

NEPRA FOODS INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 2023 AND JUNE 30, 2022
(EXPRESSED IN CANADIAN DOLLARS)

**NOTICE OF NO AUDIT OR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, if an auditor has not performed a review of the interim financial statements they must be accompanied by a note indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of management. The Corporation's independent auditor has not performed a review of these condensed consolidated interim financial statements.

NEPRA FOODS INC.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

	Notes	June 30, 2023	March 31, 2023
ASSETS			
Current assets			
Cash		\$ 36,740	\$ 15,064
Restricted cash		72,883	74,467
Accounts receivable	5	541,940	372,079
Prepaid expenses and deposits	6	508,655	520,692
Inventory	7	1,412,586	1,988,403
Due from related party	15	9,028	9,225
		2,581,832	2,979,930
Property and equipment	8, 15	238,540	258,386
Right-of-use assets	10	2,669,843	2,986,728
Long-term deposit	10	69,483	69,256
Total assets		\$ 5,559,698	\$ 6,294,300
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Accounts payable and accrued liabilities	12, 15	\$ 1,765,386	\$ 1,620,697
Loans payable – current portion	13	385,723	164,771
Lease liabilities – current portion	11,15	542,037	421,014
Deferred revenue		4,023	5,539
		2,697,169	2,212,021
Lease liabilities	11,15	2,863,475	3,081,796
Loans payable	13,15	604,334	593,735
Total liabilities		6,164,978	5,887,552
Shareholders' equity (deficiency)			
Share capital	14	14,328,553	14,328,553
Reserves	14	1,560,108	1,560,108
Equity portion of loans payable	13, 15	463,861	449,741
Accumulated other comprehensive income		185,753	191,327
Deficit		(17,143,555)	(16,122,981)
Total shareholders' equity (deficiency)		(605,280)	406,748
Total liabilities and shareholders' equity (deficiency)		\$ 5,559,698	\$ 6,294,300

Nature of operations and going concern (Note 1)

Subsequent events (Note 21)

Approved on behalf of the Board“David Wood”

Director

“Chadwick White”

Director

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

NEPRA FOODS INC.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the Three Months Ended June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

	Notes	For the three months ended June 30, 2023	For the three months ended June 30, 2022
Revenue			
Sales		\$ 1,361,573	\$ 1,233,680
Cost of sales	7, 8, 10	1,151,846	1,034,725
Gross profit		\$ 209,727	\$ 198,955
Expenses			
Accretion	13, 15	31,835	403
Amortization	8, 9, 10	62,983	77,040
Bad debt		11,615	1,907
Consulting		1,195	74,772
Finance costs	11, 13	168,535	102,463
General and administrative	16	204,181	1,045,199
Professional fees	15	98,999	229,005
Research and development		45,546	20,367
Salaries and benefits	15	470,707	644,911
Share-based payments	14, 15	-	188,689
Travel		39,135	16,936
		1,134,731	2,401,692
Net loss before other items		\$ (925,004)	\$ (2,202,737)
Other items			
Foreign exchange		507	1,482
Interest income		4,456	3,706
Loss on lease modification	10	(100,533)	-
Gain on equipment disposal	8	-	3,004
Net loss		(1,020,574)	(2,194,545)
Other comprehensive income (loss)			
Items that may be reclassified to profit or loss			
Exchange difference on translation of functional to presentation currencies		(5,574)	129,717
Comprehensive loss		\$ (1,026,148)	\$ (2,064,828)
Loss per share, basic and diluted		\$ (0.02)	\$ (0.05)
Weighted average number of shares outstanding, basic and diluted		52,055,838	46,973,306

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

NEPRA FOODS INC.

