NEPRA FOODS INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2023, AND
TWELVE MONTHS ENDED DECEMBER 31, 2021
(EXPRESSED IN CANADIAN DOLLARS)

DMCL
DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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Independent Auditor's Report

To the Shareholders of Nepra Foods Inc.

Opinion

We have audited the consolidated financial statements of Nepra Foods Inc. (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2023 and December 31, 2021, and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the fifteen months ended March 31, 2023 and the year ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2023 and December 31, 2021, and its financial performance and its cash flows for the fifteen months ended March 31, 2023 and the year ended December 31, 2021 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that during the fifteen months ended March 31, 2023 the Company had negative cash flows from operations of $5,847,328 and as at March 31, 2023 had an accumulated deficit of $16,122,981. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters, that in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management’s Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Steven Reichert.

DMCL.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

April 29, 2024

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

	Notes		**March 31, 2023**		**December 31, 2021**
ASSETS					
Current assets					
Cash		$	15,064	$	1,463,859
Restricted cash			74,467		69,843
Accounts receivable	**5**		372,079		590,243
Prepaid expenses and deposits	**6**		520,692		958,615
Inventory	**7**		1,988,403		1,815,796
Due from related parties	**17**		9,225		9,418
			2,979,930		4,907,774
Property and equipment	**8, 17**		258,386		447,522
Intangible assets	**9**		-		20,693
Deferred acquisition costs	**10**		-		134,551
Right-of-use assets	**11**		2,986,728		2,299,631
Long-term deposit	**11**		69,256		107,591
Total assets		**$**	**6,294,300**	**$**	**7,917,762**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	**13, 17**	$	1,620,697	$	1,216,484
Loans payable – current portion	**14, 17**		164,771		15,257
Lease liability – current portion	**12, 17**		421,014		138,647
Convertible notes	**15**		-		31,837
Deferred revenue			5,539		267,921
			2,212,021		1,670,146
Lease liability	**12, 17**		3,081,796		2,443,946
Loans payable	**14, 17**		593,735		388,187
Total liabilities			**5,887,552**		**4,502,279**
Shareholders' equity					
Share capital	**16**		14,328,553		10,608,472
Reserves	**16**		1,560,108		666,393
Equity portion of loans payable	**14**		449,741		-
Accumulated other comprehensive income (loss)			191,327		(45,281)
Deficit			(16,122,981)		(7,814,101)
Total shareholders' equity			406,748		3,415,483
Total liabilities and shareholders' equity		**$**	**6,294,300**	**$**	**7,917,762**

Nature of operations and going concern (Note 1)

Approved on behalf of the Board on April 29, 2024

"David Wood" Director *"Chadwick White"* Director

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

NEPRA FOODS INC.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Notes		For the fifteen months ended March 31, 2023		For the twelve months ended December 31, 2021
Revenue					
Sales	**24**	$	7,521,951	$	5,921,776
Consulting			51,842		130,333
			7,573,793		6,052,109
Cost of sales	**7, 8, 11**		6,339,660		5,273,856
Gross profit		**$**	**1,234,133**	**$**	**778,253**
Expenses					
Accretion	**14**		173,971		1,537
Amortization	**8, 9, 11**		370,568		254,564
Bad debt			5,574		16,703
Consulting	**17**		309,846		1,816,208
General and administrative	**18**		3,184,047		1,009,232
Professional fees	**17**		596,899		713,341
Research and development			251,293		155,612
Salaries and benefits	**17**		3,128,214		1,809,913
Share-based payments	**16, 17**		659,736		719,137
Travel			168,190		89,977
			8,848,338		6,586,224
Net loss before other items		**$**	**(7,614,205)**	**$**	**(5,807,971)**
Other items					
Foreign exchange			6,978		7,651
Interest income	**15**		14,495		10,143
Change in fair value of convertible debt			(223)		(473,226)
Gain on modification of debt			-		5,224
Loss on revaluation of long-term deposit	**11**		(57,283)		-
Finance costs	**12, 14, 15, 17**		(415,740)		(402,953)
Impairment	**8, 9**		(246,416)		-
Gain on equipment returned			3,514		-
Transaction expense	**20**		-		(18,737)
Net loss		**$**	**(8,308,880)**	**$**	**(6,679,869)**
Other comprehensive income (items that will not be reclassified to profit or loss)					
Exchange difference on translation of functional to presentation currencies			236,608		(50,441)
Comprehensive loss		**$**	**(8,072,272)**	**$**	**(6,730,310)**
Loss per share, basic and diluted	**21**	$	(0.18)	$	(0.35)
Weighted average number of shares outstanding, basic and diluted	**21**		46,605,872		19,225,623

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

NEPRA FOODS INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the fifteen months ended March 31, 2023	For the twelve months ended December 31, 2021
Operating activities		
Net loss	$ (8,308,880)	$ (6,679,869)
Adjustments for non-cash items		
Amortization	445,209	271,506
Bad debt	5,574	16,703
Write-off of inventory	27,841	6,142
Accretion	173,971	1,537
Interest	85,445	224,174
Change in fair value of convertible notes	223	473,226
Gain on modification of debt	-	(5,224)
Gain on equipment returned	(3,514)	-
Transaction expense	-	18,737
Foreign exchange	112,332	(25)
Shared-based payments	659,736	719,137
Impairment	246,416	-
Changes in non-cash working capital items:		
Accounts receivable	259,188	(458,886)
Prepaid expenses and deposits	525,052	(861,334)
Inventory	(79,803)	(1,257,100)
Accounts payable and accrued liabilities	274,464	651,088
Due from related parties	786	(752)
Deferred revenue	(271,368)	264,504
Net cash used in operating activities	**(5,847,328)**	**(6,616,436)**
Investing activities		
Purchase of equipment	(249,443)	(390,893)
Equipment returned	94,638	-
Purchase of intangible assets	-	(20,429)
Cash acquired in reverse takeover	-	251
Deferred acquisition costs refunded (paid)	121,965	(132,835)
Net cash used in investing activities	**(32,840)**	**(543,906)**
Financing activities		
Proceeds from issuance of common shares	3,921,268	443,642
Net proceeds from IPO	-	6,779,881
Proceeds from warrants exercised	-	9,165
Lease liability principal repayments	(113,862)	-
Loan repayments	(724,345)	(237,707)
Loan proceeds	1,303,639	215,911
Proceeds from convertible notes	-	1,068,295
Net cash provided by financing activities	**4,386,700**	**8,279,187**
Net increase (decrease) in cash	**(1,493,468)**	**1,118,845**
Effect of change in foreign exchange rates on cash	**49,297**	**(78,119)**
Cash, beginning	**1,533,702**	**492,976**
Cash, ending	**$ 89,531**	**$ 1,533,702**
Cash	**15,064**	**1,463,859**
Restricted cash	**74,467**	**69,843**
Cash, ending	**89,531**	**1,533,702**

Supplemental Disclosure with Respect to Cash Flows (Note 19)

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

NEPRA FOODS INC.
Consolidated Statements of Changes in Shareholders' Equity
For the Fifteen Months Ended March 31, 2023, and Twelve Months Ended December 31, 2021
(Expressed in Canadian Dollars)

	Share capital							
	Common shares*	Class A shares*	Amount	Reserves	Equity portion of loans payable	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
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
Shares issued in RTO	100	-	251	-	-	-	-	251
Shares issued in IPO	15,903,465	-	6,228,975	251,921	-	-	-	6,480,896
Finder's shares	636,138	-	298,985	-	-	-	-	298,985
Shares issued for convertible debt	4,942,633	-	2,454,070	-	-	-	-	2,454,070
Shares issued for services	400,000	-	299,200	-	-	-	-	299,200
Warrants exercised	19,500	-	14,630	(5,465)	-	-	-	9,165
Share-based payments	-	-	-	359,810	-	-	-	359,810
Restricted share units	-	-	-	60,127	-	-	-	60,127
Currency translation adjustment	-	-	-	-	-	(50,441)	-	(50,441)
Net loss	-	-	-	-	-	-	(6,679,869)	(6,679,869)
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	-	3,483,989	437,279	-	-	-	3,921,268
Shares issued for convertible debt	43,932	-	32,792	-	-	-	-	32,792
Conversion of Class A shares	4,937,873	(49,379)	-	-	-	-	-	-
Conversion of restricted share units	295,000	-	203,300	(203,300)	-	-	-	-
Equity portion of loans payable	-	-	-	-	449,741	-	-	449,741
Share-based payments	-	-	-	659,736	-	-	-	659,736
Currency translation adjustment	-	-	-	-	-	236,608	-	236,608
Net loss	-	-	-	-	-	-	(8,308,880)	(8,308,880)
Balance, March 31, 2023	**51,831,749**	**224,089**	**$ 14,328,553**	**$ 1,560,108**	**$ 449,741**	**$ 191,327**	**$ (16,122,981)**	**$ 406,748**

**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.*

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 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".

