NEPRA FOODS INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(EXPRESSED IN CANADIAN DOLLARS)

DALE MATHESON CARR-HILTON LABONTE LLP
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Nepra Foods Inc.

Opinion

We have audited the consolidated financial statements of Nepra Foods Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity (deficiency) for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

DMCL

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

May 3, 2022

NEPRA FOODS INC.
Consolidated Statements of Financial Position
As at December 31, 2021 and 2020
(Expressed in Canadian Dollars)

	Notes	2021	2020
ASSETS			
Current assets			
Cash		$ 1,463,859	$ 492,976
Restricted cash		69,843	-
Accounts receivable	**5**	590,243	142,861
Prepaid expenses and deposits	**6, 18**	958,615	97,859
Inventory	**7**	1,815,796	535,490
Due from related party	**18**	9,418	8,689
		4,907,774	1,277,875
Property and equipment	**8, 18**	447,522	63,696
Intangible assets	**9**	20,693	-
Deferred acquisition costs	**10**	134,551	-
Right-of-use assets	**11**	2,299,631	22,958
Long-term deposit	**11**	107,591	148,340
Total assets		$ 7,917,762	$ 1,512,869
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Accounts payable and accrued liabilities	**13, 18**	$ 1,216,484	$ 525,596
Loan payable – current portion	**14**	15,257	14,488
Lease liability – current portion	**12, 18**	138,647	13,927
Promissory note payable	**18**	-	203,888
Convertible notes	**15**	31,837	844,632
Deferred revenue	**16**	267,921	-
		1,670,146	1,602,531
Lease liability	**12, 18**	2,443,946	12,714
Loans payable	**14, 18**	388,187	197,338
Total liabilities		4,502,279	1,812,583
Shareholders' equity (deficiency)			
Share capital	**17, 18**	10,608,472	829,358
Reserves	**17**	666,393	-
Accumulated other comprehensive income (loss)		(45,281)	5,160
Deficit		(7,814,101)	(1,134,232)
Total shareholders' equity (deficiency)		3,415,483	(299,714)
Total liabilities and shareholders' equity		$ 7,917,762	$ 1,512,869

Nature of operations and going concern (Note 1)
Subsequent events (Note 24)

Approved on behalf of the Board

"David Wood" Director *"Alex McAulay"* Director

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

NEPRA FOODS INC.
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

	Notes		2021		2020
Revenue					
Sales	**23**	**$**	5,921,776	**$**	2,741,811
Consulting			130,333		113,575
			6,052,109		2,855,386
Cost of sales	**7, 8, 11**		5,299,023		2,290,424
			753,086		564,962
Expenses					
Accretion	**14**		1,537		704
Amortization	**8, 11**		254,564		28,818
Bad debt	**5, 23**		16,703		2,010
Consulting			1,816,208		5,604
General and administrative			991,048		84,391
Professional fees	**18**		713,341		70,740
Research and development			155,612		41,095
Salaries and benefits	**18**		1,802,930		413,521
Share-based payments	**17, 18**		719,137		428,541
Travel			89,977		23,814
			6,561,057		1,124,191
Net loss before other items		**$**	(5,807,971)	**$**	(559,229)
Other items					
Foreign exchange			7,651		(824)
Finance costs	**12, 14, 15, 18**		(402,953)		(67,538)
Interest income			10,143		-
Gain on modification of debt	**14**		5,224		-
Change in fair value of convertible notes	**15**		(473,226)		-
Transaction expense	**20**		(18,737)		-
Gain on derecognition of lease	**12**		-		6,569
Government assistance	**14**		-		54,047
Net loss			**(6,679,869)**		**(542,022)**
Other comprehensive income (items that may be reclassified to profit or loss)					
Exchange difference on translation to presentation currency			(50,441)		2,522
Comprehensive loss		**$**	**(6,730,310)**	**$**	**(539,500)**
Loss per share, basic and diluted		**$**	(0.35)	**$**	(0.33)
Weighted average number of shares outstanding, basic and diluted			19,225,623		1,623,970

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

NEPRA FOODS INC.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

		2021		2020
Operating activities				
Net loss	$	(6,679,869)	$	(542,022)
Adjustments for non-cash items				
Amortization		271,506		44,342
Bad debt		16,703		2,010
Write-off of inventory		6,142		39,125
Share-based payments		719,137		428,541
Gain on derecognition of lease		-		(6,569)
Government assistance		-		(54,047)
Advances (repayments) from (to) related parties		-		(28,983)
Accretion		1,538		704
Interest		224,174		23,277
Change in fair value of convertible notes		473,226		-
Gain on modification of debt		(5,224)		-
Transaction expense		18,737		-
Foreign exchange		(26)		-
Changes in non-cash working capital items:				
Accounts receivable		(458,886)		(104,071)
Prepaid expenses and deposits		(861,334)		(99,573)
Inventory		(1,257,100)		(363,122)
Accounts payable and accrued liabilities		651,088		238,258
Due to related party		(752)		-
Deferred revenue		264,504		-
Net cash used in operating activities		(6,616,436)		(422,130)
Investing activity				
Purchase of equipment		(390,893)		(18,092)
Deferred acquisition costs		(132,835)		-
Intangible assets		(20,429)		-
Cash acquired in reverse takeover		251		-
Non-current deposit		-		(156,002)
Net cash used in investing activity		(543,906)		(174,094)
Financing activities				
Proceeds from issuance of common shares		443,642		25,000
Net proceeds from IPO		6,779,881		-
Proceeds from warrants exercised		9,165		-
Repayment of lease liability		-		(13,258)
Proceeds from loans		-		214,536
Loan repayments		(21,796)		(3,830)
Proceeds from convertible notes		1,068,295		849,143
Net cash provided by financing activities		8,279,187		1,071,591
Net increase in cash		**1,118,845**		**475,367**
Effect of change in foreign exchange rates on cash		**(78,119)**		**146**
Cash, beginning		**492,976**		**17,463**
Cash, ending	**$**	**1,533,702**	**$**	**492,976**
Cash	$	1,463,859	$	492,976
Restricted cash		69,843		-
Cash, ending	**$**	**1,533,702**	**$**	**492,976**

