**Form 51-102F4**

**Business Acquisition Report**

## Item 1 Identity of Company

### 1.1 Name and Address of Company

Modern Plant Based Foods Inc. (the "**Company**" or "**Modern**")
400-837 West Hastings Street,
Vancouver, BC V6C 3N6

### 1.2 Executive Officer

The name of the executive officer of the Company who is knowledgeable about the significant acquisition and this report is Avtar Dhaliwal, Chief Executive Officer, and his email is avtar@modernfoods.ca.

## Item 2 Details of Acquisition

### 2.1 Nature of Business Acquired

On March 11, 2022, the Company entered into a definitive share purchase agreement (the "**Agreement**") with Vegables Food Inc. ("**Vegables**") and each of the shareholders of Vegables (the "**Vendor**") to acquire all of the issued and outstanding shares of Vegables (the "**Transaction**").

Vegables is a plant-based food service company based in Vancouver, B.C., with a portfolio of six proprietary products. Vegables packages are vegan meal kits derived from all natural ingredients, providing consumers a delicious and healthy plant-based meal-kit alternative. These include a taco bowl kit, slider kit, falafel bowl kit, orange chick'n kit, mac and cheese kit, and the meatloaf muffin. Vegables is focused on providing healthy meal options for on-the-go families with simple plant-based lunch kits. The acquisition supports Modern's strategy to introduce higher-margin products in one of the fastest-growing parts of the vegan market: ready-to-eat meal kits.

The Transaction did not constitute a fundamental change for the Company, nor did it result in a change of control of the Company, within the meaning of applicable securities laws and the policies of the Canadian Securities Exchange. See the press release of the Company dated April 1, 2022 for further details on Vegables.

### 2.2 Acquisition Date

The Transaction closed on April 1, 2022.

## 2.3 Consideration

Pursuant to agreement, and Company issued 10,769,229 common shares (the "**Consideration Shares**") to the Vendors in exchange for all of the issued and outstanding common shares of Vegables and 861,538 common shares (the "**Finder Fee Shares**") to an arm's length third party that introduced the parties.

## 2.4 Effect on Financial Position

The business and operations of Vegables will be combined with those of the Company and managed concurrently. The Company does not currently have any plan for material changes in its business affairs or the affairs of Vegables, to the extent that it may have a significant effect on the financial performance or financial position of the Company.

## 2.5 Prior Valuations

Modern did not obtain a formal valuation opinion and to the knowledge of the Company, no formal valuation opinion was obtained within the last 12 months by Vegables, with respect to the Production Services Business.

## 2.6 Parties to Transaction

The transaction was with an arm's-length party.

## 2.7 Date of Report

June 15, 2022

## Item 3 Financial Statements and Other Information

The financial statements of Vegables and other information required by Part 8 of National Instrument 51-102 are attached as Schedule 1.

SCHEDULE “1”

**VEGABLES FOOD INC.**

**Financial Statements**

**For the year ended August 31, 2021 and for the period from July 2, 2020 (date of incorporation) to August 31, 2020**

**(Expressed in Canadian Dollars)**

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Vegables Food Inc.:

**Opinion**

We have audited the financial statements of Vegables Food Inc.. (the “Company”), which comprise the statement of financial position as at August 31, 2021, and the statements of loss and comprehensive loss, changes in shareholder’s equity (deficiency) and cash flows for the year ended August 31, 2021, and notes to the 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 August 31, 2021, and its financial performance and its cash flows for the year 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 2 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.

**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.

DMCL.

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

June 10, 2022

**VEGABLES FOOD INC.**
**Statements of Financial Position**
**(Expressed in Canadian Dollars)**

| As at | | August 31, 2021 | | August 31, 2020 |
|---|---|---|---|---|
| | | | | (unaudited) |
| **Assets** | | | | |
| **Current** | | | | |
| Cash | $ | 27,785 | $ | 34,223 |
| **Total Assets** | **$** | **27,785** | **$** | **34,223** |
| **Liabilities** | | | | |
| **Current** | | | | |
| Accounts payable (Note 7) | $ | 149,520 | $ | 21,000 |
| **Total Liabilities** | | **149,520** | | **21,000** |
| **Shareholders' Equity (Deficiency)** | | | | |
| Share capital (Note 6) | | 39,500 | | 39,500 |
| Deficit | | (161,235) | | (26,277) |
| **Total Shareholders' Equity (Deficiency)** | | **(121,735)** | | **13,223** |
| **Total Liabilities and Shareholders' Equity (Deficiency)** | **$** | **27,785** | **$** | **34,223** |