On December 14, 2022, the Company announced a change in its financial year end from December 31 to March 31. In purpose of the Company's annual financial statements, these financial statements represent a fiscal period of fifteen months, from January 1, 2022, to March 31, 2023. Presented as comparative figures are the financial results for the twelve month period of January 1, 2021, to December 31, 2021.

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 consolidated financial statements are presented as a continuation of Nepra US as the deemed acquirer.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. During the fifteen months ended March 31, 2023, the Company had negative cash flows from operations of $5,847,328, and as at March 31, 2023, had an accumulated deficit of $16,122,981. 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 that the Company will be able to continue to raise capital in the future. These consolidated financial statements do not give effect to any adjustments required for the Company to realize its assets and discharge its liabilities in other than its normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements. Such adjustments could be material.

2. Basis of Presentation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were approved and authorized for issuance on April 29, 2024, by the Directors of the Company.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of consolidation

These consolidated financial statements incorporate the accounts of the Company and its controlled subsidiaries from the date of acquisition. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company's wholly owned material subsidiaries include Nepra Foods, Ltd., incorporated on August 15, 2019 and Gluten Free Baking Solutions, LLC ("GFBS"), incorporated on August 10, 2016. All intercompany balances and transactions are eliminated on consolidation.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, unless explicitly otherwise specified. The functional currency of the Company is the Canadian dollar and the functional currency of its wholly-owned subsidiaries is the US dollar.

3. Summary of significant accounting policies

Financial instruments

The Company's financial instruments consist of cash, restricted cash, accounts receivable, due from related parties, accounts payable and accrued liabilities, lease liabilities, loans payable and convertible notes payable.

The Company follows the requirements of IFRS 9, Financial Instruments ("IFRS 9"). IFRS 9 utilizes a model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model.

(i) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income ("FVOCI") – debt investment, FVOCI - equity investment, or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

1. it is held within a business model whose objective is to hold assets to collect contractual cash flows, and
2. its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

1. it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
2. its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL if doing so significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: subsequent measurement and gains and losses

<u>Financial assets at FVTPL:</u> These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the consolidated statement of comprehensive loss.

<u>Financial assets at amortized cost:</u> These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statement of comprehensive loss. Any gain or loss on derecognition is recognized in the consolidated statement of comprehensive loss.

<u>Debt investments at FVOCI:</u> These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the consolidated statement of comprehensive loss.

<u>Equity investments at FVOCI:</u> These assets are subsequently measured at fair value. Dividends are recognized as income in the consolidated statement of comprehensive loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to the consolidated statement of comprehensive loss.

<u>Other net gains and losses:</u> Other gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the consolidated statement of comprehensive loss.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the consolidated statement of comprehensive loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the consolidated statement of comprehensive loss. Any gain or loss on derecognition is also recognized in the consolidated statement of comprehensive loss.

(ii) Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company enters into transactions whereby it transfers assets recognized in its consolidated statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different in which case a new financial liability based on the modified terms is recognized at fair value.

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

(iii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iv) Impairment

Accounts receivable, net of allowances, are stated at the amount the Company expects to collect.

The Company recognizes loss allowances for expected credit losses ("ECL") on financial assets measured at amortized cost or fair value through profit or loss. The Company uses historical patterns for the probability of default, the timing of collection and the amount of the incurred credit loss, which is adjusted based on management's judgment about whether current economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest. The amount of the impairment loss on a financial asset measured at amortized cost is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and are applied against trade and other receivables through a loss allowance account.

Cash and Restricted Cash

Cash and restricted cash are designated as fair value through profit or loss ("FVTPL") and includes cash on account, demand deposits and deposits held for the Company's credit cards which can be converted to known amounts of cash and is subject to insignificant changes in value. As at March 31, 2023 and December 31, 2021, the Company did not have any cash equivalents.

Inventory

The cost of inventories is determined using the weighted average method and is comprised of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of purchase include the purchase price, import duties, non-recoverable taxes, and transport, handling and other costs directly attributable to the acquisition of finished goods, materials or services. The costs of conversion include direct material and labour costs, and a systematic allocation of fixed and variable overheads incurred in converting materials into finished goods.

Inventory consists primarily of raw materials and finished goods. Inventory is measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The Company reviews the quantities and conditions of the inventory on hand on a regular basis and records a provision for spoiled inventory when spoilage occurs. If the Company determines that the estimated net realizable value of its inventory is less than the carrying value of such inventory, it records a charge to cost of sales.

Property and equipment

All items of property and equipment are stated at historical cost, less any accumulated amortization and any accumulated impairment losses. Historical cost includes all costs directly attributable to the acquisition of a property and equipment item. Costs related to the acquisition of equipment are deferred until such time that the Company obtains control over the equipment.

Subsequent costs are included in property and equipment item's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amounts of any replaced parts are derecognized. All other repairs and maintenance are charged to the consolidated statement of comprehensive loss during the financial period in which the repairs or maintenance is incurred.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds received for a property and equipment item (if any) to the carrying amount of the item. Gains and losses are recognized in the consolidated statement of comprehensive loss.

Amortization is calculated on a straight-line basis to write down the costs of property and equipment assets to residual values over the estimated useful lives of the property and equipment assets. The amortization rates applicable to each category of property and equipment are as follows:

Class of property and equipment	**Amortization rate**
Computer equipment	5 years
Furniture and equipment	5-7 years
Production equipment	7 years
Leasehold improvements	7 years

Intangible Assets

The Company's intangible assets consist of trademark application costs and software. Finite life intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. Finite life intangible assets are amortized once they are available for their intended use on a straight-line basis over the estimated useful life of the assets as follows:

Class of intangible assets	Amortization rate
Trademark	15 years
Software	3 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and are adjusted if required.

The Company assesses the carrying values of its intangible assets annually or more frequently if warranted by a change in circumstances. If it is determined that carrying values of assets cannot be recovered, the unrecoverable amounts are charged against current earnings. Recoverability is dependent upon assumptions and judgements regarding market conditions, costs of production and sustaining capital requirements. Other assumptions used in the calculation of recoverable amounts are discount rates and future cash flows. A material change in assumptions may significantly impact the potential impairment of these assets. Determining if there are any facts and circumstances indicating impairment loss is a subjective process often involving judgment and a number of estimates and interpretations.

Impairment of non-financial assets

At each reporting period, the Company assesses whether there are indicators of impairment for its non-financial assets. If indicators exist, the Company determines if the recoverable amount of the asset or cash generating unit ("CGU") is greater than its carrying amount. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets.

If the carrying amount exceeds the recoverable amount, the asset or CGU is recorded at its recoverable amount with the reduction recognized in profit or loss. The recoverable amount is the greater of the value in use or fair value less costs to sell. Fair value is the amount the asset could be sold for in an arm's length transaction. The value in use is the present value of the estimated future cash flows of the asset from its continued use. The fair value less costs to sell considers the continued development of a property and market transactions in a valuation model.

Impairments are reversed in subsequent periods when there has been an increase in the recoverable amount of a previously impaired asset or CGU and these reversals are recognized in profit or loss. The recovery is limited to the original carrying amount less amortization, if any, that would have been recorded had the asset not been impaired.

Leases

A lease represents the right to control the use of an identified asset for a period of time in exchange for consideration. To determine whether a contract conveys the right to control the use of an identified asset, the Company assesses the following:

- Is the identified asset directly or indirectly specified in the contract, or does it represent substantially all of the capacity of an asset that is physically distinct?
- Does the right of use cover substantially all of the economic benefits from use of the identified asset for a period of time?
- Does the Company have the right to direct the use of the identified asset? In cases where the use is predetermined, does the Company operate the asset or did the Company design the asset in a way that predetermines how and for what purpose the asset will be used?

