NEPRA FOODS INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 2024 AND JUNE 30, 2023
(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)

	Notes		June 30, 2024 (Unaudited)		March 31, 2024 (Audited)
ASSETS					
Current assets					
Cash		$	75,078	$	65,925
Accounts receivable	**5**		598,035		418,832
Prepaid expenses and deposits	**6**		560,823		542,416
Inventory	**7**		849,965		888,853
Due from related party	**14**		9,917		9,232
			2,093,818		1,925,258
Property and equipment	**8**		192,892		206,325
Right-of-use assets	**9**		2,171,338		2,294,702
Long-term deposit	**9**		79,887		77,796
Total assets		**$**	**4,537,935**	**$**	4,504,081
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)					
Current liabilities					
Accounts payable and accrued liabilities	**11, 14**	$	1,869,544	$	1,823,803
Loans payable – current portion	**12**		1,748,593		1,021,669
Lease liabilities – current portion	**10,14**		1,297,556		1,081,350
Deferred revenue			2,041		2,021
			4,917,734		3,928,843
Lease liabilities	**10,14**		2,218,247		2,397,524
Loans payable	**12,14**		1,070,878		975,842
Total liabilities			**8,206,859**		7,302,209
Shareholders' equity (deficiency)					
Share capital	**13**		15,590,807		15,590,807
Reserves	**13**		1,560,108		1,560,108
Equity portion of loans payable	**12,14**		546,245		532,825
Accumulated other comprehensive income			153,844		177,638
Deficit			(21,519,928)		(20,659,506)
Total shareholders' equity (deficiency)			**(3,668,924)**		**(2,798,128)**
Total liabilities and shareholders' equity (deficiency)		**$**	**4,537,935**	**$**	4,504,081

Nature of operations and going concern (Note 1)
Subsequent events (Note 20)

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, 2024 and June 30, 2023
(Expressed in Canadian Dollars)
(Unaudited)

	Notes		For the three months ended June 30, 2024		For the three months ended June 30, 2023
Revenue					
Sales		$	1,289,757	$	1,361,573
Consulting			15,426		-
Total revenue			**1,305,183**		**1,361,573**
Cost of sales	**7,8,9**		1,073,607		1,151,846
Gross profit		**$**	**231,576**	**$**	**209,727**
Expenses					
Accretion	**12,14**		33,417		31,835
Amortization	**7,8,9**		68,644		62,983
Bad debt			17,526		11,615
Consulting			713		1,195
Finance costs	**10,12**		171,459		168,535
General and administrative	**15**		242,561		204,181
Professional fees	**14**		176,015		98,999
Research and development			23,260		45,546
Salaries and benefits	**14**		341,065		470,707
Travel			40,551		39,135
			1,115,211		1,134,731
Net loss before other items		**$**	**(883,635)**	**$**	**(925,004)**
Other items					
Other income			23,830		-
Foreign exchange			(617)		507
Interest income			-		4,456
Loss on lease modification	**9**		-		(100,533)
Net loss			**(860,422)**		**(1,020,574)**
Other comprehensive income (loss)					
Items that may be reclassified to profit or loss					
Exchange difference on translation of functional to presentation currencies			(23,794)		(5,574)
Comprehensive loss		**$**	**(884,216)**	**$**	**(1,026,148)**
Loss per share, basic and diluted		$	(0.01)	$	(0.02)
Weighted average number of shares outstanding, basic and diluted			77,971,698		52,055,838

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, 2024 and June 30, 2023
(Expressed in Canadian Dollars)
(Unaudited)

