	Total
Balance at December 31, 2020	\$ 844,632	\$ -	\$ -	\$ 844,632
Issuance	439,396	380,123	248,776	1,068,295
Interest	68,629	13,617	21,762	104,008
Change in fair value	331,735	-	141,490	473,225
Transfer to share capital upon conversion	(1,683,252)	(389,087)	(381,730)	(2,454,069)
Foreign exchange adjustment	(1,140)	(4,653)	1,539	(4,254)
Balance at December 31, 2021	\$ -	\$ -	\$ 31,837	\$ 31,837
Interest	-	-	1,045	1,045
Change in fair value	-	-	216	216
Transfer to share capital upon conversion	-	-	(32,793)	(32,793)
Foreign exchange adjustment	-	-	(305)	(305)
Balance at September 30, 2022	\$ -	\$ -	\$ -	\$ -

Series I

Between November 2020 and January 2021, the Company closed the Series I financing and issued convertible notes to various subscribers for total proceeds of \$1,288,539 (US\$999,990). The Series I convertible notes bear interest at 8% per annum, has a term of 24 months and are secured by a floating charge on all assets of the Company. If the Company or Nepra US (Note 20) completes a listing of its common shares on a stock exchange in Canada or the United States, the principal and interest shall automatically be converted into the listed common shares at a price equal to 80% of the issuance price upon listing or \$0.10 per share.

The Company has designated these Series I convertible notes to be measured at fair value through profit or loss (FVTPL). At inception, the fair value of the instruments was measured at the transaction amounts. There was nil gain or loss on change in fair value recorded in 2020 as their fair values approximate the carrying amount as at December 31, 2020.

On September 17, 2021, the outstanding principal and interest of Series I convertible notes in the amount of \$1,346,602 were automatically converted into 3,581,387 common shares at a price of \$0.376 per share when the Company completed its initial public offering. The fair value of these convertible notes was remeasured immediately prior to the conversion, resulting in a loss of \$331,735 on change in the fair value recorded for the difference between the conversion price and the share price of the initial public offering.

Series II

On April 2, 2021, Nepra US closed the Series II financing and issued convertible notes to four subscribers for total proceeds of \$380,123 (US\$295,000). The Series II convertible notes bear interest at 8% per annum, has a term of 24 months and are secured by a floating charge on all assets of the Company. If the Company or Nepra US completes a listing of its common shares on a stock exchange in Canada or the United States, the

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2022, and 2021
(Expressed in Canadian Dollars)
(Unaudited)

principal and interest of the Series II convertible notes shall automatically be converted into the listed common shares at a price equal to the greater of the issuance price upon listing and \$0.10 per share.

The Company has designated these Series II convertible note to be measured at FVTPL. At inception, the fair value of these instruments was measured at the transaction amounts. On September 17, 2021, the outstanding principal and interest of the Series I convertible notes in the amount of \$389,087 were automatically converted into 827,844 common shares at a price of \$0.47 per share when the Company completed its initial public offering. There was nil change in fair value recorded upon the conversion of these Series II convertible notes.

Series III

On June 11, 2021, the Company closed the Series III financing and issued convertible notes to various subscribers for total proceeds of \$230,000. The Series III convertible notes bear interest at 9% per annum, has a term of 12 months and are secured by a floating charge on all assets of the Company. On August 11, 2021, the Company issued another Series III convertible note for \$18,776 (US\$15,000) at the same term.

Following 121 days after the issue date to the maturity dates, the principal and any accrued and unpaid interest of the Series III Secured Notes is convertible at the option of the holder, in whole or in part, into the Company's common shares at the greater of the share issuance price upon listing and \$0.10 per share. In addition, following 121 days after the issue date and 10 days immediately before the maturity date, if the Company's common shares are trading on a stock exchange in Canada or the United States and the closing price is equal to or greater than \$0.60 per share for a period of 10 consecutive trading days, the Company can convert the principal amount plus the accrued and unpaid interest to the date of maturity into its common shares at the greater of the issuance price of initial public offering and \$0.10 per share.

The Company has designated these Series III convertible note to be measured at FVTPL. At inception, the fair value of these instruments was measured at the transaction amounts.

During the year ended December 31, 2021, there were total \$250,699 outstanding principal plus interest of Series III convertible notes converted into 533,402 common shares of the Company at a price of \$0.47 per share. The fair value of these Series III convertible notes was remeasured immediately prior to the conversion, resulting in a loss of \$129,495 on change in the fair value during the period from the issuance date to the conversion dates. The fair values of the Series III convertible notes was estimated using the Black-Scholes pricing model and the following assumptions: estimated volatility of 91.82% to 95.78%, risk free interest rate of 0.63% to 0.89%, expected life of 0.58 to 0.65 years, exercise price of \$0.47, a dividend yield of 0%, and a share price of \$0.67 to \$0.74.

