

Financial Statements

**Consolidated Financial Statements for the
Years Ended December 31, 2020 & 2019**

Ceapro Inc.

Management's Report

To the Shareholders of **Ceapro Inc.**,

The accompanying consolidated financial statements of Ceapro Inc. (the "Company"), and all information presented in this report, are the responsibility of Management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by Management in accordance with International Financial Reporting Standards. The consolidated financial statements include some amounts that are based on the best estimates and judgements of Management. Financial information used elsewhere in the report is consistent with that in the consolidated financial statements.

To further the integrity and objectivity of data in the consolidated financial statements, Management of the Company has developed and maintains a system of internal controls, which Management believes will provide reasonable assurance that financial records are reliable and form a proper basis for preparation of consolidated financial statements, and that assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for the consolidated financial statements in the report principally through its Audit Committee. The Audit Committee is appointed by the Board, and all of its members are outside and unrelated Directors. The Committee meets periodically with Management and the external auditors to discuss internal controls over the financial reporting process and financial reporting issues, to make certain that each party is properly discharging its responsibilities, and to review quarterly reports, the annual report, the annual consolidated financial statements, management discussion and analysis, and the external auditor's report. The Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders. The Company's auditors have full access to the Audit Committee, with and without Management being present.

The consolidated financial statements have been audited by the Company's auditors, Grant Thornton LLP, the external auditors, in accordance with auditing standards generally accepted in Canada on behalf of the shareholders.

Sincerely,

SIGNED "Gilles Gagnon"
President and Chief Executive Officer

SIGNED "Stacy Prefontaine"
Chief Financial Officer

April 20, 2021

Independent Auditor's Report

Grant Thornton LLP
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To the Shareholders of Ceapro Inc.

Opinion

We have audited the consolidated financial statements of Ceapro Inc. ("the Company"), which comprise the consolidated balance sheets as at December 31, 2020, and December 31, 2019 and the consolidated statements of net income (loss) and comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated 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 Consolidated 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 consolidated 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.

Information Other than the consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's inability 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 Meghan DeRoo McConnan.

Edmonton, Canada

April 20, 2021



Chartered Professional Accountants

Financial Statements

CEAPRO INC.

Consolidated Balance Sheets

	December 31, 2020	December 31, 2019
	\$	\$
ASSETS		
Current Assets		
Cash and cash equivalents	5,369,029	1,857,195
Trade receivables	2,019,723	3,659,541
Other receivables	102,224	46,812
Inventories (note 3)	1,210,079	669,005
Prepaid expenses and deposits	348,845	178,908
	9,049,900	6,411,461
Non-Current Assets		
Investment tax credits receivable	607,700	607,700
Deposits	82,124	85,755
Licences (note 4)	18,514	21,477
Property and equipment (note 5)	18,591,189	19,764,122
Deferred tax assets (note 14 (b))	874,304	378,643
	20,173,831	20,857,697
TOTAL ASSETS	29,223,731	27,269,158
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	1,067,622	1,291,204
Current portion of long-term debt (note 6)	-	111,865
Current portion of lease liabilities (note 7)	250,658	265,123
Current portion of CAAP loan (note 9)	72,263	72,942
	1,390,543	1,741,134
Non-Current Liabilities		
Long-term lease liabilities (note 7)	2,648,917	2,775,627
CAAP loan (note 9)	-	61,580
Deferred tax liabilities (note 14 (b))	874,304	378,643
	3,523,221	3,215,850
TOTAL LIABILITIES	4,913,764	4,956,984
Equity		
Share capital (note 8 (b))	16,511,067	16,401,677
Contributed surplus (note 8 (e))	4,682,393	4,650,090
Retained earnings	3,116,507	1,260,407
	24,309,967	22,312,174
TOTAL LIABILITIES AND EQUITY	29,223,731	27,269,158

See accompanying notes

Approved on Behalf of the Board

SIGNED: "John Zupancic"
Director

SIGNED: "Dr. Ulrich Kosciessa"
Director

Financial Statements

CEAPRO INC.

Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)

Year Ended December 31,	2020 \$	2019 \$
Revenue (note 16)	15,121,282	12,880,006
Cost of goods sold	7,498,996	7,434,654
Gross margin	7,622,286	5,445,352
Research and product development	1,881,883	2,393,607
General and administration	3,282,754	2,952,488
Sales and marketing	111,044	425,230
Finance costs (note 12)	231,271	260,684
Income (loss) from operations	2,115,334	(586,657)
Other expenses (note 11)	(259,234)	(549,379)
Income (loss) before tax	1,856,100	(1,136,036)
Income taxes		
Current tax recovery	-	-
Deferred tax benefit	-	3,408
Income tax benefit	-	3,408
Total comprehensive income (loss) for the year	1,856,100	(1,132,628)
Net income (loss) per common share (note 21):		
Basic	0.02	(0.01)
Diluted	0.02	(0.01)
Weighted average number of common shares outstanding (note 21):		
Basic	77,594,629	77,188,505
Diluted	78,143,033	77,188,505

See accompanying notes

Financial Statements

CEAPRO INC. Consolidated Statements of Changes in Equity

	Share capital \$	Contributed surplus \$	Retained earnings \$	Total equity \$
Balance December 31, 2019	16,401,677	4,650,090	1,260,407	22,312,174
Share-based payments (note 8 (c) & (d))	-	136,796	-	136,796
Share options exercised	7,978	(3,081)	-	4,897
Restricted share units vested (note 8 (d))	101,412	(101,412)	-	-
Net income for the year	-	-	1,856,100	1,856,100
Balance December 31, 2020	16,511,067	4,682,393	3,116,507	24,309,967
Balance December 31, 2018	16,320,522	4,501,444	2,393,035	23,215,001
Share-based payments (note 8 (c) & (d))	-	212,517	-	212,517
Restricted share units vested (note 8 (d))	52,938	(52,938)	-	-
Share options exercised	28,217	(10,933)	-	17,284
Net loss for the year	-	-	(1,132,628)	(1,132,628)
Balance December 31, 2019	16,401,677	4,650,090	1,260,407	22,312,174

See accompanying notes

Financial Statements

CEAPRO INC. Consolidated Statements of Cash Flows

Year Ended December 31,	2020 \$	2019 \$
OPERATING ACTIVITIES		
Net income (loss) for the year	1,856,100	(1,132,628)
Adjustments for items not involving cash		
Finance costs	153,538	171,249
Transaction costs	1,108	4,187
Depreciation and amortization	1,841,033	1,831,744
Foreign exchange gain on long-term debt	-	(307)
Accretion	21,625	30,248
Deferred tax benefit	-	(3,408)
Share-based payments	136,796	212,517
Net income (loss) for the year adjusted for non-cash items	4,010,200	1,113,602
CHANGES IN NON-CASH WORKING CAPITAL ITEMS		
Trade receivables	1,639,818	(644,197)
Other receivables	(55,412)	87
Inventories	(541,074)	41,703
Prepaid expenses and deposits	(88,839)	154,106
Accounts payable and accrued liabilities relating to operating activities	(358,136)	388,064
Total changes in non-cash working capital items	596,357	(60,237)
Net income (loss) for the year adjusted for non-cash and working capital items	4,606,557	1,053,365
Interest paid	(153,538)	(171,249)
CASH GENERATED FROM OPERATIONS	4,453,019	882,116
INVESTING ACTIVITIES		
Purchase of property and equipment	(528,707)	(332,186)
Purchase of leasehold improvements	(12,870)	(6,007)
Proceeds from sale of equipment	353	-
Deposits relating to investment in equipment	(77,467)	187,790
Accounts payable and accrued liabilities relating to investing activities	134,554	(46,738)
CASH USED IN INVESTING ACTIVITIES	(484,137)	(197,141)
FINANCING ACTIVITIES		
Stock options exercised	4,897	17,284
Repayment of long-term debt	(112,973)	(339,321)
Repayment of CAAP loan	(83,884)	(83,884)
Repayment of lease liabilities	(265,088)	(265,993)
CASH USED IN FINANCING ACTIVITIES	(457,048)	(671,914)
Increase in cash and cash equivalents	3,511,834	13,061
Cash and cash equivalents at beginning of the year	1,857,195	1,844,134
Cash and cash equivalents at end of the year	5,369,029	1,857,195