When a lease is identified, the Company allocates the consideration in the contract to each of the lease components, separately from the non-lease components, on the basis of their relative stand-alone price. However, as is permitted under IFRS 16, the Company elected to account for all contracts of land and buildings it occupies as leases. A right-of-use asset (a “lease asset”) and a lease liability are recognized in the statement of financial position at the lease commencement date.

As is permitted under IFRS 16, the Company elects to expense its short-term leases (term of 12 months or less) and leases of low-value assets on a straight-line basis over the lease term.

Right-of-use asset

A right-of-use asset is initially recognized at cost which comprises the amount of the initial measurement of the lease liability, adjusted for any lease payments made or any lease incentives received at or before the commencement date, plus any initial direct costs incurred by the Company and an estimate of costs to be incurred in dismantling, removing or restoring the asset or site, as required by the terms and conditions of the lease.

The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the leased asset or the end of the lease term.

Lease liability

A lease liability is initially measured at the present value of the lease payments that are not paid at the recognition date using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. The Company’s incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The lease payments comprise the following: fixed payments; variable lease payments that depend on an index or a rate, using the index or rate as at the commencement date; an estimate of the amounts to be payable under residual value guarantees; as well as amounts the Company is reasonably certain to pay as the exercise price of a purchase or extension option, or as a penalty to exercise a termination option.

The lease liability is subsequently remeasured at amortized cost using the effective interest method.

When there is a change in lease payments resulting from a change in an index or a rate or a change in an estimated amount, the amount of such an adjustment is offset in the unamortized cost of the lease asset or reported in the consolidated statement of profit or loss when the lease asset is fully impaired.

The Company presents interest on its lease liabilities (calculated at the effective interest rate) with its other finance costs in the consolidated statement of profit or loss.

Deferred revenue

The Company records deferred revenue on payments received from customers at a point in time prior to the point in time when title, risks, and rewards of goods or services to be rendered by the Company transfers to the customer.

Revenue recognition

The Company generates revenue primarily from the sale of starch products, through the sprouting and malting of starch products, the processing of hemp seeds and sale of hemp heart flour, and recipe consulting services. The time between invoicing and when payment is due is not significant and none of the Company's contracts contain a significant financing component.

The Company follows IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), to recognize its revenue. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, the Company's accounting policy for revenue recognition is as follows: i) identify the contract with the customer; ii) identify the performance obligation(s) in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligation(s); and (v) recognize revenue when (or as) performance obligation(s) are satisfied.

For the sale of starch products, sprouting and malting of starch products, and the sale of hemp heart flour, the Company recognizes revenue when legal title to the goods has transferred from the Company to the customer, and risks and rewards of ownership of the goods has transferred from the Company to the customer. For most customers, this occurs at the point in time when goods are shipped from the Company's facility. The Company does not offer warranties or a right to return on the products it sells.

Revenue earned from recipe consulting is recognized when the recipe is complete and has been accepted by the customer.

Revenue is measured based on the price specified in the Company's invoice provided to the customer. The Company does not have any multiple-element revenue arrangements. Revenue is presented net of discounts and sales and other related taxes.

Government Assistance

Loans received in connection with government assistance programs are recognized initially at fair value, with the difference between the fair value of the loan based on prevailing market interest rates and the amount received recorded as government assistance in the consolidated statements of loss and comprehensive loss.

Cost of sales

The Company's cost of sales consists of the cost of sold inventory. These costs include product and material costs, labour and overhead production costs, freight and storage costs, packaging costs, sample costs, and quality assurance costs. In addition, cost of sales consists of provisions for reserves related to product shrinkage, excess or obsolete inventory, or lower of cost and net realizable value adjustments as required.

Research and development

Research costs are expensed as incurred. Research activities include formulation, design, evaluation and final selection of possible alternatives, products, processes, systems or services. Development costs are expensed as incurred unless the Company can demonstrate all of the following: (i) the technical feasibility of completing an intangible asset so that it will be available for use or sale, (ii) its intention to complete the intangible asset and use or sell it, (iii) its ability to use or sell the intangible asset, (iv) how the intangible asset will generate probable future economic benefits, (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and (vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Income taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the financial position reporting date, and includes any adjustments to tax payable or receivable in respect of previous periods.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the financial position reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity and are intended to be settled on a net basis. The determination of current and deferred taxes requires interpretations of tax legislation, estimates of expected timing of reversal of deferred tax assets and liabilities, and estimates of future earnings.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and share purchase warrants are classified as equity instruments. The proceeds from the issue of units, where such units consist of common shares and common share purchase warrants, are allocated between common shares and common share purchase warrants on a residual value basis wherein the fair value of the common shares is based on the market trading price on the date the units are issued and the balance, if any, is allocated to the attached warrants. Share issuance costs are recorded against share proceeds, net of any tax impact. Transaction costs directly attributable to derivative instruments are charged to operations as a finance cost.

Share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the instruments at the grant date and recognized in expense over the vesting periods. Equity-settled share-based payments to nonemployees are measured at the fair value of goods or services received or the fair value of the equity instruments issued if it is determined that the fair value of the goods or services received cannot be reliably measured. Nonemployee share-based payments are recognized in expense at the date the goods or services are received. The corresponding amount is recorded to reserves. Upon the exercise of equity instruments, consideration received on the exercise is recorded as share capital and the related amount in reserves is transferred to share capital.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to shareholders by the consolidated weighted average number of shares outstanding in the period. Diluted earnings per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of share options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding share options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. As the Company is in a loss position, the outstanding warrants and options is antidilutive.

Foreign currency translation

Translation of foreign currency transactions

Transactions in foreign currencies are translated using the exchange rate prevailing at the date of the transaction. At each reporting date, foreign currency denominated monetary assets and liabilities are translated at year-end exchange rates. Exchange differences arising from the transactions are recorded in profit or loss for the period.

Translation of foreign operations

The assets and liabilities of a foreign operation are translated into Canadian dollars at year-end exchange rates. Income and expenses and cash flows of a foreign operation are translated to Canadian Dollars using average exchange rates. Differences resulting from translating foreign operations are reported as translation differences in other comprehensive income. When a foreign operation is disposed of, the translation differences previously recognized in equity are reclassified to profit or loss.

Accounting standards issued but not yet effective

New accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

4. Critical Accounting Judgments, Estimates and Assumptions

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. These financial statements do not include any accounts that require significant estimates as the basis for determining the stated amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Going concern

The Company's ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances.

Useful lives of property and equipment

Property and equipment is amortized or depreciated over its useful lives. Useful lives are based on management's estimate of the period that the assets will generate revenue. These periods are periodically reviewed by management 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 risk 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 and intangible assets, are reviewed for indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (also known as cash generating units, or "CGUs"). 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 note 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 note 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.

Interest Rates

The Company estimates a market interest rate in determining the fair value of loans payable, the fair value of the right-of-use assets and lease liabilities and recoverable value of cash-generating units. The determination of the market interest rate is subjective and could materially affect these fair value estimates.

Share-based payments

The Company measures the cost of equity-settled transactions with employees and non-employees by reference to the fair value of the equity instruments at the date at which they are granted. Prior to the Company's initial public offering on September 17, 2021, the Company estimated the fair value of the equity instruments issued for share-based payments based on the common share price agreed upon for the private placement which closed on March 5, 2021 and shares issued for debt settlements. Subsequent to the Company's initial public offering the Company measures the cost of equity-settled transactions with employees and non-employees by reference to the trading price of the Company's shares on the CSE on the date which the equity instruments are granted.

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.

(Expressed in Canadian Dollars)

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.

5. Accounts Receivable

Accounts receivable is composed of the following amounts:

		March 31, 2023		**December 31, 2021**
Trade receivables	$	331,831	$	592,148
Sales tax receivable		40,248		-
Expected credit losses		-		(1,905)
Net accounts receivable	**$**	**372,079**	**$**	**590,243**

6. Prepaid Expenses and Deposits

Prepaids and deposits are composed of the following amounts:

		March 31, 2023		**December 31, 2021**
Deposit on inventory	$	467,644	$	850,719
Insurance		35,706		89,321
Other		17,342		18,575
	$	**520,692**	**$**	**958,615**

7. Inventory

Inventory consists primarily of raw materials and finished goods.

		March 31, 2023		**December 31, 2021**
Raw materials	$	78,419	$	201,323
Work-in-progress		-		13,530
Finished goods		1,909,984		1,600,943
	$	**1,988,403**	**$**	**1,815,796**

During the fifteen months ended March 31, 2023, the Company sold inventory with a value of $6,311,819 (twelve months ended December 31, 2021 - $5,267,714) and incurred inventory write-offs of $27,841 (twelve months ended December 31, 2021 - $6,142) which are included in cost of sales.