Supplemental Disclosure with Respect to Cash Flows (Note 19)

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

NEPRA FOODS INC.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
For the Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

	Share capital			Reserves	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity (deficiency)
	Common shares*	Class A shares*	Amount				
Balance, December 31, 2019	**1,073,653**	**96,629**	**$ 1**	**$ -**	**$ 2,638**	**$ (592,210)**	**$ (589,571)**
Units issued for settlement of debt	915,437	82,389	375,816	-	-	-	375,816
Share-based payments (units)	290,620	26,156	119,592	-	-	-	119,592
Shares issued in private placement	617,182	-	25,000	-	-	-	25,000
Share-based payments (shares)	758,819	68,294	308,949	-	-	-	308,949
Currency translation adjustment	-	-	-	-	2,522	-	2,522
Net loss	-	-	-	-	-	(542,022)	(542,022)
Balance, December 31, 2020	**3,655,711**	**273,468**	**$ 829,358**	**$ -**	**$ 5,160**	**$ (1,134,232)**	**$ (299,714)**
Shares issued for settlement of debt	997,426	-	39,361	-	-	-	39,361
Shares issued in private placement	9,999,971	-	443,642	-	-	-	443,642
Shares issued in RTO	100	-	251	-	-	-	251
Shares issued in IPO	15,903,465	-	6,228,975	251,921	-	-	6,480,896
Finder's shares	636,138	-	298,985	-	-	-	298,985
Shares issued for convertible notes	4,942,633	-	2,454,070	-	-	-	2,454,070
Shares issued for services	400,000	-	299,200	-	-	-	299,200
Warrants exercised	19,500	-	14,630	(5,465)	-	-	9,165
Share-based payments	-	-	-	359,810	-	-	359,810
Restricted share units	-	-	-	60,127	-	-	60,127
Currency translation adjustment	-	-	-	-	(50,441)	-	(50,441)
Net loss	-	-	-	-	-	(6,679,869)	(6,679,869)
Balance, December 31, 2021	**36,554,944**	**273,468**	**$ 10,608,472**	**$ 666,393**	**$ (45,281)**	**$ (7,814,101)**	**$ 3,415,483**

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

The accompanying notes are an integral part of these consolidated 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 under the British Columbia Business Corporations Act. The Company operates as a vertically integrated healthy plant-based food and speciality ingredient company supporting allergen free and functional food brands. The Company's head office is located at 7025 S. Revere Parkway, Unit 100, Centennial, Colorado, USA 80112. The Company's registered and records office is located at Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7. The Company's common shares are listed for trading on the Canadian Securities Exchange ("CSE") under the symbol "NPRA". The Common Shares are also listed on the OTCQB under the trading symbol "NPRFF" and on the FSE under the trading symbol "2P6".

On April 16, 2021, the Company completed the reverse take over ("RTO") of Nepra Foods, Ltd. ("Nepra US"). Nepra US was incorporated as a limited liability company ("LLC") on August 15, 2019 under the provisions of the Colorado Revised Status and on November 1, 2020, Nepra US converted from a LLC to a corporation. These consolidated financial statements are presented as a continuation of Nepra US as the deemed acquirer (Note 20).

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. During the year ended December 31, 2021 the Company had negative cash flows from operations of $6,616,436, and as at December 31, 2021, had an accumulated deficit of $7,814,101. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to raise financing and generate profits and positive cash flows from operations in order to cover its operating costs. From time to time, the Company generates working capital to fund its operations by raising additional capital through equity or debt financing. However, there is no assurance it will be able to continue to do so in the future. These consolidated financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

2. Basis of Presentation, Functional Currency, and Basis of Combination and Consolidation

Statement of Compliance

These consolidated financial statements were approved and authorized for issuance on May 3, 2022 by the Directors of the Company.

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

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

These consolidated financial statements incorporate the accounts of the Company and its controlled subsidiaries from the date of acquisition. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company's wholly owned subsidiaries include: Nepra Foods, Ltd., incorporated August 15, 2019, Gluten Free Baking Solutions, LLC ("GFBS"), incorporated on August 10, 2016, and Total Blending Solutions, Ltd. ("TBS"), incorporated on November 25, 2019.

The consolidated financial statements are presented in Canadian dollars unless otherwise noted. 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

Cash

Cash, when applicable, is designated as fair value through profit or loss ("FVTPL") and includes cash on account, demand deposits which are readily convertible to known amounts of cash and are subject to insignificant changes in value. As at December 31, 2021 and 2020, the Company did not have any cash equivalents.

Inventory

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

Inventory consists primarily of raw materials and finished goods. In addition to product costs, inventory costs include expenditures such as direct labor, freight costs, packaging, and any third-party costs. Inventory is measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The Company reviews the quantities and conditions of the inventory on hand on a regular basis and records a provision for spoiled inventory when it is incurred. If the Company determines that the estimated net realizable value of its inventory is less than the carrying value of such inventory, it records a charge to cost of sales.

Financial instruments

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

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

(i) Classification and subsequent measurement

Financial assets

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

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

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

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

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

Financial assets: Subsequent measurement and gains and losses

- Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the consolidated statement of comprehensive loss.
- Financial assets at amortized cost: These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statement of comprehensive loss. Any gain or loss on derecognition is recognized in the consolidated statement of comprehensive loss.
- Debt investments at FVOCI: These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the consolidated statement of comprehensive loss.
  Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the consolidated statement of comprehensive loss.

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

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

(ii) Derecognition

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

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

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

(iii) Offsetting

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

(iv) Impairment

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

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

Property and equipment
All items of property and equipment are stated at historical cost, less any accumulated amortization and any accumulated impairment losses. Historical cost includes all costs directly attributable to the acquisition.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the consolidated statement of comprehensive loss.