**Going concern** (Note 2)
**Subsequent event** (Note 10)

Approved by:

*"Sharin Cheung" (signed)*
Sharin Cheung, CEO and Director

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

**VEGABLES FOOD INC.**
**Statements of Loss and Comprehensive Loss**
**(Expressed in Canadian Dollars)**

| | | For the year ended August 31, 2021 | | For the period from July 2, 2020 (date of incorporation) to August 31, 2020 |
|---|---|---|---|---|
| | | | | (unaudited |
| **Operating Expenses** | | | | |
| Advertising and promotion | $ | 3,465 | $ | - |
| Management fees (Note 7) | | 126,000 | | 21,000 |
| Office and general administration expenses | | 14 | | 192 |
| Research and development | | 5,479 | | 5,085 |
| **Net Loss and Comprehensive Loss for the Period** | **$** | **(134,958)** | **$** | **(26,277)** |
| **Loss per Share – Basic and Diluted** | **$** | **(1,350)** | **$** | **(263)** |
| **Weighted Average Number of Common Shares Outstanding** | | **100** | | **100** |

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

**VEGABLES FOOD INC.**
**Statements of Changes in Shareholder's Equity (Deficiency)**
**For the year ended August 31, 2021 and for the period from July 2, 2020 (date of incorporation) to August 31, 2020**
**(Expressed in Canadian Dollar)**

| | Share Capital | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Number** | | **Amount** | | **Deficit** | | **Total** |
| **Balance, July 2, 2020 (date of incorporation)** | **-** | **$** | **-** | **$** | **-** | **$** | **-** |
| Shares issued from private placement (Note 6) | 100 | | 39,500 | | - | | 39,500 |
| Net loss for the period | - | | - | | (26,277) | | (26,277) |
| **Balance, August 31, 2020 (unaudited)** | 100 | | **39,500** | | **(26,277)** | | **13,223** |
| Net loss for the year | - | | - | | (134,958) | | (134,958) |
| **Balance, August 31, 2021** | **100** | **$** | **39,500** | **$** | **(161,235)** | **$** | **(121,735)** |

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

**VEGABLES FOOD INC.**
**Statements of Cash Flows**
**(Expressed in Canadian Dollars)**

| | | For the year ended August 31, 2021 | | For the period from July 2, 2020 (date of incorporation) to August 31, 2020 |
|---|---|---|---|---|
| | | | | (unaudited |
| **Cash provided by (used in):** | | | | |
| **Operating Activities** | | | | |
| Net loss | $ | (134,958) | $ | (26,277) |
| Change in working capital items: | | | | |
| Accounts payable | | 128,520 | | 21,000 |
| Net cash used in operating activities | | (6,438) | | (5,277) |
| **Financing Activity** | | | | |
| Proceeds from issuance of shares | | - | | 39,500 |
| Net cash provided by financing activity | | - | | 39,500 |
| **Change in Cash** | | (6,438) | | 34,223 |
| **Cash, Beginning of Period** | | 34,223 | | - |
| **Cash, End of Period** | $ | 27,785 | $ | 34,223 |

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

## 1. NATURE OF OPERATIONS

Vegables Foods Inc. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on July 2, 2020. The Company is focused on providing healthy meal options for on-the-go families with simple plant-based lunch kits.

The address of its head office is 1606 - 9633 Manchester Drive, Burnaby, British Columbia, V3N 4Y9, Canada.

## 2. GOING CONCERN

These financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has incurred net losses since inception and as at August 31, 2021 has a deficit of $161,235 (2020 - $26,277). The Company's continuation as a going concern is dependent upon its ability to develop and attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with loans from directors and/or private placement of common shares. These conditions indicate the existence of material uncertainties that may cause substantial doubt about the Company's ability to continue as a going concern.