See accompanying notes

Cash and cash equivalents are comprised of \$5,362,191 (2019 - \$1,850,357) on deposit with financial institutions and \$6,838 (2019 - \$6,838) held in money market mutual funds.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

1. NATURE OF BUSINESS OPERATIONS

Ceapro Inc. (the "Company") is incorporated under the Canada Business Corporations Act and is listed on the TSX Venture Exchange under the symbol CZO and on the OTCQX® Best Market under the symbol CRPOF. The Company's primary business activities relate to the development and marketing of various health and wellness products and technology relating to plant extracts.

The Company's head office address is 7824 51 Avenue NW, Edmonton, AB T6E 6W2.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

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

The Board of Directors authorized these consolidated financial statements for issue on April 20, 2021.

b) Basis for presentation

These consolidated financial statements have been prepared on the historical cost basis. All transactions are recorded on an accrual basis.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Ceapro Technology Inc., Ceapro Active Ingredients Inc., Ceapro BioEnergy Inc., Ceapro (P.E.I) Inc., Ceapro USA Inc., and Juvente^{DC} Inc.

All intercompany accounts and transactions have been eliminated on consolidation. The financial statements of the subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

c) Use of management critical judgements, estimates, and assumptions

The preparation of consolidated financial statements requires management to make critical judgements, estimates, and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses recorded during the reporting period. In making estimates and judgements, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Actual results may differ from those estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Management critical judgements

Policies that are critical for the presentation of the financial position and financial performance of the Company and that require judgements are discussed as follows.

Functional currency

The functional currency for the Company and each of the Company's subsidiaries is the currency of the primary economic environment in which the respective entity operates; the Company has determined the functional currency of each entity to be the Canadian dollar. Such determination involves certain judgements to identify the primary economic environment. The Company reconsiders the functional currency of its subsidiaries if there is a change in events and/or conditions which determine the primary economic environment.

Management estimates and assumptions

Policies that are critical for the presentation of the financial position and financial performance of the Company and that require estimates and assumptions are discussed below.

Taxation

The Company makes estimates in respect of recognition of the extent of deferred tax liabilities and tax assets. Full provision is made for future and current taxation at the rates of tax prevailing at the year-end unless future rates have been substantively enacted. These calculations represent our best estimate of the costs that will be incurred and recovered, but actual experience may differ from the estimates made and therefore affect future financial results. The effects would be recognized in profit or loss, primarily through taxation.

The Company recognizes the deferred tax benefit related to deferred tax assets to the amount that is probable to be realized. Assessing the recoverability of a portion or all of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions from deferred tax assets. Management considers projected future taxable income, the scheduled reversal of deferred tax assets, and tax planning strategies in making this assessment. The amount of the deferred tax asset considered realizable could change materially in future periods.

Investment tax credits

The recognition of investment tax credits relating to the Company's qualifying scientific research and experimental development expenditures requires management to estimate the amount and timing of recovery. The Company has assessed that it is probable that sufficient taxable income will be available to recognize the investment tax credits as recognized at December 31, 2020.

Impairment of non-financial assets

In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost of inventory includes cost of purchase (purchase price, import duties, transport, handling, and other costs directly attributable to the acquisition of inventories), cost of conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realizable value for inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provisions are made in profit or loss of the current period on any difference between book value and net realizable value.