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

Class of property and equipment	Amortization rate
Furniture and equipment	5-7 years
Warehouse equipment	7 years
Leasehold improvements	7 years

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

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

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

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

Deferred acquisition costs
Costs related to the acquisition of equipment are deferred until such time that the Company obtains control over the equipment.

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

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

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

Leases
The Company leases one piece of equipment for USD$1,044 (CAD$1,395) per month ending on October 1, 2022 and leases a building with variable annual rent with the lease term ending June 30, 2031 (Note 12).

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

For its other contracts, the Company assesses whether its new or amended contracts contain a lease.

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

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

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

Right-of-use asset

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

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

Lease liability

A lease liability is initially measured at the present value of the lease payments that are not paid at that date using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company uses its incremental borrowing rate, which is generally the case. The lease payments comprise the following: fixed payments; variable lease payments that depend on an index or a rate, using the index or rate as at the commencement date; an estimate of the amounts to be payable under residual value guarantees; as well as amounts the Company is reasonably certain to pay as the exercise price of a purchase or extension option, or as a penalty to exercise a termination option.

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

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

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

Revenue recognition

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

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

For the sale of starch products, sprouting and malting of starch products, and the sale of hemp heart flour and oil, revenue is recognized when delivery has occurred and there is no unfulfilled obligation that could affect the customer's acceptance. These criteria are generally met at the time the product leaves the Company's premises and at that point, control has passed to the customer. If the Company is responsible for delivering to the customer, revenue is recognized when a representative of the Company has entered the customer's premises with the product. The Company does not offer warranties or a right to return on the products it sells except in the instance of a product recall.

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

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

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

Cost of sales
Cost of sales includes the expenses incurred to acquire and produce inventory for sale, including product costs, freight costs, packaging costs, samples, and labour costs. In addition, cost of sales consists of provisions for reserves related to product shrinkage, excess or obsolete inventory, or lower of cost and net realizable value adjustments as required. The Company's cost of sales include costs directly related to the sales contracts and the expense related to getting the products ready and to the end location. Cost of sales includes the expenses incurred to acquire and process inventory for sale, including product costs, freight costs, packaging costs and labour costs. In addition, cost of sales consists of provisions for reserves related to product shrinkage, spoiled, excess or obsolete inventory, or lower of cost and net realizable value adjustments as required.

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

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

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

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

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

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

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

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

Foreign currency translation

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

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

Accounting standards issued but not yet effective

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 consolidated financial statements.

4. Critical Accounting Estimates and Judgements

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

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

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

Going concern

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

Useful lives of property and equipment

Property and equipment is amortized or depreciated over its useful lives. Useful lives are based on management's estimate of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of loss and other comprehensive loss in specific periods.

Provision for expected credit losses ('ECLs")

The Company performs impairment testing annually for accounts receivable in accordance with IFRS 9. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. IFRS 9 outlines a three-stage approach to recognizing ECLs which is intended to reflect the increase in credit risks of a financial instrument based on 1) 12-month expected credit losses or 2) lifetime expected credit losses. The Company measures provision for ECLs on its trade receivables at an amount equal to lifetime ECLs.

Impairment

Long-lived assets, including equipment, are reviewed for indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU). Judgments and estimates are required in defining a CGU and determining the indicators of impairment and the estimates required to measure an impairment, if any.

Convertible notes

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

Share-based payments

The Company measures the cost of equity-settled transactions with employees and non-employees by reference to the fair value of the equity instruments at the date at which they are granted. The Company has estimated the fair value of the equity instruments issued for share-based payments based on the common share price agreed upon for a private placement and shares for debt settlements.

Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law in the relevant jurisdiction. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision.

Useful lives of intangible assets

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

Determination of functional currency

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

(Expressed in Canadian Dollars)

5. Accounts Receivable

		December 31, 2021		December 31, 2020
Trade receivables	$	592,145	$	144,871
Expected credit losses		(1,905)		(2,010)
Net accounts receivable	$	**590,243**	**$**	**142,861**

As at December 31, 2021, the Company had net accounts receivable of $590,243 (2020 - $142,861). As at December 31, 2021, the Company has recorded an allowance for expected credit losses of $1,905 (2020 - $2,010).

6. Prepaid expenses and deposits

Prepaids and deposits is composed of the following amounts:

		December 31, 2021		December 31, 2020
Deposit on inventory	$	850,719	$	-
Deposit on equipment purchases		-		51,609
Prepaid rent		-		33,210
Insurance		89,321		1,524
Prepaid professional fees and other		18,575		11,516
	$	**958,615**	**$**	**97,859**

7. Inventory

Inventory consists primarily of raw materials and finished goods.

		December 31, 2021		December 31, 2020
Raw materials	$	201,323	$	101,335
Work-in-progress		13,530		16,251
Finished goods		1,600,943		417,904
	$	**1,815,796**	**$**	**535,490**

During the year ended December 31, 2021, the Company sold inventory with a value of $5,292,881 (2020 - $2,251,299) and incurred inventory write offs of $6,142 (2020 - $39,125) which are included in cost of sales.

(Expressed in Canadian Dollars)

8. Property and Equipment

		Furniture and equipment		Warehouse equipment		Leasehold improvements		Total
Cost								
Balance, December 31, 2019	$	8,474	$	-	$	-	$	8,474
Additions		-		62,679		-		62,679
Foreign exchange adjustment		(336)		-		-		(336)
Balance, December 31, 2020	**$**	**8,138**	**$**	**62,679**	**$**	**-**	**$**	**70,817**
Additions		214,454		146,789		54,121		415,364
Foreign exchange adjustment		2,741		1,671		699		5,111
Balance, December 31, 2021	**$**	**225,333**	**$**	**211,139**	**$**	**54,820**	**$**	**491,292**
Accumulated Amortization								
Balance, December 31, 2019	$	3,486	$	-	$	-	$	3,486
Amortization		1,712		2,354		-		4,066
Foreign exchange adjustment		(316)		(115)		-		(431)
Balance, December 31, 2020	**$**	**4,882**	**$**	**2,239**	**$**	**-**	**$**	**7,121**
Amortization		11,805		19,541		4,860		36,206
Foreign exchange adjustment		136		244		63		443
Balance, December 31, 2021	**$**	**16,823**	**$**	**22,024**	**$**	**4,923**	**$**	**43,770**
Net Book Value								
At December 31, 2020	$	3,256	$	60,440	$	-	$	63,696
At December 31, 2021	**$**	**208,510**	**$**	**189,115**	**$**	**49,897**	**$**	**447,522**

Amortization of equipment used in production is included in the cost of inventory. During the year ended December 31, 2021, amortization of $19,541 (2020 - $Nil) was included in the cost of inventory.