(Expressed in Canadian Dollars)

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	4,833	132,160	87,570	3,171	227,734
Equipment returned	(75,279)	(19,359)	-	-	(94,638)
Foreign exchange adjustment	9,041	17,402	6,360	3,602	36,405
Balance, March 31, 2023	**$ 110,500**	**$ 341,342**	**$ 148,750**	**$ 60,201**	**$ 660,793**
Accumulated Amortization and Impairment					
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**
Impairment	23,695	77,260	116,563	12,497	230,015
Amortization	28,412	53,140	22,546	14,272	118,370
Equipment returned	(3,514)	-	-	-	(3,514)
Foreign exchange adjustment	2,485	5,564	4,718	999	13,766
Balance, March 31, 2023	**$ 65,569**	**$ 157,988**	**$ 148,750**	**$ 30,100**	**$ 402,407**
Net Book Value					
At December 31, 2021	**$ 157,414**	**$ 189,115**	**$ 49,897**	**$ 51,096**	**$ 447,522**
At March 31, 2023	**$ 44,931**	**$ 183,354**	**$ -**	**$ 30,101**	**$ 258,386**

During the twelve months ended December 31, 2021, the Company purchased various production and manufacturing equipment with a cost of $94,638. During the fifteen months ended March 31, 2023, the Company decided to return and lease this same equipment (see Note 11).

Amortization of equipment used in production is allocated to the cost of inventory. During the fifteen months ended March 31, 2023, amortization of $61,407 (twelve months ended December 31, 2021 - $19,541) was allocated to the cost of inventory.

During the fifteen months ended March 31, 2023, the Company identified indicators of impairment and accordingly recorded impairment of $230,015 (twelve months ended December 31, 2021 - $nil). The recoverable value of leasehold improvements was determined to be $nil. The recoverable value of furniture and equipment, production equipment and computer equipment were estimated using market values in accordance with Level 3 of the fair value hierarchy.

(Expressed in Canadian Dollars)

9. Intangible Assets

	Trademark	Software	Total
Balance, December 31, 2020	**$ -**	**$ -**	**$ -**
Additions	11,275	9,154	20,429
Foreign exchange adjustment	146	118	264
Balance, December 31, 2021	**$ 11,421**	**$ 9,272**	**$ 20,693**
Impairment	(10,814)	(5,587)	(16,401)
Amortization	(983)	(3,990)	(4,973)
Foreign exchange adjustment	376	305	681
Balance, March 31, 2023	**$ -**	**$ -**	**$ -**

During the fifteen months ended March 31, 2023, the Company identified indicators of impairment and accordingly recorded impairment of $16,401 (twelve months ended December 31, 2021 - $nil). The recoverable value of the intangible assets was determined to be $nil in accordance with Level 3 of the fair value hierarchy.

10. Deferred Acquisition Costs

During the twelve months ended December 31, 2021, the Company made down payments and deposits of USD$105,968 (CAD$132,835) to various suppliers for production and manufacturing equipment. During the fifteen months ended March 31, 2023, the Company decided to lease some of this equipment under a master lease agreement as opposed to purchasing the equipment outright (Notes 11 and 12). During the fifteen months ended March 31, 2023, the Company received a partial refund of USD$92,996 (CAD$121,965) for the previously issued deposits. The Company expects to receive USD$12,972 (CAD$17,551) relating to the remaining portion of the deposits. The remaining USD$12,972 was reclassified to accounts receivable during the fifteen months ended March 31, 2023. Subsequent to March 31, 2023, the Company received another partial refund of USD$4,324.

At December 31, 2020	**$ -**
Deposits and down payments	132,835
Foreign exchange adjustment	1,716
At December 31, 2021	**$ 134,551**
Refunds	(121,965)
Amount to be refunded (reclassified to accounts receivable)	(17,551)
Foreign exchange adjustment	4,965
At March 31, 2023	**$ -**

(Expressed in Canadian Dollars)

11. Right-of-use Assets

Equipment

On October 16, 2017, the Company entered into an equipment lease agreement with a company controlled by the current COO (former CEO), Director of the Company, interim CFO and interim Corporate Secretary. The lease term commenced November 1, 2017 and ended on October 1, 2022. The Company paid a monthly rental fee of USD$1,044 (CAD$1,413) throughout the term of the lease (Note 17).

During the fifteen months ended March 31, 2023, the Company began leasing various production and manufacturing equipment. Prior to March 31, 2023, interim rent was incurred and paid on a monthly basis. These interim rent amounts were fully expensed in a total amount of USD$596,067 (CAD$781,746) during the fifteen months ended March 31, 2023. On March 31, 2023, the Company and lessor committed to the principal terms and conditions of the lease. Under the lease agreement, the Company committed to paying a monthly rental fee of USD$3,700 (CAD$4,853) for four consecutive months beginning April 1, 2023 and thereafter paying a monthly fee of USD$38,756 (CAD$50,828) ending July 1, 2025.

Building

The Company entered into a lease agreement for a building. The lease includes annual step-up payments which commenced January 1, 2021 and expires on June 30, 2031. In connection with this lease agreement, the Company paid a security deposit of USD$116,409 (CAD$148,340) in December 2020. The deposit was to be repaid to Nepra at various milestone dates over the lease period so long as the Company remained in good terms with regard to all provisions of the lease agreement. On the commencement date of the lease, the deposit was discounted, using an incremental borrowing rate of 10% per annum, to reflect the long-term nature of the deposit. This discount resulted in an adjustment to the fair value of the deposit of USD$39,705 (CAD$50,001) during the twelve months ended December 31, 2021. The amount of this discount was included in the cost of the right-of-use asset associated with the leased building.

During the fifteen months ended March 31, 2023, repayments of the deposit to the Company did not occur as the Company fell behind on the lease payments required under the lease agreement. During the fifteen months ended March 31, 2023, the deposit was revalued to reflect the fact that repayment of the security deposit will not occur until the completion of the lease. This revaluation resulted in an adjustment to the fair value of the deposit of USD$43,678 (CAD$57,283) which was charged to net and comprehensive loss. A reconciliation of the long-term deposit is as follows:

At December 31, 2020	**$**	**148,340**
Adjustment to fair value resulting from discount		(50,001)
Interest income		10,068
Foreign exchange adjustment		(816)
At December 31, 2021	**$**	**107,591**
Adjustment to fair value resulting from non-repayment		(57,283)
Interest income		7,713
Foreign exchange adjustment		11,235
At March 31, 2023	**$**	**69,256**

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

(Expressed in Canadian Dollars)

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		841,822		-		841,822
Amortization expense		(10,740)		(311,126)		(321,866)
Foreign exchange adjustment		26,940		140,201		167,141
At March 31, 2023	**$**	**868,420**	**$**	**2,118,308**	**$**	**2,986,728**

A portion of the amortization of the equipment right-of-use asset is allocated to the cost of inventory. During the fifteen months ended March 31, 2023, amortization of $13,234 (for the twelve months ended December 31, 2021 - $12,319) was allocated to the cost of inventory.

12. Lease Liabilities

The lease liability associated with the equipment lease which commenced on October 16, 2017 has been calculated using an incremental borrowing rate of 10% per annum. The lease liability associated with the lease agreement for various pieces of production and manufacturing equipment, the principal terms and conditions of which were committed to by the Company and lessor on March 31, 2023, has been calculated using a rate of 30% per annum. The lease liability associated with the building at 7025 South Revere Parkway, Ste. 100, Centennial, Colorado, has been calculated using an incremental borrowing rate of 10% per annum.