As at December 31, 2021, the fair value of the remaining Series III convertible note increased by \$11,995. The fair value of this Series III convertible note was estimated using the Black-Scholes pricing model and the following assumptions: estimated volatility of 83.19%, risk free interest rate of 0.91%, expected life of 0.61 years, exercise price of \$0.47, a dividend yield of 0%, and a share price of \$0.68.

During the nine months ended September 30, 2022, the outstanding Series III convertible note with total principal plus interest of \$20,648 (USD \$16,350) were converted into 43,932 common shares of the Company at a price of \$0.47 per share. The fair value of this Series III convertible note was remeasured immediately prior

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2022, and 2021
(Expressed in Canadian Dollars)
(Unaudited)

to the conversion resulting in a loss of \$216 change in the fair value. The fair value of the Series III note was estimated using the Black-Scholes pricing model and the following assumptions: estimated volatility of 96.52%, risk free interest rate of 1.21%, expected life of 0.54 years, exercise price of \$0.47, a dividend yield of 0%, and a share price of \$0.67.

16. Deferred revenue

Payments received from customers prior to the point in time when the title, risks and rewards of the goods transfers to the customer as per each customer's agreement are recorded as deferred revenue. As at September 30, 2022, \$45,116 (December 31, 2021 - \$267,921) is included in deferred revenue.

17. Share Capital and Reserves

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 nine months ended September 30, 2022

- On January 24, 2022, the Company issued 42,500 common shares upon conversion of 42,500 restricted share units with a total value of \$28,263 based on the fair value on the grant date of the restricted share units
- On January 25, 2022, the Company issued 43,932 upon conversion of Series III convertible note with a fair value of \$32,792 (Note 15).
- On March 30, 2022 the Company completed a prospectus offering issuing 10,000,000 units for gross proceeds of \$4,500,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.70 for 36 months from the closing date of March 30, 2022. The fair value of the warrants issued as part of the units was estimated to be \$300,000 using the residual value method. In connection with the prospectus offering, the Company incurred cash share issuance costs of \$578,732 and issued 641,760 finders' warrants valued at \$157,313 in connection with the prospectus offering. The fair value of the finders' warrants was estimated using the Black-Scholes pricing model and the following assumptions: estimated volatility of 110.49%, risk free interest rate of 2.31%, expected life of 3 years, exercise price of \$0.70, a dividend yield of 0%, and a share price of \$0.42.
- On May 18, 2022, the Company issued 100,000 common shares upon the conversion of 100,000 restricted share units with a total value of \$73,625 based on the fair value on the grant date of the restricted share units.
- On June 3, 2022, the Company issued 42,500 common shares upon the conversion of 42,500 restricted share units with a total value of \$28,262 based on the fair value on the grant date of the restricted share units.
- On July 12, 2022, the Company issued 67,500 common shares upon the conversion of 67,500

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2022, and 2021
(Expressed in Canadian Dollars)
(Unaudited)

restricted share units with a total value of \$44,888 based on the fair value on the grant date of the restricted share units.

- On September 27, 2022, the Company issued 1,416,219 common shares upon the conversion of 14,162 class A shares.
- The Company recognized share-based payments of \$(3,237) and \$587,784 (2021 - \$119,965 and \$119,965) during the three and nine months ended September 30, 2022.

During the nine months ended September 30, 2021

- On September 17, 2021, the Company issued 2,050,000 stock options with an exercise price of \$0.47, expiring on September 17, 2031 and vest as follows: 10% on grant date, 30% 6 months from grant date, 30% 12 months from grant date and 30% 18 months from grant date. The grant date fair value of the options was \$860,734 which was determined using the Black-Scholes option pricing model and the following assumptions: estimated volatility of 100%, risk free interest rate of 1.29%, expected life of 10 years, exercise price of \$0.47, a dividend yield of 0%, and a share price of \$0.47. During the nine months ended September 30, 2021, the Company recorded share-based payments of \$119,965 in the statement of loss and comprehensive loss. As of September 30, 2021, 205,000 stock options have fully vested.
- On February 24, 2021, the Company issued 997,426 common shares valued at \$39,361 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.