These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

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 development and expansion of its operations or the ability of the Company to raise additional financing.

## 3. BASIS OF PRESENTATION

(a) Statement of compliance

These financial statements have been prepared in accordance with International Accounting Standard 1, Presentation of Financial Statements ("IAS 1") as issued by the International Accounting Standards Board ("IASB"). The policies applied in these financial statements are based on International Financial Reporting Standards ("IFRS") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements were reviewed and approved by the sole director of the Company and authorized for issue on June 10, 2022.

(b) Basis of preparation

The financial statements of the Company have been prepared on an accrual basis except for cash flow information and are based on historical costs, modified where applicable. These financial statements are presented in Canadian dollars, which is also the Company's functional currency. All values are rounded to the nearest dollar unless otherwise indicated.

## 3. BASIS OF PRESENTATION (CONTINUED)

(c) Significant accounting estimates and judgements

Significant estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include determining the measurement of deferred income tax assets and liabilities.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applicable to the Company's financial statements include: the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

## 4. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. All financial instruments are initially recorded at fair value, adjusted for directly attributable transaction costs. The Company determines each financial instrument's classification upon initial recognition. Measurement in subsequent periods depends on the financial instrument's classification.

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

Measurement

*Financial assets at FVTOCI*

Elected investments in equity investments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss). The Company has no financial assets classified as FVTOCI.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Financial instruments (continued)

Measurement (continued)

*Financial assets and liabilities at amortized cost*
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. The Company's financial assets and liabilities at amortized cost include accounts payable.

*Financial assets and liabilities at FVTPL*
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transactions costs expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are recorded in the statements of loss and comprehensive loss in the period in which they arise. The Company's financial assets and liabilities at FVTPL include cash.

Impairment of financial assets at amortized cost

The Company recognized a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset's credit risk has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

*Financial assets*
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

*Financial liabilities*
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss and comprehensive loss.

(b) Cash

Cash is comprised of cash held at a bank. The Company has no term deposits or other cash equivalents as at August 31, 2021.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Research and development

Research and development expenses are expensed in the period in which the costs are incurred.

(d) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(e) Loss per share

Basic loss per share is calculated by dividing the net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees. The effects of anti-dilutive potential units are ignored in calculating diluted earnings per share. All options and warrants are considered anti-dilutive when the Company is in a loss position.

(f) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

(g) Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Income taxes (continued)

Deferred income tax:(continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

## 5. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and accounts payable. The carrying values of the financial instruments approximate fair value due to the short-term nature of these instruments. Fair value of financial assets and liabilities, information related to risk management positions and discussion of risks associated with financial assets and liabilities are presented as follows:

**Fair value**

IFRS 13 establishes a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1 quoted prices in active markets for identical assets or liabilities;
Level 2 inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and
Level 3 inputs for the asset or liability that are not based upon observable market data.

As at August 31, 2021, the carrying value of the Company's financial instruments approximates their fair value due to their short terms to maturity. The Company's cash is classified as Level 1.

**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 manages credit risk, in respect of cash, by placing cash at major Canadian financial institutions. The Company has minimal credit risk.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due. The Company maintained cash at August 31, 2021 in the amount of $27,785 (2020 - $34,223), in order to meet short-term business requirements. At August 31, 2021, the Company had accounts payable of $149,520 (2020 - $21,000). All of the Company's financial liabilities have contractual maturities of less than 90 days. Liquidity risk is assessed as high.

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital. As at August 31, 2021, the Company is not exposed to significant market risk.

**(Expressed in Canadian Dollars)**

## 6. SHARE CAPITAL AND CONTRIBUTED SURPLUS

(a) Authorized

Unlimited number of common shares without par value
Unlimited number of preferred shares without par value

(b) Issued and outstanding

On July 14, 2020, the Company closed a non-brokered private placement and issued 100 common shares at a price of $395 per share for gross proceeds of $39,500.

## 7. RELATED PARTY TRANSACTIONS

During the year ended August 31, 2021, the Company accrued management fees of $126,000 (period from July 2, 2020 (date of incorporation) to August 31, 2020 - $21,000) to the CEO and director of the Company.