		June 30, 2024		**June 30, 2023**
Operating activities				
Net loss	$	(860,422)	$	(1,020,574)
Adjustments for non-cash items				
Amortization		165,134		161,929
Bad debt		17,526		11,615
Accretion		33,417		31,835
Interest		146,211		146,903
Loss on lease modification		-		100,533
Inventory write-off		46,843		-
Changes in non-cash working capital items:				
Accounts receivable		(193,178)		(191,052)
Prepaid expenses and deposits		(12,973)		1,711
Inventory		(1,807)		549,604
Accounts payable and accrued liabilities		18,648		155,955
Deferred revenue		-		(1,417)
Due from related party		(592)		-
Net cash used in operating activities		**(641,193)**		**(52,958)**
Financing activities				
Repayment of lease liability		(107,824)		(151,922)
Loan borrowings		826,324		316,895
Loan repayments		(66,078)		(88,562)
Net cash provided by (used in) financing activities		652,422		**76,411**
Net increase (decrease) in cash		**11,229**		**23,453**
Effect of change in foreign exchange rates on cash		**(2,076)**		**(3,361)**
Cash, beginning		**65,925**		**89,531**
Cash, ending	**$**	**75,078**	**$**	**109,623**

Cash	**$**	**75,078**	**$**	**36,740**
Restricted cash		**-**		**72,883**
Cash, ending	**$**	**75,078**	**$**	**109,623**

Supplemental Disclosure with Respect to Cash Flows (Note 16)

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, 2024 and June 30, 2023
(Expressed in Canadian Dollars)
(Unaudited)

	Share capital							
	Common shares	**Class A shares**	**Amount**	**Reserves**	**Equity portion of loans payable**	**Accumulated other comprehensive income (loss)**	**Deficit**	**Total shareholders' equity (deficiency)**
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)**
Balance, March 31, 2024	**77,747,609**	**224,089**	**15,590,807**	**1,560,108**	**532,825**	**177,638**	**(20,659,506)**	**(2,798,128)**
Equity portion of loans payable	-	-	-	-	13,420	-	-	13,420
Currency translation adjustment	-	-	-	-	-	(23,794)	-	(23,794)
Net loss	-	-	-	-	-	-	(860,422)	(860,422)
Balance, June 30, 2024	**77,747,609**	**224,089**	**$ 15,590,807**	**$ 1,560,108**	**$ 546,245**	**$ 153,844**	**$ (21,519,928)**	**$ (3,668,924)**

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

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".

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, 2024, the Company incurred a net loss of $860,422, and as at June 30, 2024, had an accumulated deficit of $21,519,928. 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 year ended March 31, 2024 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 year ended March 31, 2024.

These condensed consolidated interim financial statements were approved and authorized for issuance on September 6, 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.

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.

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. Material Accounting Policies

The significant accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with the accounting policies disclosed in Note 3 of the audited financial statements for the year ended March 31, 2024. These condensed consolidated interim statements should be read in conjunction with the Company's audited financial statements for the year ended March 31, 2024.

Accounting standards issued but not yet effective

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

4. Critical Accounting Estimates and 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 year ended March 31, 2024.

(Expressed in Canadian Dollars)

5. Accounts Receivable

Accounts receivable is composed of the following amounts:

		June 30, 2024		March 31, 2024
Trade receivables	$	743,969	$	553,428
Expected credit losses		(218,258)		(198,718)
Sales tax receivable		72,324		64,122
	$	**598,035**	**$**	**418,832**

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

Prepaids and deposits are composed of the following amounts:

		June 30, 2024		March 31, 2024
Deposit on inventory	$	545,659	$	529,491
Other		15,164		12,925
	$	**560,823**	**$**	**542,416**

7. Inventory

Inventory is composed of the following amounts:

		June 30, 2024		March 31, 2024
Raw materials	$	42,841	$	100,441
Work-in-progress		2,799		2,771
Finished goods		804,325		785,641
	$	**849,965**	**$**	**888,853**

During the three months ended June 30, 2024, the Company sold inventory with a value of $1,073,607 (three months ended June 30, 2023 - $1,151,846).