9. Intangible Assets

		Trademark		Software		Total
Balance, December 31, 2019 and 2020	**$**	**-**	**$**	**-**	**$**	**-**
Additions		11,276		9,154		20,430
Foreign exchange adjustment		145		118		263
Balance, December 31, 2021	**$**	**11,421**	**$**	**9,272**	**$**	**20,693**

10. Deferred Acquisition Costs

Subsequent to the year-ended December 31, 2021, the Company entered into a master lease agreement for various pieces of production and manufacturing equipment up to a total cost of USD $1,200,000. As of December 31, 2021, the Company had advanced a total of $134,551 in down payments and deposits for production and manufacturing equipment that would be leased under the master lease agreement.

(Expressed in Canadian Dollars)

11. Right-of-use Assets

Equipment

On October 16, 2017, the Company entered into an equipment lease agreement. The lease term commenced November 1, 2017 and ends on October 1, 2022. The Company is committed to paying a monthly rental fee of USD$1,044 (CAD$1,395) to a related party (Note 18).

Building

The Company entered into a lease agreement for the building located at 7025 South Revere Parkway, Ste. 100, Centennial, Colorado 80112. The lease includes annual step-up payments and commences January 1, 2021 and expires on June 30, 2031. In connection with the lease agreement, the Company paid a security deposit of $146,592 (USD$116,409), to be repaid as follows: $97,728 (USD$77,606) after 24 months and $48,864 (USD$38,803) upon completion of the lease. The deposit has been discounted using an incremental borrowing rate of 10% per annum.

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

At December 31, 2020	**$**	**148,340**
Adjustment to fair value		(50,001)
Interest income		10,068
Foreign exchange adjustment		(816)
At December 31, 2021	**$**	**107,591**

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

Right-of-use assets		Equipment		Building		Total
At December 31, 2019	$	**36,246**	**$**	**-**	**$**	**36,246**
Additions		-		231,975		231,975
Amortization expense		(13,170)		(27,106)		(40,276)
Derecognition		-		(206,200)		(206,200)
Foreign exchange adjustment		(118)		1,331		1,213
At December 31, 2020	$	**22,958**	**$**	**-**	**$**	**22,958**
Additions		-		2,509,395		2,509,395
Amortization expense		(12,319)		(237,899)		(250,218)
Foreign exchange adjustment		(241)		17,737		17,496
At December 31, 2021	$	**10,398**	**$**	**2,289,233**	**$**	**2,299,631**

A portion of the amortization of equipment and building right-of-use assets is included in the cost of inventory. During the year ended December 31, 2021, amortization of $12,319 (2020 - $Nil) was included in the cost of inventory.

(Expressed in Canadian Dollars)

12. Leases

The lease liability of the equipment which commenced on October 16, 2017 has been calculated using an incremental borrowing rate of 10% per annum. The lease liability of the building has been calculated using an incremental borrowing rate of 10% per annum. The Company's total accrued or paid payments for its leases were $176,468 in 2021 (2020 – $47,444).

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

		December 31, 2021		**December 31, 2020**
Amortization charge of equipment right-of-use assets	$	12,319	$	13,170
Amortization charge of building right-of-use assets		237,899		27,106
Interest expense		251,754		14,965
Gain on derecognition of lease liability – building		-		(6,569)
	$	**501,972**	**$**	**48,672**

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

Lease liability		**December 31, 2021**		**December 31, 2020**
Current portion	$	138,647	$	13,927
Long-term portion		2,443,946		12,714
Total lease liability	$	**2,582,593**	**$**	**26,641**

Changes in lease liabilities are due to the following:

		December 31, 2021		**December 31, 2020**
Balance, beginning of period	$	26,641	$	40,094
New lease liabilities		2,459,395		231,975
Interest		251,754		13,648
Payments		(160,764)		(43,247)
Reclassification of lease liability to accounts payable upon derecognition of lease liability		(15,704)		(4,197)
Derecognition of lease liability		-		(212,446)
Effect of changes in foreign exchange rates		21,271		814
Balance, end of period	$	**2,582,593**	**$**	**26,641**

(Expressed in Canadian Dollars)

The Company is committed to minimum lease payments as follows:

Maturity analysis		**December 31, 2021**		**December 31, 2020**
Less than one year	$	390,557	$	15,964
One year to five years		1,625,842		13,303
More than five years		2,076,047		-
Total undiscounted lease liabilities		4,092,446		29,267
Less: unearned interest		(1,509,853)		(2,626)
Total lease liability	$	**2,582,593**	$	**26,641**

13. Accounts Payables and Accrued Liabilities

		December 31, 2021		**December 31, 2020**
Trade payables	$	1,071,994	$	462,518
Accrued liabilities		144,490		63,078
	$	**1,216,484**	**$**	**525,596**

14. Loans Payable

a) On May 16, 2020 (“date of advance”), GFBS received a loan for gross proceeds of $210,330 (USD $150,000) from the U.S. Small Business Administration under the Economic Injury Disaster Loan program. The loan bears annual interest at a rate of 3.75%. Monthly repayments of $996 (USD$731) commence 12 months from the date of advance and will be applied first to interest, then to principal and the loan matures 30 years from the date of advance. The benefit of the government loan received at below market rate of interest is treated as a government grant. The loan was recognized at fair value using the Company’s estimated incremental borrowing rate of 10%, which resulted in a fair value of $140,887. The difference between the initial carrying amount and proceeds received is the value of the government assistance of $54,047 for the year-ended December 31, 2020. The Company received an additional USD$3,000 (CAD$4,206) for total proceeds of USD$153,000 (CAD$214,536). Effective March 17, 2021, the loan was amended to defer repayments by an additional 12 months. The extended term was determined to be a modification of debt and resulted in recognition of a gain on modification of debt of $5,224 (USD $4,167) for the year ended December 31, 2021 (2020 - $Nil). As at December 31, 2021, accrued interest of $11,309 (USD$8,906) is recorded in accounts payable and accrued liabilities.