Property and equipment

The Company provides for depreciation expense on property and equipment at rates designed to amortize the cost of individual items and their material components over their estimated useful lives. Management makes estimates of future useful life based on patterns of benefit consumption and impairments based on past experience and market conditions. Impairment losses and depreciation expenses are presented in profit or loss of the current period.

Licences

The Company amortizes licences over their estimated useful lives. Management makes estimates of future useful life based on patterns of benefit consumption, terms of licence agreements, and impairments based on past experience and market conditions. Impairment losses and depreciation expenses are presented in profit or loss of the current period.

Share-based payments

The fair value of share-based payments is determined using the Black-Scholes option pricing model based on estimated fair values at the date of grant. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the award. Changes in these assumptions can significantly affect the fair value estimate. For more information, see note 8.

d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits, and all highly liquid short-term investments with original maturities of three months or less.

e) Revenue recognition

The Company generates revenues from product sales. Each sale is considered a single performance obligation and revenue for the sale of product is recognized at the point in time when control or ownership of the product is transferred to the customer, generally when the products are shipped, when collectability is probable, and the Company has satisfied its performance obligation.

Product revenues are derived primarily from standard product sales contracts. Contracts with customers do not provide for refunds or any other rights of return. The Company does not have any revenue contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As such, the Company does not adjust any of the transaction prices for the time value of money.

When an amount is received as an advance or a deposit from a customer, prior to the recognition of revenue, it results in a contract liability.

f) Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs of inventory include costs of purchase, costs of conversion, and any other costs incurred in bringing the inventories to their present location and condition. Costs of conversion include direct costs (materials and labour) and indirect costs (fixed and variable production overheads). Fixed overheads are allocated based on normal capacity. Raw materials are assigned costs by using a first-in-first-out cost formula and work-in-progress, and finished goods are assigned costs by using a weighted average cost formula.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

g) Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses. Depreciation methods and rates are calculated as follows:

Manufacturing equipment	5 - 25 years straight-line
Office equipment	20% declining balance
Computer equipment	30% declining balance
Leasehold improvements	over the term of the lease
Right-of-use asset – buildings	4 to 12 years straight-line

Cost for property and equipment includes the purchase price, import duties, non-refundable taxes, and any other costs directly attributable to bringing the asset into the location and condition to be capable of operating. Significant parts of an item of property and equipment with different useful lives are recognized and depreciated separately. Depreciation commences when the asset is available for use. The asset's residual values, useful lives, and method of depreciation are reviewed at each financial year-end and adjustments are accounted for prospectively if appropriate. An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of an asset is included in profit or loss in the period the asset is derecognized.

h) Intangible assets

Acquired

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Licences

Licences are recorded at cost and are amortized straight-line over the life of the licence.

Research and product development expenditures

Research costs are expensed when incurred. Product development costs are also expensed when incurred unless the Company can demonstrate the following:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) its intention to complete the intangible asset and use or sell it;
- (c) its ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits. Among other things, the entity 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;
- (e) the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset;

(f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Costs are reduced by government grants and investment tax credits where applicable.

Following initial capitalization of product development expenditures, the intangible asset is carried at cost less accumulated amortization and any accumulated impairment losses. Amortization commences when product development is completed and the asset is available for use. It is amortized over the period of expected future economic benefit. The expected lives of assets are reviewed on an annual basis and if necessary, changes in useful lives are accounted for prospectively.

i) Borrowing costs

Borrowing costs are capitalized when such costs are directly attributable to the acquisition, construction, or production of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to prepare for its intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

j) Impairment of non-financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units or CGUs).