(Expressed in Canadian Dollars)

8. Property and Equipment

		Furniture and equipment		Production equipment		Leasehold improvements		Computer equipment		Total
Cost										
Balance, March 31, 2023	**$**	**110,500**	**$**	**341,342**	**$**	**148,750**	**$**	**60,201**	**$**	**660,793**
Additions		-		8,290		-		-		8,290
Foreign exchange adjustment		83		294		-		46		423
Balance, March 31, 2024	**$**	**110,583**	**$**	**349,926**	**$**	**148,750**	**$**	**60,247**	**$**	**669,506**
Additions										
Foreign exchange adjustment		1,123		3,554		-		611		5,288
Balance, June 30, 2024	**$**	**111,706**	**$**	**353,480**	**$**	**148,750**	**$**	**60,858**	**$**	**674,794**
Accumulated Amortization and Impairment										
Balance, March 31, 2023	**$**	**65,569**	**$**	**157,988**	**$**	**148,750**	**$**	**30,100**	**$**	**402,407**
Amortization		13,110		37,691		-		9,429		60,230
Foreign exchange adjustment		105		376		-		63		544
Balance, March 31, 2024	**$**	**78,784**	**$**	**196,055**	**$**	**148,750**	**$**	**39,592**	**$**	**463,181**
Amortization		3,435		9,706		-		2,392		15,532
Foreign exchange adjustment		799		1,987		-		402		3,189
Balance, June 30, 2024	**$**	**83,018**	**$**	**207,748**	**$**	**148,750**	**$**	**42,386**	**$**	**481,902**
Net Book Value										
At March 31, 2024	**$**	**31,799**	**$**	**153,871**	**$**	**-**	**$**	**20,655**	**$**	**206,325**
At June 30, 2024	**$**	**28,688**	**$**	**145,732**	**$**	**-**	**$**	**18,472**	**$**	**192,892**

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 9).

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.

Amortization of equipment used in production is allocated to the cost of inventory and cost of sales. As at June 30, 2024, amortization of $103 was included in inventory (March 31, 2024 - $2,173). For the three months ended June 30, 2024, amortization of $10,285 was allocated to cost of sales (for the three months ended June 30, 2023 - $3,767).

9. 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 11).

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.

During the twelve months ended March 31, 2024, the Company returned certain production and manufacturing equipment and recognized a loss on lease modification $100,504, respectively (fifteen months ended March 31, 2023 - $nil).

On July 1, 2024, the Company modified the lease agreement. Commencing on July 1, 2024, the Company committed to paying USD$150,000 for the first and second months of the lease term and USD$3,700 monthly thereafter until March 1, 2027 (Note 20).

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. 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.

(Expressed in Canadian Dollars)

A reconciliation of the long-term deposit is as follows:

At March 31, 2023	**$**	**69,256**
Interest income		7,227
Foreign exchange adjustment		83
At March 31, 2024	**$**	**76,566**
Interest income		1,950
Foreign exchange adjustment		778
At June 30, 2024	**$**	**79,294**

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 March 31, 2023	**$**	**868,420**	**$**	**2,118,308**	**$**	**2,986,728**
Derecognition		(100,533)		-		(100,533)
Amortization expense		(334,572)		(255,887)		(590,459)
Foreign exchange adjustment		(1,566)		532		(1,034)
At March 31, 2024	**$**	**431,749**	**$**	**1,862,953**	**$**	**2,294,702**
Amortization expense		(81,799)		(64,911)		(146,710)
Foreign exchange adjustment		4,408		18,938		23,346
At June 30, 2024	**$**	**354,358**	**$**	**1,816,980**	**$**	**2,171,338**

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, 2024, amortization of $1,312 was included in inventory (March 31, 2024 - $974). For the three months ended June 30, 2024, amortization of $86,204 was allocated to cost of sales (for the three months ended June 30, 2023 - $95,179).

10. 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, 2024, 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.

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

Lease liability		**June 30, 2024**		**March 31, 2024**
Current portion	$	1,297,556	$	1,081,350
Long-term portion		2,218,247		2,397,524
Total lease liability	**$**	**3,515,803**	**$**	**3,478,874**

(Expressed in Canadian Dollars)

Changes in lease liabilities are due to the following:

		Equipment	Building	Total
At March 31, 2023	**$**	**868,420**	**2,634,390**	**3,502,810**
Interest		254,733	248,235	502,968
Payments		(44,899)	(484,548)	(529,447)
Foreign exchange adjustment		1,537	1,006	2,543
At March 31, 2024	**$**	**1,079,791**	**2,399,083**	**3,478,874**
Interest		49,214	60,209	109,423
Payments		-	(107,824)	(107,824)
Foreign exchange adjustment		10,952	24,378	35,330
At June 30, 2024	**$**	**1,139,957**	**2,375,846**	**3,515,803**