Condensed Consolidated Interim Statements of Cash Flows
For the Three Months Ended June 30, 2023 and June 30, 2022
(Expressed in Canadian Dollars)
(Unaudited)

	June 30, 2023		June 30, 2022	
Operating activities				
Net loss	\$	(1,020,574)	\$	(2,194,545)
Adjustments for non-cash items				
Amortization		161,929		338,312
Bad debt		11,615		1,907
Share-based payments		-		188,689
Accretion		31,835		403
Finance costs		146,903		33,179
Loss on lease modification		100,533		-
Gain on equipment disposal		-		(3,004)
Changes in non-cash working capital items:				
Accounts receivable		(191,052)		106,309
Prepaid expenses and deposits		1,711		99,911
Inventory		549,604		(500,117)
Repayments to related parties		-		(17,750)
Accounts payable and accrued liabilities		155,955		(528,777)
Deferred revenue		(1,417)		(863)
Net cash used in operating activities		(52,958)		(2,476,346)
Investing activities				
Purchase of equipment		-		(59,162)
Equipment returned		-		39,244
Deferred acquisition cost refund		-		451
Net cash used in investing activities		-		(19,467)
Financing activities				
Prospectus offering costs		-		(3,843)
Repayment of lease liability		(151,922)		(296,715)
Loan borrowings		316,895		-
Loan repayments		(88,562)		(507,249)
Net cash provided by (used in) financing activities		76,411		(807,807)
Net increase (decrease) in cash		23,453		(3,303,620)
Effect of change in foreign exchange rates on cash		(3,361)		46,838
Cash, beginning		89,531		3,898,255
Cash, ending	\$	109,623	\$	641,473
Cash	\$	36,740	\$	570,563
Restricted cash		72,883		70,910
Cash, ending	\$	109,623	\$	641,473

Supplemental Disclosure with Respect to Cash Flows (Note 17)

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

NEPRA FOODS INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)

For the Three Months Ended June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

	Share capital			Reserves	Equity portion of loans payable	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity (deficiency)
	Common shares	Class A shares	Amount					
Balance, March 31, 2022	46,641,376	273,468	\$ 14,137,325	\$ 1,498,402	\$ -	\$ (87,970)	\$ (9,473,806)	\$ 6,073,951
Prospectus offering costs	-	-	(3,843)	-	-	-	-	(3,843)
Conversion of restricted share units	142,500	-	101,887	(101,887)	-	-	-	-
Share-based payments – Options	-	-	-	115,699	-	-	-	115,699
Share-based payments – RSU's	-	-	-	72,990	-	-	-	72,990
Currency translation adjustment	-	-	-	-	-	129,717	-	129,717
Net loss	-	-	-	-	-	-	(2,194,545)	(2,194,545)
Balance, June 30, 2022	46,783,876	273,468	\$ 14,235,369	\$ 1,585,204	\$ -	\$ 41,747	\$ (11,668,351)	\$ 4,193,969
Balance, March 31, 2023	51,831,749	224,089	\$ 14,328,553	\$ 1,560,108	\$ 449,741	\$ 191,327	\$ (16,122,981)	\$ 406,748
Equity portion of loans payable	-	-	-	-	14,120	-	-	14,120
Currency translation adjustment	-	-	-	-	-	(5,574)	-	(5,574)
Net loss	-	-	-	-	-	-	(1,020,574)	(1,020,574)
Balance, June 30, 2023	51,831,749	224,089	\$ 14,328,553	\$ 1,560,108	\$ 463,861	\$ 185,753	\$ (17,143,555)	\$ (605,280)

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

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

1. Nature of Operations and Going Concern

Neptra Foods Inc. (“Neptra” or the “Company”) was incorporated on November 27, 2020 under the provisions of the British Columbia Business Corporations Act. The Company operates as a vertically integrated healthy plant-based food and 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.

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. During the three months ended June 30, 2023, the Company incurred a net loss of \$1,020,574, and as at June 30, 2023, had an accumulated deficit of \$17,143,555. 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 condensed consolidated interim 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 condensed consolidated interim financial statements. Such adjustments could be material.

2. Basis of Presentation

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”). As such, they must be read in conjunction with the annual audited consolidated financial statements for the fifteen months ended March 31, 2023 and the notes thereto. However, selected notes are included in these interim statements that are significant to understanding the Company’s financial position and performance since the release of the previous annual consolidated financial statements for the fifteen months ended March 31, 2023.

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

Basis of measurement

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

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

Basis of consolidation

These condensed consolidated interim financial statements incorporate the accounts of the Company and its controlled subsidiaries from the date of acquisition. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company's wholly owned 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.