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

(Expressed in Canadian Dollars)

The balance outstanding at December 31, 2021 is as follows:

Balance, December 31, 2019	$	-
Proceeds received		210,330
Grant on adjustment to fair value		(54,047)
Foreign exchange adjustment		(15,396)
		140,887
Accretion expense		704
Additional funds received		4,206
Foreign exchange adjustment		(1,680)
Balance, December 31, 2020	**$**	**144,117**
Accretion expense		1,537
Modification of debt		(5,224)
Foreign exchange adjustment		(565)
Balance, December 31, 2021	**$**	**139,865**

b) On September 15, 2020, The Company, through its subsidiary, GFBS, entered into a financing agreement for equipment purchased for USD$49,187 (CAD$62,679). The loan commenced on September 15, 2020, has an effective interest rate of 9.91%, and matures on August 15, 2024. The Company is required to make monthly payments of USD$1,215 (CAD$1,623) and the balance of the loan is due on maturity.

Balance, December 31, 2019	$	-
Loan proceeds		62,679
Loan repayments		(4,883)
Interest		1,564
Foreign exchange adjustment		164
Balance, December 31, 2020	**$**	**59,524**
Loan repayments		(19,306)
Interest		5,061
Foreign exchange adjustment		(401)
Less current portion		(15,257)
Non-current balance, December 31, 2021	**$**	**29,621**

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

c) On July 1, 2020, the Company's wholly-owned subsidiary entered into an unsecured promissory note with a related party for USD$160,000 bearing interest at a rate of 10% per annum and maturing on June 20, 2021. On July 1, 2021, the outstanding principal plus interest on the promissory note of USD$176,000 was settled using an unsecured revolving loan facility entered into with a related party on July 1, 2020 by the Company's wholly-owned subsidiary for up to USD$200,000. The outstanding balance, if any, on the revolving loan is due on or before December 31, 2025. The facility bears interest of 6% per annum. The outstanding promissory note balance as of December 31, 2021 was $Nil (2020 – $203,888 (USD$160,000)). As at December 31, 2021, accrued interest of $Nil (2020 - $10,443 (USD$8,195)) in connection with the promissory note is recorded in accounts payable and accrued liabilities. The balance due on the revolving loan facility as of December 31, 2021 was $218,701 (2020 - $8,185). As at December 31, 2021, accrued interest of $7,374 (USD$5,808) (2020 - $Nil) in connection with the revolving loan facility is recorded in accounts payable and accrued liabilities. See Note 18.

(Expressed in Canadian Dollars)

15. Convertible Notes

	Series I	Series II	Series III	Total
Balance at December 31, 2019	$ -	$ -	$ -	$ -
Issuance	849,143	-	-	849,143
Interest	5,131	-	-	5,131
Foreign exchange adjustment	(9,642)	-	-	(9,642)
Balance at December 31, 2020	**$ 844,632**	**$ -**	**$ -**	**$ 844,632**
Issuance	439,396	380,123	248,776	1,068,295
Interest	68,629	13,617	21,762	104,008
Change in fair value	331,735	-	141,490	473,225
Transfer to share capital upon conversion	(1,683,252)	(389,087)	(381,730)	(2,454,070)
Foreign exchange adjustment	(1,140)	(4,653)	1,539	(4,253)
Balance at December 31, 2021	**$ -**	**$ -**	**$ 31,837**	**$ 31,837**

Series I

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

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

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

Series II

On April 2, 2021, Nepra US closed the Series II financing and issued convertible notes to four subscribers for total proceeds of $380,123 (US$295,000). The Series II convertible notes bear interest at 8% per annum, has a term of 24 months and are secured by a floating charge on all assets of the Company. If the Company or Nepra US completes a listing of its common shares on a stock exchange in Canada or the United States, the principal and interest of the Series II convertible notes shall automatically be converted into the listed common shares at a price equal to the greater of the issuance price upon listing and $0.10 per share.

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

<u>Series III</u>

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

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

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

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

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

16. Deferred revenue

Payments received from customers prior to the point in time when the title, risks and rewards of the goods transfers to the customer as per each customer's agreement are recorded as deferred revenue. As at December 31, 2021, $267,921 (2020 - $Nil) is included in deferred revenue.

17. Share Capital and reserves

On April 16, 2021, the Company completed the RTO of Nepra US. As the financial statements are considered a continuance of the operations of Nepra US and due to the reverse takeover, all of the share numbers and share prices in these financial statements have been adjusted, on a retroactive basis, to reflect this exchange.