As at August 31, 2021, the Company owed $147,000 (2020 - $21,000) to the CEO and director of the Company, which is included in the accounts payable. The amounts due to related parties are non-interest bearing, unsecured and had no fixed terms of repayment.

## 8. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27% to income before income taxes.

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

| | | 2021 | | 2020 |
|---|---|---|---|---|
| | | | | (unaudited) |
| Net loss for the period | $ | (134,958) | $ | (26,277) |
| Statutory income tax rate | | 27% | | 27% |
| Income tax benefit computed at statutory tax rate | | (36,439) | | (7,095) |
| Unrecognized benefit of deferred income tax assets | | 36,439 | | 7,095 |
| Income tax expense | $ | - | $ | - |

As at August 31, 2021, the Company had non-capital losses carried forward of approximately $161,000 (2020 - $26,000) which may be utilized to reduce future years’ taxable income and expire commencing 2040 if not utilized.

Deferred income tax assets have not been recognized in respect of these items because it is not probable that the Company will be able to generate sufficient taxable income upon which these deferred tax assets can be realized.

## 9. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company considers the items included in shareholder's equity as capital. The Company's primary source of capital comes from the issuance of capital stock.

The Company manages and adjusts its capital structure when changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek to additional funding through issuance of new shares or new debt. The Company may require additional capital resources to meet its administrative overhead expenses in the long term. 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. The Company is not subject to external capital requirements.

## 10. SUBSEQUENT EVENT

On March 11, 2022, the Company closed the share exchange agreement with Modern Plant Based Foods Inc. ("Modern Plant"). Pursuant to the share exchange agreement, Modern Plant acquired the Company in consideration for all the issued and outstanding shares of the Company. Modern Plant has agreed to issue 10,769,229 common shares in the capital of Modern Plant to the current shareholders of the Company. Modern Plant has also agreed to issue 861,538 common shares to an arm's-length finder.

**VEGABLES FOOD INC.**

**Condensed Interim Financial Statements**

**For the three and six months ended February 28, 2022 and 2021**

**(Expressed in Canadian Dollars)**

**VEGABLES FOOD INC.**
**Condensed Interim Statements of Financial Position**
**As at February 28, 2022 and August 31, 2021**
**(Expressed in Canadian Dollars)**

| | | February 28, 2022 | | August 31, 2021 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current** | | | | |
| Cash | $ | 27,785 | $ | 27,785 |
| **Total Assets** | **$** | **27,785** | **$** | **27,785** |
| **Liabilities** | | | | |
| **Current** | | | | |
| Accounts payable (Note 7) | $ | 212,520 | $ | 149,520 |
| **Total Liabilities** | | **212,520** | | **149,520** |
| **Shareholder's Deficiency** | | | | |
| Share capital (Note 6) | | 39,500 | | 39,500 |
| Deficit | | (224,235) | | (161,235) |
| **Total Shareholder's Deficiency** | | **(184,735)** | | **(121,735)** |
| **Total Liabilities and Shareholder's Deficiency** | **$** | **27,785** | **$** | **27,785** |

**Going concern** (Note 2)
**Subsequent event** (Note 9)

Approved by:

*"Sharin Cheung" (signed)*
Sharin Cheung, CEO and Director

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

**VEGABLES FOOD INC.**
**Condensed Interim Statements of Loss and Comprehensive Loss**
**For the three and six months ended February 28,**
**(Expressed in Canadian Dollars)**

| | For the three months ended | | For the six months ended | |
|---|---|---|---|---|
| | **2022 $** | **2021 $** | **2022 $** | **2021 $** |
| **Operating Expenses** | | | | |
| Advertising and promotion | - | 3,300 | - | 3,300 |
| Management fees (Note 7) | 33,000 | 30,000 | 63,000 | 60,000 |
| Office and general administration expenses | - | - | - | 14 |
| Research and development | - | 917 | - | 5,479 |
| **Net Loss and Comprehensive Loss for the Period** | **(33,000)** | **(34,217)** | **(63,000)** | **(68,793)** |
| **Loss per Share – Basic and Diluted** | **(330)** | **(342)** | **(630)** | **(688)** |
| **Weighted Average Number of Common Shares Outstanding** | **100** | **100** | **100** | **100** |