The Company is committed to minimum lease payments as follows:

Maturity analysis		**June 30, 2024**		**March 31,2024**
Less than one year	$	1,631,492	$	1,454,466
One year to five years		1,938,847		2,062,983
More than five years		1,029,904		1,143,255
Total undiscounted lease liabilities		4,600,243		4,660,704
Less: unearned interest		(1,084,440)		(1,181,830)
Total lease liability	**$**	**3,515,803**	**$**	**3,478,874**

11. Accounts Payables and Accrued Liabilities

		June 30, 2024		**March 31, 2024**
Trade payables	$	1,264,126	$	1,163,791
Accrued liabilities		605,418		660,012
	$	**1,869,544**	**$**	**1,823,803**

12. 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 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.

As at June 30, 2024, accrued interest of USD$22,969 (CAD$31,415) (March 31, 2024 - USD$21,562 (CAD$29,195)) is recorded in accounts payable and accrued liabilities. 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)

A reconciliation of the balance outstanding at June 30, 2024 is as follows:

Balance, March 31, 2023	**$**	**147,744**
Accretion expense		1,730
Foreign exchange adjustment		120
Balance, March 31, 2024	**$**	**149,594**
Accretion expense		442
Foreign exchange adjustment		1,519
Total loan balance, June 30, 2024		**151,555**
Less: current portion		(4,296)
Non-current balance, June 30, 2024	**$**	**147,259**

b) On September 15, 2020, 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.

A reconciliation of the balance outstanding at June 30, 2024 is as follows:

Balance, March 31, 2023	**$**	**26,608**
Loan repayments		(20,691)
Interest		1,912
Foreign exchange adjustment		(59)
Balance, March 31, 2024	**$**	**7,770**
Loan repayments		(5,247)
Interest		201
Foreign exchange adjustment		81
Total loan balance, June 30, 2024	**$**	**2,805**
Less current portion		(2,805)
Non-current balance, June 30, 2024	**$**	**-**

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. On January 1, 2024, the Second Amended Facility was amended (the "Third Amended Facility"), to increase the balance that could be borrowed under the facility up to USD$900,000. The Third 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 three months ended June 30, 2024, in measuring the fair value of the facility in alignment with IFRS 9, *Financial Instruments*, the Company recognized an equity component of USD$9,808 (CAD$13,420 (June 30, 2023 - USD$10,514 (CAD$14,120)) 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 June 30, 2024, USD$832,089 (CAD$1,138,064) was borrowed on the loan facility (March 31, 2024 – USD$782,589 (CAD$1,094,328)).

A reconciliation of the balance outstanding at June 30, 2024 is as follows:

Balance, March 31, 2023	**$**	**584,154**
Borrowings		311,597
Repayments		(110,060)
Equity portion of loans payable		(83,084)
Accretion expense		126,456
Foreign exchange adjustment		1,446
Total loan balance, March 31, 2024	**$**	**830,509**
Borrowings		67,722
Repayments		-
Equity portion of loans payable		(13,420)
Accretion expense		30,375
Foreign exchange adjustment		8,433
Total loan balance, June 30, 2024	**$**	**923,619**
Less current portion		-
Non-current balance, June 30, 2024	**$**	**923,619**

As at June 30, 2024, total accrued interest of $15,403 (March 31, 2024 - $9,819) on the original and amended revolving loan facilities was recorded in accounts payable and accrued liabilities. The Company incurred interest expense of $16,431 (three months ended June 30, 2023 - $12,818) relating to these revolving loan facilities during the three months ended June 30, 2024.

d) On April 12, 2023, Nepra US issued an unsecured promissory note in the principal amount of USD$100,000 (CAD$134,470). The note bears interest at 6% per annum and was repayable on or before December 31, 2023. On December 31, 2023, the Company entered into an agreement to extend the maturity date to December 31, 2024 (the “Amendment”). All the other terms of the unsecured promissory note remained the same. On the date of the Amendment, management determined that this was a non-substantial debt modification. No gain or loss on modification was recognized during the twelve months ended March 31, 2024 in connection with this modification.