Cash generating units or individual assets such as property and equipment and intangible assets with a finite life are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If such indication exists, the Company estimates the recoverable amount of the assets, which is the higher of its fair value less costs of disposal and its value in use. Value in use is estimated as the present value of future cash flows generated by this asset or CGU including eventual disposal. If the recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount, and an impairment loss is recognized immediately in profit or loss. Impairment losses recognized in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimated recoverable amount and the carrying amount that would have been recorded, had no impairment loss been recognized previously. Any such recovery is recognized immediately in profit or loss.

k) Leases

At inception, the Company considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;

- The Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- The Company has the right to direct the use of the identified assets throughout the period of use. The Company assesses whether it has the right to direct “how and for what purpose” the asset is used throughout the period of use.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is measured at an amount equal to the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed payments), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected not to recognize right-of-use assets or lease liabilities for short-term leases and leases of low-value assets. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these leases are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the balance sheet, right-of-use assets have been included in property and equipment.

l) Foreign currency translation

The Canadian dollar is the functional and presentation currency of the Company and each of the Company's subsidiaries.

Foreign currency monetary assets and liabilities of the Company and its subsidiaries are translated using the period end closing rate; and non-monetary assets and liabilities, measured at historic cost, are translated at the rate of exchange at the date of the transaction. Foreign currency transactions are translated at the spot exchange rate which is in effect at the date of the transaction. Foreign currency gains or losses arising on translation are included in other operating income (loss) in profit or loss.

m) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case the tax expense is also recognized directly in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates and laws enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are provided for using the liability method on temporary differences between the tax bases and carrying amounts of assets and liabilities. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the year in which temporary differences are expected to be recovered or settled. Changes to these balances, including changes due to changes in income tax rates, are recognized in profit or loss in the period in which they occur.

Deferred tax assets are recognized to the extent future recovery is probable. Deferred tax assets are reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

n) Government grants

Government grants are recognized where there is a reasonable assurance that the grant will be received and all attached conditions will be complied with. Government grants are recognized as an offset to expenses over the periods in which the Company recognizes expenses which the grants are intended to compensate. Government grants related to assets are recognized as cost reduction of the assets and reduce depreciation over the expected useful life of the related assets.

o) Investment tax credits

Investment tax credits relating to qualifying scientific research and experimental development expenditures are accrued provided it is probable that the credits will be realized. When recorded, the investment tax credits are accounted for as a reduction of the related expenditures.

p) Income (loss) per common share

Basic income (loss) per common share is computed by dividing the income (loss) by the weighted average number of common shares outstanding during the year. Diluted per share amounts reflect the potential dilution that could occur if the Company's convertible securities and convertible debentures were converted to common shares. Diluted income (loss) per common share is calculated by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effect of all dilutive potential common shares. Convertible securities are converted using the "treasury stock" method and convertible debentures are converted using the "if converted" method. When the Company is in a net loss position, the conversion of convertible securities is considered to be anti-dilutive.

q) Share-based payment arrangements

Stock option plan

The Company issues equity-settled share-based awards to eligible employees, directors, officers, and consultants under stock option plans that can vest over periods ranging from 2 years to 10 years and have a maximum term of ten years. Share-based payments are accounted for using the fair value method, whereby compensation expense related to these programs is recorded in profit or loss with a corresponding increase to contributed surplus. The fair value of options granted to employees, officers, and directors are determined using Black-Scholes option pricing model at the grant date and expensed over the vesting period. The fair value of options granted to consultants are determined with reference to the fair value of the goods or services received if the fair value of the goods and services received can be measured reliably. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates estimated forfeitures will change. Upon the exercise of the stock options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

Restricted share unit plan

The Company has a restricted share unit plan ("RSU plan") which provides for the grant of restricted share units ("RSUs"). The obligations under the RSU plan can be settled at the Company's discretion through either cash or the issuance of common shares. The Company measures the cost of equity-settled share-based arrangements using the fair value method, whereby compensation expense related to the granting of RSUs is recorded in profit or loss with a corresponding increase to contributed surplus. The Company measures the value of RSUs by reference to the fair value at the grant date, which is usually represented by the quoted closing price of the Company's stock on the TSX-V exchange on the trading day immediately preceding the date of grant. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates estimated forfeitures will change.

r) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognized as a finance cost. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

s) Financial Instruments

All financial instruments are measured at initial recognition at fair value plus any transaction costs that are directly attributable to the acquisition of the financial instruments except for transaction costs related to financial instruments classified as at fair value through profit or loss (FVPL) which are expensed as incurred.