Comparative figures

Certain comparative figures have been reclassified to conform with the changes in presentation for the current year to reflect the nature of the costs more accurately. The details of the reclassifications are summarized below:

Presented in the June 30, 2022 condensed consolidated interim financial statements as:	Balance in the June 30, 2022 condensed consolidated interim financial statements:	Presented in the June 30, 2023 condensed consolidated interim financial statements comparative figures as:
Cost of sales	\$16,414	General and administrative
General and administrative	\$4,511	Salaries and benefits
Amortization	\$251,021	Cost of sales

Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, unless 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. Significant Accounting Policies

The significant accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with the accounting policies disclosed in Note 3 of the audited financial statements for the fifteen months ended March 31, 2023. These condensed consolidated interim statements should be read in conjunction with the Company's audited financial statements for the fifteen months ended March 31, 2023.

Accounting standards issued but not yet effective

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

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

4. Critical Accounting Estimates and Judgments

In preparing these condensed consolidated interim financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. In preparing these condensed consolidated interim financial statements, the significant estimates and critical judgments were the same as those applied to the audited financial statements for the fifteen months ended March 31, 2023.

5. Accounts Receivable

Accounts receivable is composed of the following amounts:

	June 30, 2023	March 31, 2023
Trade receivables	\$ 508,870	\$ 331,831
Expected credit losses	(11,450)	-
Sales tax receivable	44,520	40,248
	\$ 541,940	\$ 372,079

Sales tax receivable represents input tax credits arising from sales tax levied on the supply of goods purchased or services received in Canada.

6. Prepaid Expenses and Deposits

Prepays and deposits are composed of the following amounts:

	June 30, 2023	March 31, 2023
Deposit on inventory	\$ 457,638	\$ 467,644
Insurance	22,608	35,706
Other	28,409	17,342
	\$ 508,655	\$ 520,692

7. Inventory

Inventory is composed of the following amounts:

	June 30, 2023	March 31, 2023
Raw materials	\$ 127,865	\$ 78,419
Finished goods	1,284,721	1,909,984
	\$ 1,412,586	\$ 1,988,403

During the three months ended June 30, 2023, the Company sold inventory with a value of \$1,151,846 (three months ended June 30, 2022 - \$1,034,725).

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

8. Property and Equipment

	Furniture and equipment	Production equipment	Leasehold improvements	Computer equipment	Total
Cost					
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
Foreign exchange adjustment	(2,364)	(7,302)	-	(1,288)	(10,954)
Balance, June 30, 2023	\$ 108,136	\$ 334,040	\$ 148,750	\$ 58,913	\$ 649,839
Accumulated Amortization and Impairment					
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
Amortization	2,943	9,233	-	2,346	14,522
Foreign exchange adjustment	(1,444)	(3,513)	-	(673)	(5,630)
Balance, June 30, 2023	\$ 67,068	\$ 163,708	\$ 148,750	\$ 31,773	\$ 411,299
Net Book Value					
At March 31, 2023	\$ 44,931	\$ 183,354	\$ -	\$ 30,101	\$ 258,386
At June 30, 2023	\$ 41,068	\$ 170,332	\$ -	\$ 27,140	\$ 238,540

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 returned and leased this same equipment (Note 10).

Amortization of equipment used in production is allocated to the cost of inventory and cost of sales. As at June 30, 2023, amortization of \$9,407 was included in inventory (March 31, 2023 - \$2,018). For the three months ended June 30, 2023, amortization of \$3,767 was allocated to cost of sales (for the three months ended June 30, 2022 - \$7,116).

During the fifteen months ended March 31, 2023, the Company identified indicators of impairment and accordingly recorded impairment of \$230,015. 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.

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

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 and June 30, 2023	\$	-	\$	-	\$ -

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

10. 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 15).

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.

On June 7, 2023, the Company returned certain production and manufacturing equipment and recognized a loss on lease modification of \$100,533 (June 30, 2022 - \$nil).