(Expressed in Canadian Dollars)

A reconciliation of the balance outstanding at June 30, 2024 is as follows:

Balance, March 31, 2023	**$**	**-**
Principal amount		134,470
Interest		8,037
Foreign exchange adjustment		961
Total loan balance, March 31, 2024		**143,468**
Loan repayments		**-**
Interest		2,185
Foreign exchange adjustment		1,456
Total loan balance, June 30, 2024		**147,109**
Less current portion		(147,109)
Non-current balance, June 30, 2024	**$**	**-**

e) 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, 2024 is as follows:

Balance, March 31, 2023	**$**	**-**
Principal amount		135,420
Loan repayments		(142,923)
Interest		8,090
Foreign exchange adjustment		(587)
Total loan balance, March 31, 2024 and June 30, 2024		**-**
Less current portion		-
Non-current balance, March 31, 2024 and June 30, 2024	**$**	**-**

f) From July 2023 to November 2023, Nepra US entered into several short-term lending agreements with WebBank under which Nepra US was loaned USD$116,296 (CAD$156,848). All loans under these agreements have a term of 12 months, an origination fee of 3% of the amount loaned, bear interest at 15% per annum and are repaid through monthly instalments. Amounts loaned under these agreements can be fully repaid at any time during the term without a prepayment penalty.

(Expressed in Canadian Dollars)

A reconciliation of the balance outstanding at June 30, 2024 is as follows:

Balance, March 31, 2023	**$**	**-**
Principal amount		156,848
Loan repayments		(114,499)
Interest		4,818
Foreign exchange adjustment		153
Total loan balance, March 31, 2024		**47,320**
Loan repayments		(45,963)
Interest		231
Foreign exchange adjustment		495
Total loan balance, June 30, 2024		**2,083**
Less current portion		(2,083)
Non-current balance, June 30, 2024	**$**	**-**

g) On June 13, 2024, Nepra US entered into a line of credit agreement with WebBank for up to USD$100,000. As of June 30, 2024, USD$33,860 (CAD$46,325) was borrowed on the line of credit. The line of credit bears interest of 0% for the first two months following the date the funds were disbursed. In the event the line of the credit is not repaid within two months, the outstanding borrowings bear interest at 15% per annum and are repaid through monthly instalments. An origination fee of 3% of the amount borrowed is incurred. Borrowings under the line of credit can be fully repaid at any time during the term without a prepayment penalty.

A reconciliation of the balance outstanding at June 30, 2024 is as follows:

Balance, March 31, 2024	**$**	**-**
Borrowings		46,325
Loan repayments		-
Interest		-
Foreign exchange adjustment		(14)
Total loan balance, June 30, 2024		**46,311**
Less current portion		(46,311)
Non-current balance, June 30, 2024		**-**

h) From January to March 2024, Nepra US received loan proceeds of USD$600,000 (CAD$808,948). In April 2024, Nepra US received additional loan proceeds of USD$350,000 (CAD$478,842). The loan bears interest at 6% per annum and was repayable on or before July 31, 2024. The loan is secured by a security interest in all assets of Nepra US (Note 20).

(Expressed in Canadian Dollars)

A reconciliation of the balance outstanding at June 30, 2024 is as follows:

Balance, March 31, 2023	**$**	**-**
Principal amount		808,948
Interest		6,410
Foreign exchange adjustment		3,492
Total loan balance, March 31, 2024		**818,850**
Principal amount		478,842
Interest		19,049
Foreign exchange adjustment		8,138
Total loan balance, June 30, 2024		1,324,879
Less current portion		(1,324,879)
Non-current balance, June 30, 2024	**$**	**-**

i) On June 13, 2024, the Company entered into a loan for gross proceeds of USD$175,000 (CAD$233,435). The Company agreed to repay the lender a total of US$211,750 (CAD$289,699) by making weekly payments of US$5,434. The Company incurred an upfront fee of USD$4,375 for the closing of the agreement. The loan is secured against the Company's accounts receivable.