The initial classification of a financial asset depends upon the Company's business model for managing its financial assets and the contractual terms of the cash flows. There are three categories into which the Company can classify its financial assets:

- i) Amortized cost. A financial asset is measured at amortized cost if the contractual cash flows to repay the principal and interest are made at specific dates and if the Company's business model is to collect the contractual cash flows. Subsequent measurement uses the effective interest method, less any provision for impairment.

The Company's financial assets consist of cash and cash equivalents and trade and other receivables which are measured at amortized cost.

- ii) Fair value through other comprehensive income (FVOCI). A financial asset is measured at FVOCI if the Company's business model is both to collect the contractual cash flows and sell assets and the contractual terms of the assets give rise on specified dates to cash flows that are solely repayments of principal and interest.
- iii) Fair value through profit or loss (FVPL). A financial asset is measured at FVPL if it cannot be measured at amortized cost or FVOCI. At initial recognition, the Company may also irrevocably designate a financial asset at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Financial assets at FVPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

A financial asset is derecognized when the Company no longer has the rights to the contractual cash flows due to expiration of that right or the transfer of the risks and rewards of ownership to another party.

The Company recognizes a loss allowance for expected credit losses on its financial assets using the simplified approach which permits the use of the lifetime expected loss provision for all trade receivables. At each reporting date, the Company assesses impairment of trade receivables on a collective basis as its trade receivables possess shared credit risk characteristics and have been grouped based on days past due. The loss allowance will be based upon the Company's historical credit loss experience over the expected life of trade receivables and contract assets, adjusted for forward-looking estimates. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

A financial liability is initially classified as measured at amortized cost or FVPL. A financial liability is classified as measured at FVPL if it is held for trading, a derivative, contingent consideration of an acquirer in a business combination, or has been designated as FVPL on initial recognition. Financial liabilities at FVPL are measured at fair value with changes in fair value, along with any interest expense, recognized in profit or loss. All other financial liabilities are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method.

The Company's financial liabilities consist of accounts payable and accrued liabilities, long-term debt, and the CAAP loan which have been classified as financial liabilities at amortized cost and are measured at amortized cost using the effective interest method. A financial liability is derecognized when the obligation is discharged, cancelled or expired.

t) COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the rapidly spreading coronavirus disease (COVID-19) outbreak a pandemic. This pandemic has resulted in a widespread health crisis that has continued to have a negative impact on economies and financial markets around the world. The Company is continually monitoring the potential impact of this pandemic on its operations and, to the date of the authorization of these consolidated financial statements, has not been significantly negatively impacted from a financial perspective, however has experienced some limited delays and disruptions to the Company's ongoing clinical trial and research programs. The Company is taking measures to ensure the safety of our staff and customers and to mitigate any risks from COVID-19 relating to our manufacturing facility. However, Covid-19 may affect our operations, our suppliers, and our customers in the future. While we would expect this to be temporary, there is uncertainty around the duration of the pandemic, especially considering the variants of the virus that have emerged, and its broader impact. The extent to which the pandemic will impact the Company's results will depend on further developments which are highly uncertain and cannot be predicted with great certainty.