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

**VEGABLES FOOD INC.**
**Condensed Interim Statements of Changes in Shareholders' Equity (Deficiency)**
**For the three and six months ended February 28, 2022 and 2021**
**(Expressed in Canadian Dollar)**

| | Share Capital | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Number** | | **Amount** | | **Deficit** | | **Total** |
| **Balance, August 31, 2020** | **100** | **$** | **39,500** | **$** | **(26,277)** | **$** | **13,223** |
| Net loss for the period | - | | - | | (68,793) | | (68,793) |
| **Balance, February 28, 2021** | **100** | | **39,500** | | **(95,070)** | | **(55,570)** |
| **Balance, August 31, 2021** | **100** | **$** | **39,500** | **$** | **(161,235)** | **$** | **(121,735)** |
| Net loss for the period | - | | - | | (63,000) | | (63,000) |
| **Balance, February 28, 2022** | **100** | **$** | **39,500** | **$** | **(224,235)** | **$** | **(184,735)** |

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

**VEGABLES FOOD INC.**
**Condensed Interim Statements of Cash Flows**
**For the six months ended February 28,**
**(Expressed in Canadian Dollars)**

| | | 2022 | | 2021 |
|---|---|---|---|---|
| **Operating Activities** | | | | |
| Net loss for the period | $ | (63,000) | $ | (68,793) |
| Change in working capital items: | | | | |
| GST recoverable | | - | | (3,165) |
| Accounts payable | | 63,000 | | 65,520 |
| Net cash used in operating activities | | - | | (6,438) |
| **Change in Cash** | | - | | (6,438) |
| **Cash, Beginning of Period** | | 27,785 | | 34,223 |
| **Cash, End of Period** | $ | 27,785 | $ | 27,785 |

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

## 1. NATURE OF OPERATIONS

Vegables Foods Inc. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on July 2, 2020. The Company focused on providing healthy meal options for on-the-go families with simple plant-based lunch kits.

The address of its head office is 1606 - 9633 Manchester Drive, Burnaby, British Columbia, V3N 4Y9, Canada.

## 2. GOING CONCERN

These condensed interim financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has incurred net losses since inception and as at February 28, 2022 has a deficit of $224,235 (August 31, 2021 - $161,235). The Company's continuation as a going concern is dependent upon its ability to develop and attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with loans from directors and/or private placement of common shares. These conditions indicate the existence of material uncertainties that may cause doubt about the Company's ability to continue as a going concern.

These interim financial statements do not include any adjustments to the recoverability and classification of recorded assets amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

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 development and expansion of its operations or the ability of the Company to raise additional financing.

## 3. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Statements ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed interim financial statements were reviewed and approved by the sole director of the Company and authorized for issue on June 14, 2022.

(b) Basis of preparation

The condensed interim financial statements of the Company have been prepared on an accrual basis except for cash flow information and are based on historical costs, modified where applicable. These financial statements are presented in Canadian dollars, which is also the Company's functional currency. All values are rounded to the nearest dollar unless otherwise indicated.

## 3. BASIS OF PRESENTATION (CONTINUED)

(c) Significant accounting estimates and judgements

Significant estimates and assumptions
The preparation of the financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting period include determining the measurement of deferred income tax assets and liabilities.

Significant judgments
The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include: the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

## 4. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. All financial instruments are initially recorded at fair value, adjusted for directly attributable transaction costs. The Company determines each financial instrument's classification upon initial recognition. Measurement in subsequent periods depends on the financial instrument's classification.

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

Measurement

*Financial assets at FVTOCI*
Elected investments in equity investments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss). The Company has no financial assets classified as FVTOCI.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Financial instruments (continued)

Measurement (continued)

*Financial assets and liabilities at amortized cost*
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. The Company's financial assets and liabilities at amortized cost include accounts payable.

*Financial assets and liabilities at FVTPL*
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transactions costs expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are recorded in the statements of loss and comprehensive loss in the period in which they arise. The Company's financial assets and liabilities at FVTPL include cash.