A reconciliation of the balance outstanding at June 30, 2024 is as follows:

Balance, March 31, 2024	**$**	**-**
Principal amount		233,435
Loan repayments		(14,869)
Accretion		2,599
Foreign exchange adjustment		(55)
Total loan balance, June 30, 2024		**221,110**
Less current portion		(221,110)
Non-current balance, June 30, 2024		**-**

13. 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, 2024

- No shares were issued by the Company during the three months ended June 30, 2024.
- The Company did not incur any share-based payments expenses.

(Expressed in Canadian Dollars)

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.

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, 2024:

- No options were issued or cancelled during the three months ended June 30, 2024.
- 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, 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.

A reconciliation of stock option activity is from December 31, 2021 to June 30, 2024 is summarized in the following table:

	Number of Stock Options	Weighted Average Exercise Price
Balance, March 31, 2023	**2,050,000**	**$0.47**
Forfeited	(850,000)	$0.47
Balance, March 31, 2024 and June 30, 2024	**1,200,000**	**$0.47**

Details of the options outstanding as at June 30, 2024, are as follows:

Expiry date	Number of Options Outstanding	Number of Options Vested	Exercise Price
September 17, 2031	1,200,000	1,200,000	$0.47
	1,200,000	**1,200,000**	**$0.47**

(Expressed in Canadian Dollars)

As of June 30, 2024, the weighted average remaining life of outstanding options is 7.22 years.

Warrants

During the three months ended June 30, 2024:

- No warrants were issued or expired during the three months ended June 30, 2024.

During the three months ended June 30, 2023:

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

A reconciliation of warrant activity from March 31, 2023 to June 30, 2024 is summarized in the following table:

	Number of Warrants	Weighted Average Exercise Price
Balance, March 31, 2023	**11,521,149**	**$0.68**
Granted	25,915,860	$0.10
Expired	(879,389)	$0.47
Balance, March 31, 2024 and June 30, 2024	**36,557,620**	**$0.27**

Details of the warrants outstanding as at June 30, 2024 are as follows:

Expiry date	Number of Warrants	Exercise Price
March 30, 2025	10,641,760	$0.70
September 28, 2025	12,201,100	$0.10
January 31, 2026	13,714,760	$0.10
	36,557,620	**$0.27**

As of June 30, 2024, the weighted average remaining life for outstanding warrants was 1.23 years.

14. 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, 2024, included in due from related parties is $9,325 (March 31, 2024 - $9,232) 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, 2024, included in due from related parties is $592 (March 31, 2024 - $nil) due from the Company’s CEO, CIO and Director of the Company. The amount is unsecured, non-interest bearing and due on demand.

As at June 30, 2024, included in accounts payable and accrued liabilities is $62,632 (March 31, 2024 - $59,493) 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, 2024, also included in accounts payable and accrued liabilities is $26,302 (March 31, 2024 - $28,791) 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, 2024, included in accounts payable and accrued liabilities is $17,346 (March 31, 2024 - $17,903) 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, also included in accounts payable and accrued liabilities is $15,403 (March 31, 2024 - $9,819) owed to Robert G. Wood and Company, Inc. The amount consists of interest payable on a revolving loan facility (Note 12).

As at June 30, 2024, included in accounts payable and accrued liabilities is $97,108 (March 31, 2024 - $72,306) 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, 2024, also included in accounts payable and accrued liabilities is $77,066 (March 31, 2024 - $79,289) 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, 2024, included in accounts payable and accrued liabilities is $36,159 (March 31, 2024 - $37,819) 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, 2024, also included in accounts payable and accrued liabilities is $14,524 (March 31, 2024 - $15,732) 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, 2024, included in accounts payable and accrued liabilities is $5,617 (March 31, 2024 - $9,726) 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.