Authorized capital

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

Issued capital

During the year ended December 31, 2021:

- On February 24, 2021, the Company issued 997,426 common shares valued at $39,361 to settle outstanding debt of US$30,888 (CAD$39,361).
- On March 5, 2021, the Company closed a private placement and issued 9,999,971 common shares for proceeds of US$350,000 (CAD$443,642).
- On April 16, 2021, 100 common shares were issued in connection with the RTO between the Company and Nepra US (Note 20).
- On September 17, 2021, the Company completed its initial public offering of 15,903,465 shares at a price of $0.47 per share for gross proceeds of $7,474,629. The Company incurred share issuance costs of $694,777 in cash, issued 636,138 common shares as finder's fees valued at $298,985, and issued 898,889 finder's warrants valued at $251,921 using the Black Scholes pricing model. Each warrant is exercisable into one common share at an exercise price of $0.47 until expiry on September 17, 2023.
- On September 17, 2021, the Company issued 3,581,387 shares at a price of $0.376 per share upon conversion of the Series I convertible notes (Note 15).
- On September 17, 2021, the Company issued 827,844 shares at a price of $0.47 per share upon conversion of the Series II convertible notes (Note 15).
- On October 14, 2021, Series III convertible notes with total principal and interest of $87,200 were converted into 185,531 common shares at a price of $0.47 per share (Note 15).
- On October 15, 2021, the Company issued 400,000 common shares valued at $299,200 to a third party as consideration for marketing consulting services.
- On November 9, 2021, Series III convertible notes with total principal and interest of $163,499 were converted into 347,871 common shares at a price of $0.47 per share (Note 15).
- On November 10, 2021, the Company issued 19,500 common shares at a price of $0.47 per share pursuant to the conversion of finder's warrants for gross proceeds of $9,165. In connection with the exercise, an amount of $5,465 was reclassified from reserves to share capital.

During the year ended December 31, 2020:

- On June 30, 2020, the Company completed a reorganization whereby Nepra US issued 1,073,653 common shares and 96,629 Class A shares to the members of GFBS and Gluten Free Sprouting and Malting, LLC ("GFSM"), in exchange for all their membership units in GFBS and GFSM, resulting in GFBS and GFSM becoming wholly owned subsidiaries of Nepra US. GFSM dissolved on December 31, 2020.
- On July 1, 2020, 161,455 common shares and 14,531 Class A shares membership units of Nepra US were issued to settle outstanding debt of US$50,000 (CAD$66,827).
- On October 31, 2020, 753,982 common shares and 67,858 Class A shares were issued to settle US$233,500 (CAD$309,551) of outstanding debt owing to related parties. See Note 18.
- On October 31, 2020, 290,620 common shares and 26,156 Class A shares with a total value of $119,592 were issued as compensation to related parties. See Note 18.
- On November 1, 2020, Nepra US converted from a LLC to a corporation and each membership unit of the Company was exchanged for one common share of Nepra US. The Company reclassified the presentation of units to shares.
- On November 13, 2020, 758,826 common shares and 68,294 Class A shares with a total value of $308,949 were issued to related parties in exchange for entering into non-compete agreements. See Note 18.
- On November 20, 2020, Nepra US closed a private placement and issued 617,182 common shares for proceeds of US$19,112 (CAD$25,000).

Stock Options

Stock Option Plan

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

(Expressed in Canadian Dollars)

Stock Option Activity

During the year ended December 31, 2021

- On September 17, 2021, the Company issued 2,050,000 stock options with an exercise price of $0.47, expiring on September 17, 2031 and vest as follows: 10% on grant date, 30% 6 months from grant date, 30% 12 months from grant date and 30% 18 months from grant date. The grant date fair value of the options was $860,734 which was determined using the Black-Scholes option pricing model and the following assumptions: estimated volatility of 100%, risk free interest rate of 1.29%, expected life of 10 years, exercise price of $0.47, a dividend yield of 0%, and a share price of $0.47.
- During the year ended December 31, 2021, the Company recorded share-based payments of $359,810 in the statement of loss and comprehensive loss. As of December 31, 2021, 205,000 stock options have fully vested.

During the year ended December 31, 2020

- There was no stock option activity for the year ended December 31, 2020

Stock option activities are summarized in the table below:

	Number of Stock Options	Weighted Average Exercise Price
Balance, December 31, 2020	-	-
Granted	2,050,000	$0.47
Balance, December 31, 2021	2,050,000	$0.47

Details of the share options outstanding and exercisable as at December 31, 2021 are as follows:

Expiry date	Number of Options Outstanding	Number of Options Vested	Exercise Price
September 17, 2031	2,050,000	205,000	$0.47
Balance, December 31, 2021	2,050,000	205,000	$0.47

As of December 31, 2021, the weighted average remaining life for outstanding options was 9.72 years.

Warrants

During the year ended December 31, 2021

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

During the year ended December 31, 2020

- There was no warrant activity for the year ended December 31, 2020

(Expressed in Canadian Dollars)

Warrant activities are summarized in the table below:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2020	-	-
Granted	898,889	$0.47
Exercised	(19,500)	$0.47
Balance, December 31, 2021	879,389	$0.47

Details of the warrants outstanding and exercisable as at December 31, 2021 are as follows:

Expiry date	Number of Warrants	Exercise Price
September 17, 2023	879,389	$0.47
Balance, December 31, 2021	879,389	$0.47

As of December 31, 2021, the weighted average remaining life for outstanding warrants was 1.71 years.

Restricted Share Units ("RSUs")

During the year ended December 31, 2021

- On October 1, 2021, the Company granted 300,000 RSUs to an officer of the Company expiring on September 30, 2024 and vest as follows: 25% 6 months from grant date, 25% 12 months from grant date, 25% 18 months from grant date and 25% 24 months from grant date.
- During the year ended December 31, 2021, the Company recorded share-based payments of $60,127 in the statement of loss and comprehensive loss. As of December 31, 2021, no RSUs have fully vested.

During the year ended December 31, 2020

- There were no RSUs granted during the year ended December 31, 2020

Restricted share unit activities are summarized in the table below:

	Number of RSUs	Weighted Average Issuance Price
Balance, December 31, 2020	-	-
Granted	300,000	$0.76
Balance, December 31, 2021	300,000	$0.76

(Expressed in Canadian Dollars)

Details of the restricted share units outstanding and exercisable as at December 31, 2021 are as follows:

Grant date	Number of RSUs Outstanding	Number of RSUs Vested	Issuance Value
September 30, 2021	300,000	-	$0.76
Balance, December 31, 2021	300,000	-	$0.76

18. Related Party Transactions

a) Due to related parties

As at December 31, 2021, included in due from related parties is $8,657 (2020 - $8,689) due from a director of the Company. The amount is unsecured, non-interest bearing and due on demand.