Impairment of financial assets at amortized cost

The Company recognized a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset's credit risk has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

*Financial assets*
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

*Financial liabilities*
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of comprehensive loss.

(b) Cash

Cash is comprised of cash held at a bank. The Company has no term deposits or other cash equivalents as at February 28, 2022.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Research and development

Research and development expenses are expensed in the period in which the costs are incurred.

(d) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(e) Loss per share

Basic loss per share is calculated by dividing the net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees. The effects of anti-dilutive potential units are ignored in calculating diluted earnings per share. All options and warrants are considered anti-dilutive when the Company is in a loss position.

(f) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

(g) Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Income taxes (continued)

Deferred income tax (continued):

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(h) IFRS 16 – "*Leases*"

IFRS 16 replaces IAS 17 *Leases*. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Application of the standard is mandatory for annual periods beginning on or after January 1, 2019, with early application permitted. IFRS 16 will result in an increase in assets and liabilities as fewer lease payments will be expensed. The adoption of this standard did not have a significant impact on the Company's financial statements as the Company has no leases.

## 5. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and accounts payable. The carrying values of the financial instruments approximate fair value due to the short-term nature of these instruments. Fair value of financial assets and liabilities, information related to risk management positions and discussion of risks associated with financial assets and liabilities are presented as follows:

**Fair value**

IFRS 13 establishes a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1 quoted prices in active markets for identical assets or liabilities;
Level 2 inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and
Level 3 inputs for the asset or liability that are not based upon observable market data.

As at February 28, 2022, the carrying value of the Company's financial instruments approximates their fair value due to their short terms to maturity. The Company's cash is classified as Level 1.

**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 manages credit risk, in respect of cash, by placing cash at major Canadian financial institutions. The Company has minimal credit risk.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due. The Company maintained cash at February 28, 2022 in the amount of $27,785 (August 31, 2021 - $27,785), in order to meet short-term business requirements. At February 28, 2022, the Company had accounts payable of $212,520 (August 31, 2021 - $149,520). All of the Company's financial liabilities have contractual maturities of less than 90 days. Liquidity risk is assessed as high.

## 5. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

**Fair value (continued)**

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital. As at February 28, 2022, the Company is not exposed to significant market risk.

## 6. SHARE CAPITAL AND CONTRIBUTED SURPLUS

(a) Authorized

Unlimited number of common shares without par value Unlimited number of preferred shares without par value

(b) Issued and outstanding

On July 14, 2020, the Company closed a non-brokered private placement and issued 100 common shares at a price of $395 per share for gross proceeds of $39,500.

(c) Share purchase warrants

The Company has Nil share purchase warrants outstanding as at February 28, 2022 and August 31, 2021.

(d) Stock options

The Company has Nil stock options outstanding as at February 28, 2022 and August 31, 2021.

## 7. RELATED PARTY TRANSACTIONS

During the six months ended February 28, 2022, the Company accrued management fees of $63,000 (2021 - $60,000) to the CEO and director of the Company.

As at February 28, 2022, the Company owed $210,000 (August 31, 2021 - $147,000) to the CEO and director of the Company, which is included in the accounts payable. The amounts due to related parties are non-interest bearing, unsecured and had no fixed terms of repayment.

## 8. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company considers the items included in shareholders' equity as capital. The Company's primary source of capital comes from the issuance of capital stock.

The Company manages and adjusts its capital structure when changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek to additional funding through issuance of new shares or new debt. The Company may require additional capital resources to meet its administrative overhead expenses in the long term. 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. The Company is not subject to external capital requirements.

## 9. SUBSEQUENT EVENT

On March 11, 2022, the Company closed the share exchange agreement with Modern Plant Based Foods ("Modern Plant"). Pursuant to the share exchange agreement, Modern Plant acquired the Company in consideration for all the issued and outstanding shares of the Company, which holds assets and formulations, Modern Plant has agreed to issue 10,769,229 common shares in the capital of Modern Plant to the current shareholders of the Company. Modern Plant has also agreed to issue 861,538 common shares to an arm's-length finder. The Company has no long-term debt obligations.