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

Lease liability		March 31, 2023		December 31, 2021
Current portion	$	421,014	$	138,647
Long-term portion		3,081,796		2,443,946
Total lease liability	**$**	**3,502,810**	**$**	**2,582,593**

Changes in lease liabilities are due to the following:

		March 31, 2023		December 31, 2021
Balance, beginning of period	**$**	**2,582,593**	**$**	**26,641**
New lease liabilities		841,822		2,459,395
Interest		322,996		251,754
Payments		(436,858)		(160,764)
Reclassification of lease liability to accounts payable upon derecognition of lease liability		-		(15,704)
Effect of changes in foreign exchange rates		192,257		21,271
Balance, end of period	**$**	**3,502,810**	**$**	**2,582,593**

(Expressed in Canadian Dollars)

The Company is committed to minimum lease payments as follows:

Maturity analysis		March 31, 2023		December 31, 2021
Less than one year	$	925,707	$	390,557
One year to five years		2,636,698		1,625,842
More than five years		1,626,034		2,076,047
Total undiscounted lease liabilities		5,188,439		4,092,446
Less: unearned interest		(1,685,629)		(1,509,853)
Total lease liability	**$**	**3,502,810**	**$**	**2,582,593**

13. Accounts Payables and Accrued Liabilities

		March 31, 2023		December 31, 2021
Trade payables	$	1,120,578	$	1,071,994
Accrued liabilities		500,119		144,490
	$	**1,620,697**	**$**	**1,216,484**

14. Loans Payable

a) On May 16, 2020 (the "date of advance"), GFBS received a loan for gross proceeds of USD$150,000 (CAD$210,330) from the U.S. Small Business Administration under the Economic Injury Disaster Loan program. The loan bears annual interest at a rate of 3.75%. Monthly repayments of USD$731 (CAD$989) commenced 12 months from the date of advance and are applied first to interest and then to the loan's principal. The loan matures 30 years from the date of advance. As this loan was granted at an interest rate below the market rate of interest, this loan 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 the Company recognizing the loan at an initial fair value of $140,887. 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, as a result, a gain on the modification of this loan was recognized in the amount of $5,224 for the year ended December 31, 2021. As at March 31, 2023, accrued interest of USD$15,938 (CAD$21,563) is recorded in accounts payable and accrued liabilities. The entire loan is classified as current as the Company has not made the required monthly payments and is in default.

The loan is secured by all tangible and intangible property of GFBS as at the agreement date and any property acquired by GFBS after the agreement date.

(Expressed in Canadian Dollars)

The balance outstanding at March 31, 2023 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		2,077
Foreign exchange adjustment		5,802
Total loan balance, March 31, 2023	**$**	**147,744**
Less: current portion		(147,744)
Non-current balance, March 31, 2023	**$**	**-**

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$1,644) and the balance of the loan is due on maturity.

The balance outstanding at March 31, 2023 is as follows:

Balance, December 31, 2020	$	59,524
Loan repayments		(19,306)
Interest		5,061
Foreign exchange adjustment		(401)
Balance, December 31, 2021	**$**	**44,878**
Loan repayments		(25,148)
Interest		4,586
Foreign exchange adjustment		2,292
Total loan balance, March 31, 2023	**$**	**26,608**
Less current portion		(17,027)
Non-current balance, March 31, 2023	**$**	**9,581**

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

c) On July 1, 2020, Nepra US entered into an unsecured revolving loan facility with a company controlled by the Company's current COO (former CEO), Director of the Company, interim CFO and interim Corporate Secretary, for up to USD$200,000. The facility boar interest at 6% and the outstanding balance, if any, would have been due on or before December 31, 2025. On January 1, 2022, the facility was amended (the "First Amended Facility") to increase the balance that could be borrowed under the facility up to USD$400,000. The First Amended Facility boar interest at 6% and the outstanding balance, if any, would have been due on or before December 31, 2025. On September 5, 2022, the First Amended Facility was amended again (the "Second Amended Facility"), to increase the balance that could be borrowed under the facility up to USD$650,000. The Second Amended Facility bears interest at 6% and the outstanding balance, if any, is due on or before December 31, 2025.

(Expressed in Canadian Dollars)

During the fifteen months ended March 31, 2023, in measuring the fair value of the Second Amended Facility in alignment with IFRS 9, *Financial Instruments*, the Company recognized an equity component of USD$332,417 (CAD$449,741) against the balance of the facility relating to the below market interest rate. The value of the equity component was determined by discounting the balance of the facility at a market rate of interest of 20%. During the fifteen months ended March 31, 2023, the Company recorded accretion of USD$131,066 (CAD$171,894) in relation to the original and amended facilities. As at March 31, 2023, USD$633,116 (CAD$856,571) was drawn down on the Second Amended Facility.

A reconciliation of the balance outstanding at March 31, 2023, in CAD is as follows:

Balance, December 31, 2020	$	-
Drawings on facilities		343,755
Repayments		(127,844)
Foreign exchange adjustment		2,790
Balance, December 31, 2021	**$**	**218,701**
Drawings on facilities		1,041,338
Repayments		(436,896)
Equity portion of loans payable		(449,741)
Accretion expense		171,894
Foreign exchange adjustment		38,858
Total loan balance, March 31, 2023	**$**	**584,154**
Less current portion		-
Non-current balance, March 31, 2023	**$**	**584,154**

As at March 31, 2023, total accrued interest of $7,404 (December 31, 2021 - $7,374) on the original and amended revolving loan facilities was recorded in accounts payable and accrued liabilities. See Note 17.

d) On July 1, 2020, Nepra US entered into an unsecured revolving loan facility with a company controlled by the Company's current COO (former CEO), Director of the Company, interim CFO and interim Corporate Secretary for up to USD$200,000. The outstanding balance, if any, on the revolving loan would have been due on or before December 31, 2025. The facility boar interest at 6% per annum. In February 2022, the Company drew USD$200,000 on the facility. On April 19, 2022, the Company repaid all amounts under the revolving loan facility which consisted of USD$200,000 (CAD$262,301) in principal and USD$1,670 (CAD$2,190) in interest. During the fifteen months ended March 31, 2023, the facility was cancelled. See Note 17.

(Expressed in Canadian Dollars)

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	331,736	-	141,490	473,226
Transfer to share capital upon conversion	(1,683,252)	(389,088)	(381,730)	(2,454,070)
Foreign exchange adjustment	(1,141)	(4,652)	1,539	(4,254)
Balance at December 31, 2021	**$ -**	**$ -**	**$ 31,837**	**$ 31,837**
Interest	-	-	1,073	1,073
Change in fair value	-	-	223	223
Transfer to share capital upon conversion	-	-	(32,792)	(32,792)
Foreign exchange adjustment	-	-	(341)	(341)
Balance at March 31, 2023	**$ -**	**$ -**	**$ -**	**$ -**

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. The Company designated these Series I convertible notes to be measured at fair value through profit or loss (FVTPL). The Series I convertible notes boar interest at 8% per annum, had a term of 24 months and were secured by a floating charge on all assets of the Company. If the Company or Nepra US (Note 20) completed a listing of its common shares on a stock exchange in Canada or the United States, the principal and interest would automatically convert into the listed common shares at a price equal to 80% of the issuance price upon listing or $0.10 per share.

On September 17, 2021, the outstanding principal and interest of the 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, derived from the difference between the conversion price of the notes 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. The Series II convertible notes boar interest at 8% per annum, had a term of 24 months and were secured by a floating charge on all assets of the Company. If the Company or Nepra US completed a listing of its common shares on a stock exchange in Canada or the United States, the principal and interest of the Series II convertible notes would automatically convert 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 designated these Series II convertible notes 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 II convertible notes in the amount of $389,087 was 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 boar interest at 9% per annum, had a term of 12 months and were 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 on the same terms.

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 was 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 were trading on a stock exchange in Canada or the United States and the closing price was equal to or greater than $0.60 per share for a period of 10 consecutive trading days, the Company could 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 had designated the Series III convertible notes to be measured at FVTPL. At inception, the fair value of these instruments was measured at the transaction amounts.

During the twelve months ended December 31, 2021, a total of $250,699 in outstanding principal and interest of the Series III convertible notes was 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 the change in the fair value during the period between the issuance date and the conversion dates. The fair values of the Series III convertible notes were 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.

During the twelve months ended 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 fifteen months ended March 31, 2023, the outstanding Series III convertible note with total principal plus interest of $32,792 was 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 to the conversion resulting in a loss of $221 due to the 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. 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, all of the share numbers and share prices in these financial statements have been adjusted, on a retroactive basis, to reflect the share exchange that occurred during the RTO.

Authorized capital

The Company is authorized to issue an unlimited number of common shares and an unlimited number of Class A common shares with no par value.