Management will continue to monitor and assess the impact of the pandemic on its judgements, estimates, accounting policies, and amounts recognized in these consolidated financial statements. Potential impacts may include, but are not limited to, impairment of property and equipment, write-downs of inventory, and a change in the estimated credit loss on accounts receivable. For the year ended December 31, 2020, the Company has assessed the possible impacts of COVID-19 on its financial results and no changes to estimates or carrying amounts are required.

u) Future Accounting Pronouncements

The IASB has published several new, but not yet effective, standards, amendments to existing standards, and interpretations. None of these standards, amendments to existing standards or interpretations have been early adopted by the Company and management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. No pronouncements have been disclosed as they are not expected to have a material impact on the Company's consolidated financial statements.

3. INVENTORIES

The Company had the following inventories at the end of each reporting period:

	December 31, 2020	December 31, 2019
	\$	\$
Raw materials	540,425	483,203
Work in progress	148,162	37,307
Finished goods	521,492	148,495
	1,210,079	669,005

Inventories expensed to cost of goods sold during the year ended December 31, 2020 are \$7,386,194 (December 31, 2019 - \$7,233,113).

During the year ended December 31, 2020, the Company decreased the carrying value of inventory by \$78,400 (2019 - \$64,223) primarily due to estimated realizable values from certain finished goods being lower than cost. The write-down is included in cost of goods sold.

4. LICENCES

During the year ended December 31, 2014, and as amended on February 2, 2015, the Company entered into a licence agreement with the University of Alberta for the rights to a technology that would allow the development, production, and commercialization of powder formulations that could be used as active ingredients for all industrial applications. The agreement expires after a term of 20 years or after the expiration of the last patent obtained, whichever event shall occur first. There is no initial licence fee, but the Company is required to make royalty payments (see note 15 (b)).

During the year ended December 31, 2012, the Company entered into a licence agreement for a new technology to increase the concentration of avenanthramides in oats. The Company paid a fee of \$44,439 to cover previous patent costs and commenced amortizing the licence over 15 years in April 2012. Amortization of \$2,963 has been included in general and administration expense for the year ended December 31, 2020 (December 31, 2019 - \$2,963) (see note 15 (a)).

Cost of licences	\$
Balance - December 31, 2018	44,439
Additions	-
Balance - December 31, 2019	44,439
Additions	-
Balance - December 31, 2020	44,439
Accumulated amortization	
Balance - December 31, 2018	19,999
Amortization	2,963
Balance - December 31, 2019	22,962
Amortization	2,963
Balance - December 31, 2020	25,925
Net book value	
Balance - December 31, 2020	18,514
Balance - December 31, 2019	21,477

5. PROPERTY AND EQUIPMENT

	Equipment not available for use	Manufacturing Equipment	Office Equipment	Computer Equipment	Buildings	Leasehold Improvements	Total
Cost	\$	\$	\$	\$	\$	\$	\$
December 31, 2018	1,432,004	11,257,348	319,219	451,904	-	8,806,464	22,266,939
Additions	86,822	224,779	-	20,585	-	6,007	338,193
Adjustment on transition to IFRS 16	-	-	-	-	3,306,743	-	3,306,743
December 31, 2019	1,518,826	11,482,127	319,219	472,489	3,306,743	8,812,471	25,911,875
Additions	-	516,981	-	11,726	-	12,870	541,577
Disposals	-	-	-	(650)	-	(120,364)	(121,014)
Lease modification adjustment	-	-	-	-	123,913	-	123,913
December 31, 2020	1,518,826	11,999,108	319,219	483,565	3,430,656	8,704,977	26,456,351
Accumulated Depreciation							
December 31, 2018	-	3,287,053	213,461	385,102	-	433,356	4,318,972
Additions	-	781,557	21,152	22,602	338,490	664,980	1,828,781
December 31, 2019	-	4,068,610	234,613	407,704	338,490	1,098,336	6,147,753
Additions	-	798,711	16,921	21,331	337,603	663,504	1,838,070
Disposals	-	-	-	(297)	-	(120,364)	(120,661)
December 31, 2020	-	4,867,321	251,534	428,738	676,093	1,641,476	7,865,162
Carrying Amount							
December 31, 2020	1,518,826	7,131,787	67,685	54,827	2,754,563	7,063,501	18,591,189
December 31, 2019	1,518,826	7,413,517	84,606	64,785	2,968,253	7,714,135	19,764,122