Building

During the twelve months ended December 31, 2020, the Company entered into a lease agreement for a building located at 7025 South Revere Parkway. 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 the Company 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.

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

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. 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, 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
Interest income		1,733
Foreign exchange adjustment		(1,506)
At June 30, 2023	\$	69,483

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

Right-of-use assets	Equipment	Building	Total
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
Disposal	(100,533)	-	(100,533)
Amortization expense	(92,361)	(63,719)	(156,080)
Foreign exchange adjustment	(15,854)	(44,418)	(60,272)
At June 30, 2023	\$ 659,672	\$ 2,010,171	\$ 2,669,843

A portion of the amortization of the equipment and building right-of-use assets are allocated to inventory and cost of sales. As at June 30, 2023, amortization of \$3,342 was included in inventory (March 31, 2023 - \$2,058). For the three months ended June 30, 2023, amortization of \$95,179 was allocated to cost of sales (for the three months ended June 30, 2022 - \$254,156).

11. 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 has been calculated using an incremental borrowing rate of 10% per annum.

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

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

Lease liability	June 30, 2023		March 31, 2023	
Current portion	\$	542,037	\$	421,014
Long-term portion		2,863,475		3,081,796
Total lease liability	\$	3,405,512	\$	3,502,810

Changes in lease liabilities are due to the following:

	Equipment		Building		Total
At December 31, 2021	\$	12,668	\$	2,569,925	\$ 2,582,593
Additions		841,822		-	841,822
Interest		607		322,389	322,996
Payments		(13,692)		(423,166)	(436,858)
Foreign exchange adjustment		27,015		165,242	192,257
At March 31, 2023	\$	868,420	\$	2,634,390	\$ 3,502,810
Interest		65,907		63,336	129,243
Payments		(14,907)		(137,015)	(151,922)
Foreign exchange adjustment		(19,301)		(55,318)	(74,619)
At June 30, 2023	\$	900,119	\$	2,505,393	\$ 3,405,512

The Company is committed to minimum lease payments as follows:

Maturity analysis	June 30, 2023		March 31, 2023	
Less than one year	\$	1,014,413	\$	925,707
One year to five years		2,439,449		2,636,698
More than five years		1,473,803		1,626,034
Total undiscounted lease liabilities		4,927,665		5,188,439
Less: unearned interest		(1,522,153)		(1,685,629)
Total lease liability	\$	3,405,512	\$	3,502,810

12. Accounts Payables and Accrued Liabilities

	June 30, 2023		March 31, 2023	
Trade payables	\$	1,171,346	\$	1,120,578
Accrued liabilities		594,040		500,119
	\$	1,765,386	\$	1,620,697

13. 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 loans 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%. Effective March 17, 2021, the loan was amended to defer repayments by an additional 12 months.

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

As at June 30, 2023, accrued interest of USD\$17,344 (CAD\$22,963) (March 31, 2023 - USD\$15,938 (CAD\$21,563)) is recorded in accounts payable and accrued liabilities. The Company has not made the required monthly payments and is considered to be in default. The entire loan is classified as current. The loan is secured by all tangible and intangible property of GFBS as at the agreement date and any property acquired by GFBS after the agreement date.

The balance outstanding at June 30, 2023 is as follows:

Balance, December 31, 2021	\$	139,865
Accretion expense		2,077
Foreign exchange adjustment		5,802
Balance, March 31, 2023	\$	147,744
Accretion expense		429
Foreign exchange adjustment		(3,166)
Total loan balance, June 30, 2023		145,007
Less: current portion		(145,007)
Non-current balance, June 30, 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 June 30, 2023 is as follows:

Balance, December 31, 2021	\$	44,878
Loan repayments		(25,148)
Interest		4,586
Foreign exchange adjustment		2,292
Balance, March 31, 2023	\$	26,608
Loan repayments		(5,150)
Interest		638
Foreign exchange adjustment		(506)
Total loan balance, June 30, 2023	\$	21,590
Less current portion		(16,845)
Non-current balance, June 30, 2023	\$	4,745

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 bears 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 bears interest at 6% and the outstanding balance, if any, would have been due on or before December 31, 2025.

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

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.