Issued Capital

During the fifteen months ended March 31, 2023:

- On January 24, 2022, the Company issued 42,500 common shares upon the conversion of 42,500 restricted share units with a total value of $28,263, based on the fair value of the restricted share units on the date of grant.
- On January 25, 2022, the Company issued 43,932 common shares upon conversion of a 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 a 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 $137,279 in connection with the prospectus offering. The fair value of the finders' warrants was estimated using the Black-Scholes pricing model using the following assumptions: estimated volatility of 97.17%, 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 $73,624 based on the fair value of the restricted share units on the date of grant.
- 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 of the restricted share units on the date of grant.
- On July 12, 2022, the Company issued 67,500 common shares upon the conversion of 67,500 restricted share units with a total value of $44,888 based on the fair value of the restricted share units on the date of grant.
- On September 27, 2022, the Company issued 1,416,219 common shares upon the conversion of 14,162 Class A shares.
- On November 29, 2022, the Company issued 3,521,654 common shares upon the conversion of 35,217 Class A shares.
- On December 8, 2022, the Company issued 42,500 common shares upon the conversion of 42,500 restricted share units with a total value of $28,263 based on the fair value of the restricted share units on the date of grant.
- The Company recognized total share-based payments expenses of $659,736.

During the twelve months ended December 31, 2021:

- On February 24, 2021, the Company issued 997,426 common shares valued at $39,361 to settle outstanding debt of USD$30,888 (CAD$41,789).
- On March 5, 2021, the Company closed a private placement and issued 9,999,971 common shares for proceeds $443,642.

- On April 16, 2021, the Company issued 100 common shares in connection to the RTO between the Company and Nepra US.
- On September 17, 2021, the Company completed its initial public offering of 15,903,465 common shares at a price of $0.47 per share for gross proceeds of $7,474,629. The Company incurred cash share issuance costs of $694,777, issued 636,138 common shares valued at $298,985 as finder's fees, and issued 898,889 finder's warrants valued at $251,921 using the Black Scholes pricing model. Each warrant is exercisable into one common share at an exercise price of $0.47 until expiry on September 17, 2023.
- On September 17, 2021, the Company issued 3,581,387 common shares at a price of $0.376 per share upon the conversion of the Series I convertible notes (Note 15).
- On September 17, 2021, the Company issued 827,844 common shares at a price of $0.47 per share upon the conversion of the Series II convertible notes (Note 15).
- On October 14, 2021, the Company issued 185,531 common shares at a price of $0.47 per share upon the conversion of Series III convertible notes (Note 15).
- On October 15, 2021, the Company issued 400,000 common shares valued at $299,200 to a third party as consideration for marketing consulting services.
- On November 9, 2021, the Company issued 347,871 common shares at a price of $0.47 per share upon the conversion of Series III convertible notes (Note 15).
- On November 10, 2021, the Company issued 19,500 common shares at a price of $0.47 per share pursuant to the conversion of finder's warrants for gross proceeds of $9,165. In connection with the exercise, an amount of $5,465 was reclassified from reserves to share capital.
- The Company recognized total share-based payments expenses of $719,137.

Stock Options

Stock Option Plan

The Stock Option Plan was adopted by the Company's Board of Directors on April 6, 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 Stock 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 Company's 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 Stock 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 fifteen months ended March 31, 2023:

- On January 1, 2022, the Company issued 100,000 stock options with an exercise price of $0.68, an expiry date of January 1, 2027, and that vest as follows: 12.5% on the date of grant, 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 these options was $41,269 which was determined using the Black-Scholes option pricing model with the following input: 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 fifteen months ended March 31, 2023, 100,000 options were forfeited.

(Expressed in Canadian Dollars)

- The Company recognized share-based payments of $516,564 relating to options in the statement of loss and comprehensive loss.

During the twelve months ended December 31, 2021:

- On September 17, 2021, the Company issued 2,050,000 stock options with an exercise price of $0.47, an expiry date of September 17, 2031, and that vest as follows: 10% on the date of grant, 30% 6 months from the date of grant, 30% 12 months from the date of grant, and 30% 18 months from the date of grant. The grant date fair value of the options was $860,734 which was determined using the Black-Scholes option pricing model with the following inputs: 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.
- The Company recognized share-based payments of $359,810 relating to options in the statement of loss and comprehensive loss.

Stock option activity is 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
Forfeited	(100,000)	0.68
Balance, March 31, 2023	**2,050,000**	**0.47**

Details of the options outstanding as at March 31, 2023, are as follows:

Expiry date	Number of Options Outstanding	Number of Options Vested	Exercise Price
September 17, 2031	2,050,000	2,050,000	$0.47
Balance, March 31, 2023	**2,050,000**	**2,050,000**	**$0.47**

As of March 31, 2023, the weighted average remaining life of outstanding options is 8.47 years.

Warrants

During the fifteen months ended March 31, 2023:

- 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 $137,279 in connection with the prospectus offering. The fair value of the finders' warrants was estimated using the Black-Scholes pricing model with the following assumptions: estimated volatility of 97.17%, 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.

(Expressed in Canadian Dollars)

During the twelve months ended December 31, 2021:

- On September 17, 2021, the Company issued 898,889 finders' warrants with a fair value of $251,921. Each finders' warrant entitles the holder to purchase one common share at a price of $0.47 per common share until September 17, 2023. The fair value of these warrants was estimated using the Black-Scholes pricing model with the following assumptions: estimated volatility of 117.62%, risk free interest rate of 0.46%, expected life of 2 years, exercise price of $0.47, a dividend yield of 0%, and a share price of $0.47. Each finders' warrant entitles the holder to purchase one common share at a price of $0.47 per common share until September 17, 2023.

Warrant activity is 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, March 31, 2023	**11,521,149**	**$0.68**

Details of the warrants outstanding as at March 31, 2023 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, March 31, 2023	**11,521,149**	**$0.68**

As of March 31, 2023, the weighted average remaining life for outstanding warrants was 1.88 years.

Restricted Share Units ("RSUs")

During the fifteen months ended March 31, 2023:

- On January 1, 2022, the Company granted 270,000 RSUs to employees of the Company which vest as follows: 25% on April 1, 2022, 25% on July 1, 2022, 25% on October 1, 2022 and 25% on 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 $28,262.
- On May 18, 2022, the Company issued 100,000 common shares upon conversion of 100,000 RSUs with a fair value of $73,624.
- 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.
- On December 8, 2022, the Company issued 42,500 common shares upon the conversion of 42,500 RSUs with a fair value of $28,263.

(Expressed in Canadian Dollars)

- During the fifteen months ended March 31, 2023, 275,000 RSUs were cancelled/forfeited.
- The Company recognized share-based payments of $143,172 related to RSUs in the statement of loss and comprehensive loss.

During the twelve months ended December 31, 2021:

- On October 1, 2021, the Company granted 300,000 RSUs to an officer of the Company. These RSUs expire on September 30, 2024 and vest as follows: 25% 6 months from the date of grant, 25% 12 months from the date of grant, 25% 18 months from the date of grant, and 25% 24 months from the date of grant.
- The Company recognized share-based payments of $60,127 related to RSUs in the statement of loss and comprehensive loss.

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	$0.67
Converted	(295,000)	$0.69
Forfeited	(275,000)	$0.74
Balance, March 31, 2023	**-**	**-**

17. Related Parties

The Company defines its related parties as its key members of management, companies controlled by its key members of management, and family members of its key members of management. Key members of management consist of the Directors and Officers who are responsible for planning, directing, and controlling the activities of the Company.

a) Related party balances

As at March 31, 2023, included in due from related parties is $9,225 (December 31, 2021 - $8,657) due from the Company's Manager of Research and Development and Director of the Company. The amount is unsecured, non-interest bearing and due on demand.

As at March 31, 2023, included in due from related parties is $nil (December 31, 2021 - $761) due from the CEO and Director of the Company. The amount is unsecured, non-interest bearing and due on demand.

As at March 31, 2023, included in accounts payable and accrued liabilities is $60,780 (December 31, 2021 – $24,119) due to the CEO and Director of the Company. The amount consists of expenses charged to a personal credit card of the CEO and Director of the Company and is unsecured, non-interest bearing and due on demand. As at March 31, 2023, also included in accounts payable and accrued liabilities is $17,403 (December 31, 2021 - $nil) owed to this Director. The amount consists of salary owed and is unsecured, non-interest bearing and due on demand.

(Expressed in Canadian Dollars)

As at March 31, 2023, included in accounts payable and accrued liabilities is $236,777 (December 31, 2021 – $44,494) due to a company controlled by the former CFO, former Corporate Secretary and former Director of the Company. The amount consists of accounting and corporate secretarial fees and is unsecured, non-interest bearing and due on demand.