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

As at December 31, 2021, included in prepaids and deposits is $Nil (2020 - $9,557) for a salary advance paid to a director of the Company. The amount is unsecured, non-interest bearing and due on demand.

As at December 31, 2021, included in accounts payable and accrued liabilities is $24,119 (2020 – $41,939) due to a director of the Company. The amount consists of expenses charged to a personal credit card of a director of the Company and is unsecured, non-interest bearing and due on demand.

As at December 31, 2021, included in accounts payable and accrued liabilities is $44,494 (2020 – $28,338) due to a company controlled by the CFO and Director of the Company. The amount consists of accounting and corporate secretarial fees charged and is unsecured, non-interest bearing and due on demand.

As at December 31, 2021, included in accounts payable and accrued liabilities is $Nil (2020 – $29,150) due to a LLC controlled by the CEO and Director of the Company. The amount consists of lease payments due for a building previously occupied by the Company and is unsecured, non-interest bearing and due on demand.

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

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

As at December 31, 2021, included in accounts payable and accrued liabilities is $Nil (2020 – $19,115) due to the CEO 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 December 31, 2021, included in accounts payable and accrued liabilities is $68,248 (2020 – $19,115) due to the estate of a former President and COO of the Company. The amount consists of termination benefits owed and is unsecured, non-interest bearing and due on demand.

As at December 31, 2021, included in lease liability is $12,668 (2020 - $26,639) for an equipment lease entered into with a company controlled by the CEO and Director of the Company.

b) Related party transactions

Key management consists of the directors and officers who are responsible for planning, directing, and controlling the activities of the Company. The Company incurred charges with related parties recorded at their exchange amounts as agreed upon by transacting parties as follows:

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

Other transactions

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

During the year ended December 31, 2021, the Company was charged $15,704 (USD$12,812) (2020 – CAD$16,623 (USD$12,528)) in lease payments for equipment by a company controlled by the CEO and Director.

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

During the year ended December 31, 2020, the Company entered into an agreement with a company controlled by the CEO and Director of the Company to convert USD$160,000 (CAD$217,200) owed by the Company into a promissory note. The promissory note is unsecured, bears interest at a rate of 10% per annum, and matures on June 30, 2021. The balance payable as of December 31, 2021 was CAD $Nil (2020 - $203,888 (USD$160,000). Interest of $9,783 (2020 - $10,983) for the promissory note was charged and included in the revolving loan balance. See Note 14.

During the year ended December 31, 2020, the Company entered into an unsecured revolving loan facility with companies controlled by the CEO and Director of the Company for up to a total of USD$400,000. The loan facility is unsecured, bears interest at a rate of 6% per annum, and matures on December 31, 2025. The balance payable as of December 31, 2021 was $218,701 (2020 - $8,185). Interest of $7,280 (2020 - $Nil) for the revolving note was charged and included in accounts payable and accrued liabilities. See Note 14.

(Expressed in Canadian Dollars)

During the year ended December 31, 2021, the Company was charged $Nil (2020 - $27,711) by a company controlled by the CEO and Director for the services of its employees.

During the year ended December 31, 2021, $159,296 (2020 – $28,338) was charged by a Company controlled by the CFO and Director of the Company for accounting and corporate secretarial fees.

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

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

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

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

19. Supplemental Disclosure with Respect to Cash Flows

	Year ended December 31, 2021	Year ended December 31, 2020
Cash paid for interest	$ 178,779	$ 4,583
Cash paid for income taxes	-	-
Equipment purchases included in loan payable	-	47,825
Equipment purchases included in accounts payable and accrued liabilities	24,470	-
Lease payments included in accounts payable and accrued liabilities	15,704	30,655
Fair value of shares issued for reverse takeover	251	-
Fair value of shares issued for debt settlement	$ 39,361	$ 379,923

(Expressed in Canadian Dollars)

20. Reverse Takeover Transaction of Nepra Foods Inc.

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

(i) U.S. Shareholders will receive 56.5082 common shares of the Company for each share of Nepra US with respect to 10% of the shares of Nepra US held by each U.S Shareholder and 0.565082 of a Class A common share of the Company for each share of Nepra US with respect to 90% of the shares of Nepra US held by each U.S. Shareholder, and
(ii) Each non-U.S. Shareholder will receive 56.5082 Common Shares of the Company for each share of Nepra US.

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

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

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

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

(Expressed in Canadian Dollars)

21. Income taxes

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

		Year ended December 31, 2021	Year ended December 31, 2020
Net loss before income taxes	$	6,679,869	542,022
Loss attributable to members		-	(457,516)
		6,679,869	84,506
Statutory income tax rate		26.00%	24.66%
Expected income tax recovery	$	1,737,000	21,000
Change in statutory, foreign tax, foreign exchange rates and other		(96,000)	-
Permanent differences and other		(72,000)	2,000
Changes in temporary differences		325,000	4,000
Change in unrecognized temporary differences		(1,894,000)	(27,000)
Income tax expense	$	-	-

As at December 31, 2021, the Company had US net operating loss ("NOL") carryforwards of approximately $1,788,000. The net operating loss carryforwards may be carried forward indefinitely, subject to restrictions.

Deferred tax assets (liabilities)		December 31, 2021		December 31, 2020
Non-capital losses		1,788,000		24,000
Share issuance costs		259,000		
Other deferred tax assets		11,000		
Unrecognized		(2,058,000)		(24,000)
Net deferred tax assets	$	-	$	-

The future utilization of the Company's NOL to offset future taxable income may be subject to a substantial annual limitation as a result of ownership changes that may have occurred previously or that could occur in the future.