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%. As at March 31, 2023, USD\$633,116 (CAD\$856,571) (June 30, 2023 - USD\$641,341 (CAD\$849,135)) was borrowed on the Second Amended Facility.

A reconciliation of the balance outstanding at June 30, 2023, in CAD, is as follows:

Balance, December 31, 2021	\$	218,701
Borrowings		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
Borrowings		47,005
Repayments		(35,959)
Equity portion of loans payable		(14,120)
Accretion expense		31,406
Foreign exchange adjustment		(12,897)
Total loan balance, June 30, 2023	\$	599,589
Less current portion		-
Non-current balance, June 30, 2023	\$	599,589

As at June 30, 2023, total accrued interest of \$2,372 (March 31, 2023 - \$7,404) on the original and amended revolving loan facilities was recorded in accounts payable and accrued liabilities. During the three months ended June 30, 2023, the Company incurred interest expense of \$12,818 (three months ended June 30, 2022 - \$2,353) relating to these revolving loan facilities.

- 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 bore 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.

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

- e) On April 12, 2023, Nepra US issued an unsecured promissory note in the principal amount of USD\$100,000 (CAD\$134,470). The note shall bear interest at 6% per annum and shall be payable on or before December 31, 2023. On December 31, 2023, the maturity date of the note was extended to December 31, 2024.

A reconciliation of the balance outstanding at June 30, 2023 is as follows:

Balance, March 31, 2023	\$	-
Principal amount		134,470
Interest		1,759
Foreign exchange adjustment		(2,095)
Total loan balance, June 30, 2023		134,134
Less current portion		(134,134)
Non-current balance, June 30, 2023	\$	-

- f) On April 24, 2023, Nepra US entered into a loan agreement for a principal amount of USD\$100,000 (CAD\$135,420). The loan is secured by a security interest in all assets of Nepra US. The loan bears interest at 20.29% per annum and shall be repaid through monthly instalments of USD\$17,667 beginning May 24, 2023.

A reconciliation of the balance outstanding at June 30, 2023 is as follows:

Balance, March 31, 2023	\$	-
Principal amount		135,420
Loan repayments		(47,453)
Interest		4,178
Foreign exchange adjustment		(2,408)
Total loan balance, June 30, 2023		89,737
Less current portion		(89,737)
Non-current balance, June 30, 2023	\$	-

14. Share Capital and Reserves

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 three months ended June 30, 2023

- No shares were issued by the Company during the three months ended June 30, 2023.
- The Company did not incur any share-based payments expenses.

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

During the three months ended June 30, 2022:

- 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 \$28,263 based on the fair value of the restricted share units on the date of grant.
- The Company incurred and recognized total share-based payments expenses of \$188,689.

Stock Options

Stock Option Plan

The Stock Option Plan was adopted by the Company's Board of Directors on April 16, 2021. The aggregate number of common shares which are reserved for issuance under the Stock Option Plan may not exceed 11,789,310. The exercise price of any stock options granted under the 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 three months ended June 30, 2023:

- During the three months ended June 30, 2023, 150,000 options with an exercise price of \$0.47 were cancelled due to resignation of a former director.
- The Company did not incur share-based payments expenses relating to options in the statement of loss and comprehensive loss.

During the three months ended June 30, 2022:

- The Company incurred and recognized share-based payments of \$115,699 relating to options in the statement of loss and comprehensive loss.

A reconciliation of stock option activity is from December 31, 2021 to June 30, 2023 is summarized in the following table:

	Number of Stock Options	Weighted Average Exercise Price
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
Forfeited	(150,000)	\$0.47
Balance, June 30, 2023	1,900,000	\$0.47

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

Details of the options outstanding as at June 30, 2023, are as follows:

Expiry date	Number of Options Outstanding	Number of Options Vested	Exercise Price
September 17, 2031	1,900,000	1,900,000	\$0.47
	1,900,000	1,900,000	\$0.47

As of June 30, 2023, the weighted average remaining life of outstanding options is 8.22 years.

Warrants

During the three months ended June 30, 2023:

- No warrants were issued or expired during the three months ended June 30, 2023.