(Expressed in Canadian Dollars)

As at June 30, 2024, also included in accounts payable and accrued liabilities is $2,745 (March 31, 2024 - $2,717) 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, 2024, included in accounts payable and accrued liabilities is $5,471 (March 31, 2024 - $8,169) due to the Director of Research and Development and Director of the Company. The amount consists of salary owed 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, 2024 and 2023:

For the three months ended June 30,		**2024**		**2023**
Salaries and benefits	$	207,827	$	206,933
Professional fees		-		79,967
	$	**207,827**	**$**	**286,900**

c) Revolving loans

During the three months ended June 30, 2024, 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 12, item c) for additional disclosure relating to these facilities.

15. General and Administrative

		For the three months ended June 30, 2024		**For the three months ended June 30, 2023**
Advertising and promotion	$	41,348	$	38,243
Insurance		17,154		20,710
Meals and entertainment		77		420
Office expenses		34,584		61,850
Other rent		75,161		53,776
Equipment rent		3,860		5,320
Repairs and maintenance		3,459		1,579
Shareholder communication		3,368		2,640
Subscriptions and dues		54,138		9,623
Utilities		9,412		10,020
Total	**$**	**242,561**	**$**	**204,181**

(Expressed in Canadian Dollars)

16. Supplemental Disclosure with Respect to Cash Flows

		For the three months ended June 30, 2024		For the three months ended June 30, 2023
Interest paid	$	95,513	$	126,298
Equipment purchases included in accounts payable and accrued liabilities		4,087		2,702
Overdue lease payments		159,021		33,769
Income taxes paid		-		-

17. Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue operations as well as to ensure that the Company is able to meet its financial obligations as they become due. As at June 30, 2024, 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.

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, 2024.

18. 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.

(Expressed in Canadian Dollars)

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 $2,790 foreign exchange gain or loss in the condensed consolidated interim statement of comprehensive loss as at June 30, 2024.

(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, 2024, 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, 2024		**March 31, 2024**
1 - 60 days	$	521,712	$	321,723
61 - 90 days (past due)		1,301		5,088
Over 90 days (past due)		220,956		226,617
Provision for expected credit losses (over 90 days)		(218,258)		(198,718)
Total	**$**	**525,711**	**$**	**354,710**

(Expressed in Canadian Dollars)

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, 2024 and 2023, the following revenue was recorded from major customers:

		Three months ended June 30, 2024		Three months ended June 30, 2023
Customer A	$	550,351	$	674,390
Customer B		(14,844)		247,657
Customer C		14,714		258,090
Customer D		361,776		533
Customer E		164,592		64,679

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	$	1,869,544	$	-	$	-
Loans payable		1,762,062		1,198,052		268,054
Lease liability		1,631,492		1,938,847		1,029,904
Total	**$**	**5,263,098**		**3,136,899**		**1,297,958**

(Expressed in Canadian Dollars)

d) Basis of Fair Value

FINANCIAL ASSETS	**Level**		**June 30, 2024**		**March 31, 2024**
FVTPL					
Cash	1	$	75,078	$	65,925
Other assets, at amortized cost					
Accounts receivable			598,035		418,832
Due from related parties			9,917		9,232
Total financial assets		**$**	**683,030**	**$**	**493,989**

FINANCIAL LIABILITIES	**Level**		**June 30, 2024**		**March 31, 2024**
Other liabilities, at amortized cost					
Accounts payable and accrued liabilities			1,869,544		1,823,803
Loans payable			2,819,471		1,997,511
Total financial liabilities		**$**	**4,689,015**	**$**	**3,821,314**

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

19. 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.

20. Subsequent Events

On July 1, 2024, the Company modified its lease agreement for various production and manufacturing equipment (Note 9). Commencing on July 1, 2024, the Company committed to paying USD$150,000 for the first and second months of the lease term and USD$3,700 monthly thereafter until March 1, 2027. As at the date of these condensed consolidated interim financial statements, the first and second month commitments have been paid.

On July 15, 2024, the Company reached agreement with the William Hogan to convert all of the outstanding US$950,000 principal amount of loan advances made, together with accrued and unpaid interest and all other amounts outstanding under the loan agreement into common shares of the Company, at a conversion price equal to $0.05 per common share. The debt conversion closed on July 23, 2024 with the issuance of 26,445,572 common shares.