The Company recognizes interest and/or penalties related to uncertain tax positions in income tax expense. To the extent accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision in the period that such determination is made. There were no interest or penalties recorded for the years ended December 31, 2021 and 2020.

Tax attributes are subject to review, and potential adjustment, by tax authorities.

22. Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue its operations as well as to ensure that the Company is able to meet its financial obligations as they become due. The capital structure consists of owners' equity comprising of loans payable, convertible notes, share capital, and retained earnings (deficit).

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

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

The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable. There was no change to the Company's approach to capital management during the year ended December 31, 2021.

23. Financial Instruments and Risk Management

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

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

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

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

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, polices and processes for managing those risks or the methods used to measure them from previous reported periods unless otherwise stated in the note.
The overall objective of the directors and officers is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

a) Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as foreign currency exchange, interest rates, and equity price risk.

(i) Foreign Currency Risk:

The Company generates revenues and incurs capital expenditures primarily through its subsidiaries in United States dollars. The functional currency of the Company's subsidiary is the United States dollar. In addition, the Company hold financial assets and liabilities in foreign currencies that expose the Company to the foreign exchange risks. Assuming all other variables remain constant, a 5% weakening or strengthening of the Canadian dollar would result in approximately $62,000 foreign exchange gain or loss in the consolidated statement of comprehensive loss.

(ii) Interest Rate Risk:

Interest rate risk is the risk that future cash flows will fluctuate because of changes in market interest rates. The interest earned on cash is insignificant, and the Company does not rely on interest to fund its operations. The Company's outstanding loans payable and convertible notes bear interest at fixed rates. As a result, at December 31, 2021, management believes that the Company is not exposed to any significant interest rate risk.

b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's cash, due from related party and accounts 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:

	December 31, 2021	**December 31, 2020**
1 – 60 days	$ 567,379	$ 96,343
61 - 90 days (past due)	-	34,289
Over 90 days (past due)	24,769	14,239
Provision for expected credit losses	(1,905)	(2,010)
Total	$ 590,243	$ 142,861

The Company is exposed to increased credit risk due to major customers that comprise 10% or more of revenue. For the year ended December 31, 2021 and 2020, the following revenue was recorded from major customers:

Amount of revenue from major customers	**December 31, 2021**	**December 31, 2020**
Customer A	$ 2,709,388	$ 862,383
Customer B	$ 1,923,319	$ 511,434
Customer C	$ -	$ 985,734

(Expressed in Canadian Dollars)

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. Historically, the Company's sources of funding has been through equity financings, loans from a company controlled by the CEO and Director, and convertible notes. Subsequent to December 31, 2021, the Company received additional $400,500 loan proceeds from a company controlled by the CEO and Director and closed an equity financing for aggregate gross proceeds of $4,500,000 (Note 24). The Company's access to financing is uncertain. There can be no assurance of continued access to significant debt or equity funding.

	Within one year	Between one and five years	More than five years
Accounts payable and accrued liabilities	$ 1,216,848	$ -	$ -
Loans payable	25,931	366,638	276,694
Lease liability	390,557	1,625,842	2,076,046
Convertible notes	20,760	-	-
	$ 1,654,096	$ 1,992,480	$ 2,352,740

d) Basis of Fair Value

	Level	December 31, 2021	December 31, 2020
FINANCIAL ASSETS			
FVTPL			
Cash	1	$ 1,463,859	$ 492,976
Restricted Cash		69,843	-
Other assets, at amortized cost			
Accounts receivable		590,243	142,861
Due from related party		9,418	8,689
Total financial assets		$ 2,133,363	$ 644,526

FINANCIAL LIABILITIES

	Level	December 31, 2021	December 31, 2020
Convertible notes	2	$ 31,837	$ 844,632
Other liabilities, at amortized cost			
Accounts payable and accrued liabilities		1,216,484	525,596
Loans payable		403,444	211,826
Promissory note payable		-	203,888
Total financial liabilities		$ 1,651,765	$ 1,785,942

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

The carrying value of the Company's financial instruments approximate their fair values due to their short-term maturities. Cash is measured at fair value on a recurring basis.

24. Subsequent Events

a) On January 1, 2022, the Company granted 170,000 restricted share units to certain employees of the Company which vest as follows: 25% immediately, 25% on April 1, 2022, 25% on July 1, 2022 and 25% on October 1, 2022.

b) On January 1, 2022, the Company granted 100,000 restricted share units and 100,000 employee stock options to an employee of the Company. The restricted share units vest as follows: 25% on April 1, 2022, 25% on July 1, 2022, 25% on October 1, 2022 and 25% on January 1, 2023. The stock options have an exercise price of $0.68 per common share and vest as follows: 12.5% immediately, 12.5% on April 1, 2022, 12.5% n July 1, 2022, 12.5% on October 1, 2022, 12.5% on January 1, 2023, 12.5% on April 1, 2023, 12.5% on July 1, 2023 and 12.5% on October 1, 2023. The stock options expire on January 1, 2027.

c) On January 11, 2022, the Company entered into a 24 month lease agreement with a total cost of $1,200,000.

d) On January 24, 2022, the Company issued 42,500 shares upon vesting of restricted share units granted on January 1, 2022

e) On January 25, 2022, Series III convertible notes with total principal and interest of $20,648 were converted into 43,932 common shares at a price of $0.47 per share

f) In February 2022, the Company received loan proceeds of USD $400,500 under the existing revolving loan agreements entered into with a related party on July 1, 2020. Amounts advanced under these agreements bear interest at 6% per annum and are due on or before December 31, 2025.

g) On March 30, 2022, the Company completed a public offering of 10,000,000 units at a price of $0.45 per unit for gross proceeds of $4,500,000. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into on common share at a price of $0.70 per share until expiry on March 30, 2025. In connection with the offering, the Company incurred cash finder’s fees of $288,792 and issued 641,760 finder’s warrants. Each finder’s warrant is exercisable into one common share at an exercise price of $0.45 until expiry on March 30, 2025.