As at March 31, 2023, included in accounts payable and accrued liabilities is $2,774 (December 31, 2021 – $24,388) due to a company controlled by the COO (former CEO), Director of the Company, interim CFO, and interim Corporate Secretary. The amount consists of expense reimbursements and is unsecured, non-interest bearing, and due on demand.

As at March 31, 2023 included in accounts payable and accrued liabilities is $nil (December 31, 2021 – $15,907) due to a company controlled by the COO (former CEO), Director of the Company, interim CFO and interim Corporate Secretary. The amount consisted of lease payments owed on a lease for equipment (Note 12) and is unsecured, non-interest bearing and due on demand. As at March 31, 2023, included in lease liabilities is an amount of $nil (December 31, 2021 – $12,668) also relating to this lease.

As at March 31, 2023, included in accounts payable and accrued liabilities is $65,826 (December 31, 2021 – $nil) due to the COO (former CEO), Director of the Company, interim CFO and interim Corporate Secretary. The amount consists of salary owed and is unsecured, non-interest bearing and due on demand.

As at March 31, 2023, included in accounts payable and accrued liabilities is $8,961 (December 31, 2021 – $nil) due to the Chief Engineer of the Company. The amount consists of salary owed and is unsecured, non-interest bearing and due on demand. As at March 31, 2023, also included in accounts payable and accrued liabilities is $6,210 owed to the Chief Engineer (December 31, 2021 – $nil). This amount consists of expense reimbursements and is unsecured, non-interest bearing and due on demand.

b) Related party transactions

The Company incurred the following charges with key management personnel during the fifteen months ended March 31, 2023 and twelve months ended December 31, 2021:

For the fifteen months ended March 31, 2023		
Salaries and benefits	$	1,515,264
Professional fees		310,390
Share-based payments		455,312
	$	**2,280,966**
For the twelve months ended December 31, 2021		
Salaries and benefits	$	1,102,097
Termination benefits		169,228
Professional fees		159,296
Consulting		62,961
Share-based payments		376,057
	$	**1,869,639**

c) Revolving loans

During the year ended December 31, 2020, the Company entered into two unsecured revolving loan facilities with companies controlled by the COO (former CEO), Director of the Company, interim CFO and interim Corporate Secretary. Initially under each loan facility, up to USD$200,000 could be borrowed. These facilities were unsecured, boar interest at a rate of 6% per annum and would mature on December 31, 2025 (see Note 14).

During the fifteen months ended March 31, 2023, one of the facilities was cancelled. No principal or interest was owing on this facility at the time of its cancellation. On January 1, 2022, the other facility was amended to increase the amount that could be loaned under the facility to USD$400,000 (the First Amended Facility) and the same facility was amended on September 5, 2022, to increase the amount that could be loaned under the facility to USD$650,000 (the Second Amended Facility).

Relating to these facilities, during the twelve months ended December 31, 2021, the Company received loan proceeds of USD$274,228 (CAD$343,755) and made principal repayments of USD$101,986 (CAD$127,844) for net proceeds of USD$172,242 (CAD$215,911), and recorded interest expense of USD$5,808 (CAD$7,857).

During the fifteen months ended March 31, 2023. the Company received loan proceeds of USD$789,000 (CAD$1,034,780) and made principal repayments of USD$328,125 (CAD$430,339) for net proceeds of USD$460,875 (CAD$604,441). During the fifteen months ended March 31, 2023, the Company recorded interest payments of USD$23,033 (CAD$31,162), an adjustment to interest payable of USD$16,603 (CAD$22,463) and recorded a total interest charge of USD$28,356 (CAD$37,189) related to the revolving loan facilities.

During the fifteen months ended March 31, 2023, in measuring the fair value of the Second Amended Facility in alignment with IFRS 9, Financial Instruments, the Company recognized an equity component of USD$332,417 (CAD$449,741) against the balance of the facility. The value of the equity component was determined by discounting the balance of the facility at a market rate of interest of 20%. During the fifteen months ended March 31, 2023, the Company recorded accretion of USD$131,066 (CAD$171,894) in relation to the original and amended facilities. As at March 31, 2023, the Second Amended Facility had a fair value of USD$431,765 (CAD$584,154).

As at March 31, 2023, under the Second Amended Facility, was total principal owing of USD$633,116 (CAD$856,571) and total interest owing of USD$5,472 (CAD$7,403). As at December 31, 2021, total principal owing under the revolving loans was USD$172,241 (CAD$218,701) and total interest owing under the loans was USD$5,808 (CAD$7,858). Interest is charged and included in accounts payable and accrued liabilities.

d) Other transactions

During the fifteen months ended March 31, 2023, the Company purchased equipment of $9,246 (during the twelve months ended December 31, 2021 - $nil) from the Company's Chief Engineer.

During the fifteen months ended March 31, 2023, the Company purchased equipment from a company controlled by the COO (former CEO), Director of the Company, interim CFO and interim Corporate Secretary for $nil (during the twelve months ended December 31, 2021 - $59,005).

(Expressed in Canadian Dollars)

During the fifteen months ended March 31, 2023, the Company was charged $13,692 (during the twelve months ended December 31, 2021 - $15,704) in lease payments for equipment by a company controlled by the COO (former CEO), Director of the Company, interim CFO and interim Corporate Secretary.

During the twelve months ended December 31, 2021, the Company settled debt owing to a company controlled by the former CFO, former Corporate Secretary, and former Director of the Company of $39,361 in exchange for 997,426 common shares of the Company.

18. General and Administrative

		For the fifteen months ended March 31, 2023		For the twelve months ended December 31, 2021
Advertising and promotion	$	1,041,715	$	400,853
Insurance		177,566		67,843
Meals and entertainment		7,949		9,200
Office expenses		271,404		244,207
Other rent		377,308		213,657
Equipment rent		843,714		4,994
Repairs and maintenance		61,518		3,939
Shareholder communication		232,595		26,032
Subscriptions and dues		102,981		17,247
Utilities		67,297		21,260
	$	**3,184,047**	**$**	**1,009,232**

19. Supplemental Disclosure with Respect to Cash Flows

		For the fifteen months ended March 31, 2023		For the twelve months ended December 31, 2021
Cash paid for interest on leases	$	290,120	$	178,779
Shares issued for reverse takeover	$	-	$	251
Equipment purchases included in accounts payable and accrued liabilities	$	2,761	$	24,470
Overdue lease payments	$	69,015	$	15,704
Fair value of shares issued for debt settlement	$	-	$	39,361

20. Reverse Takeover Transaction of Nepra Foods Inc.

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

(i) Nepra US shareholders will receive 56.5082 common shares of the Company for each share of Nepra US with respect to 10% of the shares of Nepra US held by each Nepra US Shareholder and 0.565082 of a Class A common share of the Company for each share of Nepra US with respect to 90% of the shares of Nepra US held by each Nepra US shareholder, and

(Expressed in Canadian Dollars)

(ii) Each non-Nepra US shareholder will receive 56.5082 Common Shares of the Company for each share of Nepra US.

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

As a result of the acquisition, Nepra US was deemed to be the acquirer for accounting purposes and therefore the RTO was accounted for as if Nepra US issued its own shares to acquire the shares of the Company through the issuance of 14,653,108 common shares at an estimated value of $2.51 per share based on the share price of the private placement that was closed by Nepra US on March 5, 2021. As Nepra US was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations are included in the consolidated financial statements at historical carrying values. The Company's results of operations have been included from the RTO effective date of April 6, 2021. Nepra US's operations are considered to be a continuance of the business and operations.