Stock Options

Stock Option Plan

The Stock Option Plan was adopted by the Company's board of directors on April 16, 2021. The aggregate number of common shares which are reserved for issuance under the Stock Option Plan may not exceed 11,789,310. The exercise price of any stock options granted under the Option Plan shall be determined by the Compensation Committee of the Board, but may not be less than the greater of the closing market price of the Common Shares on (a) the trading day prior to the date of grant of the stock options; and (b) the date of grant of the stock options. The term of any stock option under the Option Plan shall be determined by the Compensation Committee of the Board but shall not exceed 10 years from the grant date. Vesting conditions of any stock options granted under the Stock Option Plan shall be determined by the Board at the time of grant.

Stock Option Activity

During the nine months ended September 30, 2022

- On January 1, 2022, the Company issued 100,000 stock options with an exercise price of \$0.68, expiring on January 1, 2027 and vest as follows: 12.5% on grant date, 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. The grant date fair value of the options was \$41,269 which was estimated using the Black-Scholes option pricing model and the following assumptions:

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements
 For the Three and Nine Months Ended September 30, 2022, and 2021
 (Expressed in Canadian Dollars)
 (Unaudited)

estimated volatility of 77%, risk free interest rate of 1.32%, expected life of 5 years, exercise price of \$0.68, a dividend yield of 0%, and a share price of \$0.665.

- During the three and nine months ended September 30, 2022, the Company recorded share-based payments of \$97,974 and \$444,716 in the statement of loss and comprehensive loss for stock options vested in the period. As of September 30, 2022, 1,472,500 stock options have fully vested.

Stock option activities are summarized in the table below:

	Number of Stock Options	Weighted Average Exercise Price
Balance, December 31, 2020	-	-
Granted	2,050,000	\$0.47
Balance, December 31, 2021	2,050,000	\$0.47
Granted	100,000	\$0.68
Cancelled/forfeited	(350,000)	\$(0.53)
Balance, September 30, 2022	1,800,000	\$0.47

Details of the share options outstanding and exercisable as at September 30, 2022, are as follows:

Expiry date	Number of Options		Exercise Price
	Outstanding	Vested	
September 17, 2031	1,800,000	1,260,000	\$0.47
Balance, September 30, 2022	1,800,000	1,260,000	\$0.47

As of September 30, 2022, the weighted average remaining life for outstanding options was 8.97 years.

Warrants

During the nine months ended September 30, 2022

- On March 30, 2022 the Company issued 10,000,000 warrants as part of the units issued in the prospectus offering. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.70 for 36 months from the closing date of March 30, 2022.
- On March 30, 2022 the Company issued 641,760 finders' warrants valued at \$157,313 in connection with the prospectus offering. The fair value of the finders' warrants was estimated using the Black-Scholes pricing model and the following assumptions: estimated volatility of 110.49%, risk free interest rate of 2.31%, expected life of 3 years, exercise price of \$0.70, a dividend yield of 0%, and a share price of \$0.42.

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements
 For the Three and Nine Months Ended September 30, 2022, and 2021
 (Expressed in Canadian Dollars)
 (Unaudited)

Warrant activities are summarized in the table below:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2020	-	-
Granted	898,889	\$0.47
Exercised	(19,500)	\$0.47
Balance, December 31, 2021	879,389	\$0.47
Granted	10,641,760	\$0.70
Balance, September 30, 2022	11,521,149	\$0.68

Details of the warrants outstanding and exercisable as at September 30, 2022 are as follows:

Expiry date	Number of Warrants	Exercise Price
September 17, 2023	879,389	\$0.47
March 30, 2025	10,641,760	\$0.70
Balance, September 30, 2022	11,521,149	\$0.68

As of September 30, 2022, the weighted average remaining life for outstanding warrants was 2.38 years.

Restricted Share Units (“RSUs”)

During the nine months ended September 30, 2022

- On January 1, 2022, the Company granted 270,000 RSUs to employees of the Company which vest as follows: 25% April 1, 2022, 25% July 1, 2022, 25% October 1, 2022 and 25% January 1, 2023
- On January 1, 2022, the Company issued 42,500 common shares upon conversion of 42,500 RSUs with a fair value of \$28,263
- On May 18, 2022, the Company issued 100,000 common shares upon conversion of 100,000 RSUs with a fair value of \$73,625.
- On June 3, 2022, the Company issued 42,500 common shares upon conversion of 42,500 RSUs with a fair value of \$28,263.
- On July 12, 2022, the Company issued 67,500 common shares upon the conversion of 67,500 RSUs with a fair value of \$44,888.
- During the three and nine months ended September 30, 2022, the Company recorded share-based payments of \$(101,838) and \$143,069 in the statement of loss and comprehensive loss for RSUs vested in the period.