During the three months ended June 30, 2022:

- No warrants were issued or expired during the three months ended June 30, 2022.

A reconciliation of warrant activity from December 31, 2021 to June 30, 2023 is summarized in the following table:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2021	879,389	\$0.47
Granted	10,641,760	\$0.70
Balance, March 31, 2023 and June 30, 2023	11,521,149	\$0.68

Details of the warrants outstanding as at June 30, 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
	11,521,149	\$0.68

As of June 30, 2023, the weighted average remaining life for outstanding warrants was 1.63 years.

Restricted Share Units (“RSUs”)

During the three months ended June 30, 2023

- No RSUs were granted, cancelled or forfeited during the three months ended June 30, 2023.
- The Company did not incur share-based payments relating to RSUs in the statement of loss and comprehensive loss.

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

During the three months ended June 30, 2022:

- 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 May 20, 2022, 225,000 RSUs were forfeited.
- The Company recognized share-based payments of \$72,990 related to RSUs in the statement of loss and comprehensive loss.

A reconciliation of RSU activity from December 31, 2021 to June 30, 2023 is summarized in the following table:

	Number of RSUs	Weighted Average Issuance Price
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 and June 30, 2023	-	-

15. 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 June 30, 2023, included in due from related parties is \$9,028 (March 31, 2023 - \$9,225) 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 June 30, 2023, included in accounts payable and accrued liabilities is \$57,879 (March 31, 2023 - \$60,780) due to the CEO, CIO and Director of the Company. The amount consists of expenses charged to a credit card and is unsecured, non-interest bearing and due on demand. As at June 30, 2023, also included in accounts payable and accrued liabilities is \$20,643 (March 31, 2023 - \$17,403) owed to the CEO, CIO and Director. This amount consists of salary owed and is unsecured, non-interest bearing and due on demand.

As at June 30, 2023, included in accounts payable and accrued liabilities is \$303,389 (March 31, 2023 - \$236,777) 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, bears interest at 1% per month and due on demand.

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

As at June 30, 2023, included in accounts payable and accrued liabilities is \$53,340 (March 31, 2023 - \$2,774) 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 June 30, 2023, included in accounts payable and accrued liabilities is \$17,813 (March 31, 2023 - \$20,454) due to the COO (former CEO), Director of the Company, interim CFO and interim Corporate Secretary. The amount consists of expenses charged to a credit card and is unsecured, non-interest bearing and due on demand. As at June 30, 2023, also included in accounts payable and accrued liabilities is \$64,692 (March 31, 2023 - \$65,826) 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 June 30, 2023, included in accounts payable and accrued liabilities is \$30,693 (March 31, 2023 - \$8,961) 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 June 30, 2023, also included in accounts payable and accrued liabilities is \$6,077 (March 31, 2023 - \$6,210) owed to the Chief Engineer. This amount consists of expense reimbursements and is unsecured, non-interest bearing and due on demand.

As at June 30, 2023, included in accounts payable and accrued liabilities is \$12,788 (March 31, 2023 - \$nil) due to the family members of the CEO, CIO and Director of the Company. The amount consists of salary owed and is unsecured, non-interest bearing and due on demand.

As at June 30, 2023, also included in accounts payable and accrued liabilities is \$5,986 (March 31, 2023 - \$nil) due to the family members of 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 June 30, 2023, included in accounts payable and accrued liabilities is \$10,662 (March 31, 2023 - \$nil) due to a director of the Company. The amount consists of salary owed and is unsecured, non-interest bearing and due on demand. As at June 30, 2023, also included in accounts payable and accrued liabilities is \$148 (March 31, 2023 - \$nil) owed to the director. This amount consists of expense reimbursements and is unsecured, non-interest bearing and due on demand.

b) Related party transactions

The Company incurred charges with key members of management during the three months ended June 30, 2023 and 2022:

For the three months ended June 30,		2023		2022
Salaries and benefits	\$	206,933	\$	349,336
Professional fees		79,967		130,781
Share-based payments		-		151,645
	\$	286,900	\$	631,762

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

c) Revolving loans

During the three months ended June 30, 2023, the Company remained a party to an unsecured revolving loan facility with a company controlled by the COO (former CEO), Director of the Company, interim CFO and interim Corporate Secretary. See Note 13, items c) and d) for additional disclosure relating to these facilities.

d) Other transactions

During the three months ended June 30, 2023, the Company was charged \$nil (June 30, 2022 - \$3,997) in lease payments for equipment by a company controlled by the COO (former CEO), Director of the Company, interim CFO and interim Corporate Secretary.