At the time of the RTO, the Company did not constitute a business as defined under IFRS 3 – *Business Combinations*, therefore, the RTO is accounted for under IFRS 2 – *Share-based payments*, where the difference between the consideration given to acquire the Company and the net asset value of the Company is recorded as a transaction cost to profit and loss and is calculated as follows:

Consideration:		
Fair value of shares retained by former Nepra Foods Inc. shareholder (100 shares)	$	251
Fair value of net working capital deficiency assumed:		
Cash		251
Accounts payable and accrued liabilities		(18,737)
Net working capital deficiency assumed		(18,486)
Transaction expense	$	18,737

21. Loss Per Share

The calculation of basic and diluted loss per share was based on the following data:

Weighted average number of shares – basic:		**For the fifteen months ended March 31, 2023**		**For the twelve months ended December 31, 2021**
Issued commons shares as at beginning of period		36,554,944		3,655,711
Effect of common shares issued during the period		10,050,928		15,569,912
		46,605,872		19,225,623
Net loss	$	(8,308,880)	$	(6,679,869)
Net loss per share – basic and diluted		**(0.18)**		**(0.35)**

(Expressed in Canadian Dollars)

22. Income Taxes

A reconciliation of current income taxes at statutory rates along with reported taxes is as follows:

		For the fifteen months ended March 31, 2023		For the twelve months ended December 31, 2021
Net loss before income taxes	$	8,308,880	$	6,679,869
Statutory income tax rate		27.00%		26.00%
Expected income tax recovery	$	2,243,000	$	1,737,000
Change in statutory, foreign tax, foreign exchange rates and other		34,000		(96,000)
Permanent differences and other		(177,000)		(72,000)
Changes in temporary differences		343,000		325,000
Change in unrecognized temporary differences		(2,443,000)		(1,894,000)
Income tax expense	$	-	$	-

As at March 31, 2023, the Company had the following deferred tax assets and liabilities:

Deferred tax assets (liabilities)		March 31, 2023		December 31, 2021
Non-capital losses		3,487,000		1,788,000
Property and equipment		102,000		6,000
Share issuance costs		568,000		259,000
Other deferred tax assets		112,000		5,000
Unrecognized		(4,269,000)		(2,058,000)
Net deferred tax assets	$	-	$	-

As at March 31, 2023, the Company had non-capital losses in Canada and the U.S. expiring as follows:

		Canada		U.S.
2040	$	8,000	$	-
2041		264,000		-
2042		2,025,000		-
2043		2,348,000		-
Indefinite		-		8,792,000
Total	**$**	**4,645,000**	**$**	**8,792,000**

The future utilization of the Company's NOL to offset future taxable income may be subject to a substantial annual limitation as a result of ownership changes that may have occurred previously or that could occur in the future. The Company recognizes interest and/or penalties related to uncertain tax positions in income tax expense. To the extent accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision in the period that such determination is made. There were no interest or penalties recorded for the fifteen months ended March 31, 2023, or for the twelve months ended December 31, 2021. Tax attributes are subject to review, and potential adjustment, by tax authorities.

23. 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 operations as well as to ensure that the Company is able to meet its financial obligations as they become due. As at March 31, 2023, the Company's capital structure consists of loans payable, 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 the business environment. To maintain or adjust the capital structure, the Company may issue new shares through private placements or incur debt.

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 the Company's capital.

The Company does not presently utilize any quantitative measures to monitor its capital but 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. There was no change to the Company's approach to capital management during the fifteen months ended March 31, 2023.

24. Financial Instruments and Risk Management

Through its operations, the Company is exposed to the following 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. Quantitative information in respect to these risks is presented further in this note.

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

The overall objective of the Directors and Officers is to set policies that seek to reduce risk as much 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.

(Expressed in Canadian Dollars)

(i) Foreign Currency Risk:

A portion of the assets and liabilities held by the Company and its subsidiaries are denominated in currencies other than the functional currencies of the Company and its subsidiaries. This results in some exposure to foreign currency risk. All of the Company's assets and liabilities are denominated in either Canadian Dollars or United States Dollars. Assuming all other variables remain constant, a 5% weakening or strengthening of the Canadian Dollar against the United States Dollar would result in an approximate $2,300 foreign exchange gain or loss in the consolidated statement of comprehensive loss.

(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 March 31, 2023, 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 parties 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:

		March 31, 2023		**December 31, 2021**
1 – 60 days	**$**	303,993	**$**	567,379
61 - 90 days (past due)		6,581		-
Over 90 days (past due)		21,257		24,769
Provision for expected credit losses (over 90 days)		-		(1,905)
Total	**$**	**331,831**	**$**	**590,243**

The Company is exposed to increased credit risk due to major customers that comprise 10% or more of revenue. For the fifteen months ended March 31, 2023 and the twelve months ended December 31, 2021, the following revenue was recorded from major customers:

		Fifteen months ended March 31, 2023		**Twelve months ended December 31, 2021**
Customer A	$	2,520,640	$	2,709,388
Customer B	$	2,813,513	$	1,923,319

(Expressed in Canadian Dollars)

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 have been through equity financings, related party loans 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. The following table displays the Company's aging undiscounted obligations:

		Within one year	**Between one and five years**	**More than five years**
Accounts payable and accrued liabilities	$	1,620,697	-	-
Loans payable		370,920	594,014	-
Lease liability		925,707	2,636,698	1,626,034
Total	$	**2,917,324**	**3,230,712**	**1,626,034**

d) Basis of Fair Value

FINANCIAL ASSETS	**Level**		**March 31, 2023**		**December 31, 2021**
FVTPL					
Cash	1	$	15,064	$	1,463,859
Restricted Cash	1		74,467		69,843
Other assets, at amortized cost					
Accounts receivable			372,079		590,243
Due from related parties			9,225		9,418
Total financial assets		**$**	**470,835**	**$**	**2,133,363**

FINANCIAL LIABILITIES	**Level**		**March 31, 2023**		**December 31, 2021**
FVTPL					
Convertible notes	2	$	-	$	31,837
Other liabilities, at amortized cost					
Accounts payable and accrued liabilities			1,620,696		1,216,484
Loans payable			758,506		403,444
Total financial liabilities		**$**	**2,379,202**	**$**	**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,

- 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 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 instruments that are not quoted in an active market.

Loans payable are measured at amortized cost. Upon recognition, the fair values of the loans are estimated by discounting cash flows using interest rates of debt instruments with similar terms, maturities, and risk profile. 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.

25. Segmented Reporting

The Company operates in one reportable operating segment, being the production and sale of food ingredients and products. All of the Company’s non-current assets are located in the United States and all of the Company’s long-term liabilities were incurred in the United States.

26. Subsequent Events

On April 12, 2023, Nepra US issued an unsecured promissory note in the principal amount of USD$100,000. The note bears interest at 6% per annum and was payable on or before December 31, 2023. Nepra did not repay the note by December 31, 2023. On December 31, 2023, the maturity date of the note was extended to December 31, 2024.

On April 24, 2023, Nepra US entered into a loan agreement for a principal amount of USD$100,000. The loan was held by a security interest in all assets of Nepra US. The loan bore interest at 20.29% per annum and was to be repaid through monthly instalments of USD$17,667. By October 25, 2023, Nepra US had fully repaid the loan and had incurred total interest charges of USD$6,000.

Beginning in July 2023, Nepra US entered into several short-term lending agreements with WebBank. All agreements have a term of 12 months and bear interest at 15% per annum. Amounts shall be repaid through monthly instalments. Under these agreements, Nepra US has borrowed US$116,295. Prepayments can be made without a prepayment penalty and no interest shall accrue if amounts are repaid within two months.

On September 15, 2023, 150,000 options with an exercise price of $0.47 were cancelled due to resignation of a former director.

On September 17, 2023, 879,389 finder's warrants expired. These warrants were associated with the IPO which closed on September 17, 2021, and were exercisable into one common share at an exercise price of $0.47.

On September 21, 2023, Nepra US was sued by its landlord for overdue rent in District Court, Arapahoe Country, State of Colorado, USA. On November 29, 2023, Nepra US paid its landlord a settlement of USD$248,862.

On September 28, 2023, the Company closed the first tranche of the private placement initially announced on September 13, 2023, issuing 12,201,100 units for gross proceeds of $610,055. On January 31, 2024, the Company closed the second tranche of this private placement issuing 13,714,760 units for gross proceeds of $685,738. Each unit consists of one common share in the capital of the Company and one common share purchase warrant. Each warrant will enable the holder to purchase on additional share at a price of $0.10 for a period of 24 months following date of issue of the warrant.

On October 14, 2023, 300,000 options with an exercise price of $0.47 were cancelled due to resignation of the former CFO.

On December 31, 2023, the maturity date of the unsecured promissory note issued on April 12, 2023, was extended from December 31, 2023, to December 31, 2024.

On April 5, 2024, Nepra US entered into a short-term loan agreement for a total of USD$950,000 advanced over the preceding four months to provide for additional inventory and working capital expenditures. The loan is due on or before July 31, 2024, carries an interest rate of 6% which is being accrued to term and is secured by the assets of Nepra US.