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2022, and 2021
(Expressed in Canadian Dollars)
(Unaudited)

Restricted share unit activities are summarized in the table below:

	Number of RSUs	Weighted Average Issuance Price
Balance, December 31, 2020	-	-
Granted	300,000	\$0.76
Balance, December 31, 2021	300,000	\$0.76
Granted	270,000	\$0.665
Converted	(252,500)	\$0.693
Forfeited	(275,000)	\$0.74
Balance, September 30, 2022	42,500	\$0.665

Details of the restricted share units outstanding and exercisable as at September 30, 2022 are as follows:

Grant date	Number of RSUs		Issuance Value
	Outstanding	Vested	
January 1, 2022	42,500	-	\$0.665
Balance, September 30, 2022	42,500	-	\$0.665

18. Related Party Transactions*a) Due to/from related parties*

As at September 30, 2022, included in due from related parties is \$9,367 (December 31, 2021 - \$8,657) due from a director of the Company. The amount is unsecured, non-interest bearing and due on demand.

As at September 30, 2022, included in due from related parties is \$824 (December 31, 2021 - \$761) due from a director of the Company. The amount is unsecured, non-interest bearing and due on demand.

As at September 30, 2022, included in due from related parties is \$2,857 (December 31, 2021 - \$nil) due from a company controlled by the CEO and Director of the Company. The amount is unsecured, non-interest bearing and due on demand.

As at September 30, 2022, included in accounts payable and accrued liabilities is \$61,458 (December 31, 2021 - \$24,119) 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 September 30, 2022, included in accounts payable and accrued liabilities is \$143,649 (December 31, 2021 - \$44,494) due to a company controlled by the CFO and Director of the Company. The amount consists of accounting and corporate secretarial fees charged and is unsecured, non-interest bearing and due on demand.

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2022, and 2021
(Expressed in Canadian Dollars)
(Unaudited)

As at September 30, 2022, included in accounts payable and accrued liabilities is \$21,003 (December 31, 2021 – \$24,388) due to a company controlled by the CEO and Director of the Company. The amount consists of interest owing and is unsecured, non-interest bearing and due on demand.

As at September 30, 2022, included in accounts payable and accrued liabilities is \$4,303 (December 31, 2021 – \$15,907) due to a company controlled by the CEO and Director of the Company. The amount consists of lease payments owed and is unsecured, non-interest bearing and due on demand.

On October 16, 2017, the Company entered into an equipment lease agreement with a monthly rental fee of USD\$1,044 (CAD\$1,395) (Note 11). As at September 30, 2022, included in lease liability is \$1,422 (December 31, 2021 - \$12,668) for an equipment lease entered into with a company controlled by the CEO and Director of the Company.

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 nine months ended September 30,	2022		2021	
Salaries and benefits	\$	1,024,087	\$	860,762
Share-based payments		385,548		105,336
	\$	1,409,635	\$	966,098

For the three months ended September 30,	2022		2021	
Salaries and benefits	\$	249,474	\$	461,457
Share-based payments		(65,478)		105,336
	\$	183,996	\$	566,793

Other transactions

During the year ended December 31, 2020, the Company entered into an unsecured revolving loan facility with companies controlled by the CEO and Director of the Company for up to a total of USD\$400,000. The loan facility is unsecured, bears interest at a rate of 6% per annum, and matures on December 31, 2025. On January 1, 2022, the revolving loan facility was amended to increase the amount by USD \$200,000 resulting in an amended total of USD\$600,000. During the nine months ended September 30, 2022, the Company received additional loan proceeds of USD\$761,500 and repaid USD\$400,500 for net proceeds of USD\$361,000. The balance payable as of September 30, 2022 was USD\$533,241 (\$732,600) (December 31, 2021 - \$218,701). Interest of \$21,003 (December 31, 2021 - \$7,374) for the revolving note was charged and included in accounts payable and accrued liabilities. The Company incurred interest expense of \$4,135 and \$14,282 in the three and nine months ended September 30, 2022, respectively. See Note 14.

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2022, and 2021
(Expressed in Canadian Dollars)
(Unaudited)

During the three and nine months ended September 30, 2022, \$64,719 and \$221,954 (2021 – \$92,098 and \$92,098) was charged by a Company controlled by the CFO and Director of the Company for accounting and corporate secretarial fees.