16. General and Administrative

	For the three months ended June 30, 2023	For the three months ended June 30, 2022
Advertising and promotion	\$ 38,243	\$ 728,888
Insurance	20,711	1,938
Meals and entertainment	420	5,445
Office expenses	61,850	147,907
Other rent	53,776	36,593
Equipment rent	5,320	18,653
Repairs and maintenance	1,579	12,315
Shareholder communication	2,640	52,002
Subscriptions and dues	9,623	29,506
Utilities	10,019	11,952
Total	\$ 204,181	\$ 1,045,199

17. Supplemental Disclosure with Respect to Cash Flows

	For the three months ended June 30, 2023	For the three months ended June 30, 2022
Interest paid	\$ 126,298	\$ 88,397
Equipment purchases included in accounts payable and accrued liabilities	2,702	31,305
Overdue lease payments	33,769	7,964
Income taxes paid	-	-

18. 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 June 30, 2023, the Company's capital structure consists of loans payable, share capital, and 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.

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

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 three months ended June 30, 2023.

19. 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, policies 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.

(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 \$2,700 foreign exchange gain or loss in the condensed consolidated interim statement of comprehensive loss as at June 30, 2023.

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

(ii) Interest Rate Risk:

Interest rate risk is the risk that future cash flows will fluctuate because of changes in market interest rates. The interest earned on cash and restricted 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 June 30, 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 and restricted cash, due from related party and accounts receivable are exposed to credit risk. The Company limits its exposure to credit loss on cash by placing its cash with high-quality financial institutions. The Company has concentrations of credit risk with respect to accounts receivable as large amounts of its accounts receivable are concentrated amongst a small number of customers. The Company performs credit evaluations of its customers but generally does not require collateral to support accounts receivable. The Company has certain amounts of aged receivables that are not deemed impaired as follows:

	June 30, 2023	March 31, 2023
1 - 60 days	\$ 470,788	\$ 303,993
61 - 90 days (past due)	10,481	6,581
Over 90 days (past due)	27,601	21,257
Provision for expected credit losses (over 90 days)	(11,450)	-
Total	\$ 497,420	\$ 331,831

The Company is exposed to increased credit risk due to major customers that comprise 10% or more of revenue. For the three months ended June 30, 2023 and 2022, the following revenue was recorded from major customers:

	Three months ended June 30, 2023	Three months ended June 30, 2022
Customer A	\$ 674,390	\$ 656,557
Customer B	247,657	286,374
Customer C	258,090	-

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.

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

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	\$ 1,765,386	\$ -	\$ -
Loans payable	542,718	853,959	-
Lease liability	1,014,413	2,439,449	1,473,803
Total	\$ 3,322,517	\$ 3,293,408	\$ 1,473,803

d) Basis of Fair Value

FINANCIAL ASSETS	Level	June 30, 2023	March 31, 2023
FVTPL			
Cash	1	\$ 36,740	\$ 15,064
Restricted cash	1	72,883	74,467
Other assets, at amortized cost			
Accounts receivable		541,940	372,079
Due from related parties		9,028	9,225
Total financial assets		\$ 660,591	\$ 470,835
FINANCIAL LIABILITIES			
Other liabilities, at amortized cost			
Accounts payable and accrued liabilities		1,765,386	1,620,696
Loans payable		990,058	758,506
Total financial liabilities		\$ 2,755,444	\$ 2,379,202

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

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

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 and restricted cash are measured at fair value on a recurring basis.

20. 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.

21. Subsequent Events

Beginning in July 2023, Nepra US entered into several short-term lending agreements. 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 County, 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 warrants.

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.

NEPRA FOODS INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

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.