During the nine months ended September 30, 2022, the Company purchased equipment of \$9,043 (2021 - \$nil) from the Company's Vice President of Research and Development.

During the nine months ended September 30, 2022, 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 three and nine months ended September 30, 2022, the Company was charged USD\$3,186 (\$4,087) and USD\$9,396 (\$12,051) (2021 – USD\$3,132 (\$3,919) and USD\$11,505 (\$14,395)) in lease payments for equipment by a company controlled by the CEO and Director.

19. Supplemental Disclosure with Respect to Cash Flows

	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021
Cash paid for interest	\$ 300,978	\$ 151,042
Shares issued for reverse takeover	-	251
Equipment purchases included in accounts payable and accrued liabilities	31,581	-
Lease payments included in accounts payable and accrued liabilities	8,034	11,756
Fair value of shares issued for debt settlement	-	39,361
Fair value of convertible debt converted	\$ -	\$ 1,711,578

20. 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, convertible notes, share capital, and retained earnings (deficit).

The basis for the Company's capital structure is dependent on the Company's expected business growth and changes in business environment. To maintain or adjust the capital structure, the Company may issue new shares through private placement, incur debt, or return capital to shareholders.

The Company believes it will be able to raise capital as required in the long term but recognizes there will be risks involved that may be beyond its control. There are no external restrictions on the management of capital.

The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable.

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2022, and 2021
(Expressed in Canadian Dollars)
(Unaudited)

There was no change to the Company's approach to capital management during the nine months ended September 30, 2022.

21. Financial Instruments and Risk Management

The Company is exposed, through its operations, to the following financial risks:

- a) Market Risk
- b) Credit Risk
- c) Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies, and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

General Objectives, Policies, and Processes:

The directors and officers have overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The directors and officers review the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous reported periods unless otherwise stated in the note.

The overall objective of the directors and officers is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

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 capital expenditures primarily through its subsidiaries in United States dollars. 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% weakening or strengthening of the Canadian dollar would result in approximately \$100,000 foreign exchange gain or loss in the consolidated statement of comprehensive loss.

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements
 For the Three and Nine Months Ended September 30, 2022, and 2021
 (Expressed in Canadian Dollars)
 (Unaudited)

(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 loans payable bear interest at fixed rates. As a result, at September 30, 2022, 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 receivable are exposed to credit risk. The Company limits its exposure to credit loss on cash by placing its cash with high-quality financial institutions. 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:

	September 30, 2022	December 31, 2021
1 – 60 days	\$ 894,469	\$ 567,379
61 - 90 days (past due)	-	-
Over 90 days (past due)	56,136	24,769
Provision for expected credit losses	(20,026)	(1,905)
Total	\$ 930,579	\$ 590,243

The Company is exposed to increased credit risk due to major customers that comprise 10% or more of revenue. For the three and nine months ended September 30, 2022 and 2021, the following revenue was recorded from major customers:

	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Customer A	\$ 1,907,759	\$ 1,539,272
Customer B	\$ 2,009,137	\$ 1,484,500

	Three months ended September 30, 2022	Three months ended September 30, 2021
Customer A	\$ 1,057,513	\$ 419,343
Customer B	\$ 394,953	\$ 482,638

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

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2022, and 2021

(Expressed in Canadian Dollars)

(Unaudited)

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. 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	\$ 779,427	-	-
Loans payable	32,075	981,958	290,347
Lease liability	644,812	1,243,423	1,566,269
	\$ 1,456,314	2,225,381	1,856,616

d) Basis of Fair Value

	Level	September 30, 2022	December 31, 2021
FINANCIAL ASSETS			
FVTPL			
Cash	1	\$ 181,525	\$ 1,463,859
Restricted Cash		75,571	69,843
Other assets, at amortized cost			
Accounts receivable		953,345	590,243
Due from related party		13,048	9,418
Total financial assets		\$ 1,223,489	\$ 2,133,363
FINANCIAL LIABILITIES			
	Level	September 30, 2022	December 31, 2021
Convertible notes	2	\$ -	\$ 31,837
Other liabilities, at amortized cost			
Accounts payable and accrued liabilities		779,427	1,216,484
Loans payable		927,173	403,444
Promissory note payable		-	-
Total financial liabilities		\$ 1,700,600	\$ 1,651,765

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;

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2022, and 2021

(Expressed in Canadian Dollars)

(Unaudited)

- 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.

22. Segmented Reporting

The Company operates in one reportable operating segment, being the production and sale of food ingredients. All of the Company's non-current assets are located in the United States.