Depreciation expense is allocated to the following expense categories:

	Cost of goods sold	Inventory	General and administration	Total
	\$	\$	\$	\$
Year Ended December 31, 2020	1,362,689	125,929	349,452	1,838,070
Year Ended December 31, 2019	1,466,759	8,768	353,254	1,828,781

Included in the net carrying amount of property and equipment at December 31, 2020, are right-of-use assets relating to buildings, in the amount of \$2,754,563 (December 31, 2019 - \$2,968,253).

Included in the carrying amount of leasehold improvements is the amount of \$1,040,234 (December 31, 2019 - \$1,027,364) and \$1,518,826 of equipment not available for use (December 31, 2019 - \$1,518,826) which represent the accumulated expenditures incurred on the purchase of an ethanol recovery system, other equipment, and the engineering design for the related construction and installation of the system. At December 31, 2020, no amortization has commenced on these balances as construction and installation activities have not commenced.

The Company has entered into an agreement to purchase specialized equipment for 150,000 Euro, that will be used to develop the PGX technology to commercial scale level. Included in prepaid expenses and deposits at December 31, 2020, is an advance payment of \$77,467 CAD. The purchase is expected to be completed in 2021 and based on the exchange rate at December 31, 2020, the remaining estimated payments will be approximately \$156,080 CAD.

6. LONG-TERM DEBT

	December 31, 2020 \$	December 31, 2019 \$
Loan payable secured by a general security agreement, due July, 2020	-	112,973
Transaction costs	-	(1,108)
	-	111,865
Less current portion	-	111,865
	-	-

Interest expense is presented under finance costs for the following periods:

Year Ended December 31, 2020	1,523
Year Ended December 31, 2019	5,813

During the year ended December 31, 2015, the Company entered into a loan agreement with AFSC for a maximum of \$900,000, which was due July 1, 2020. The loan was repayable over a 5-year term and had an interest rate of 3.84%. Monthly blended principal and interest payments in the amount of \$16,483 commenced on August 1, 2015. The loan was secured by a general security agreement covering all present and after acquired personal property. The loan has been fully repaid at December 31, 2020.

7. LEASE LIABILITIES

The Company has leases for manufacturing facilities, office space, and warehouse. The lease liabilities consist of leases of buildings. The leases have been discounted using interest rates between 3.42% - 5.24%.

Year Ended December 31,	2020 \$	2019 \$
Balance at beginning of year	3,040,750	3,306,743
Additions	123,913	-
Interest expense	153,063	152,158
Lease payments	(418,151)	(418,151)
Balance at end of year	2,899,575	3,040,750
Less current portion	250,658	265,123
	2,648,917	2,775,627

In November 2020, the Company entered into a lease modification agreement on its warehouse building lease, extending the recognized lease term by approximately two years to March 31, 2025. The re-measurement of the lease liability has resulted in a \$123,913 addition to the lease liability and a corresponding increase to the right of use asset for buildings (see note 5). This non-cash adjustment has been excluded from the Statement of Cash Flows.

Future minimum lease payments at December 31, 2020 are as follows:

	Within one year \$	One to five years \$	More than five years \$	Total \$
Lease payments	391,956	1,682,427	1,549,427	3,623,810
Finance charges	141,298	419,833	163,104	724,235
Net present values	250,658	1,262,594	1,386,323	2,899,575

The expense relating to payments not included in the measurement of the lease liabilities is as follows:

	2020 \$	2019 \$
Year Ended December 31,		
Short-term leases	157,827	200,847

At December 31, 2020, the Company was committed to short term leases and the total commitment at that date was \$10,538.

8. SHARE CAPITAL

a. Authorized

- i. Unlimited number of Class A voting common shares. Class A common shares have no par value.
- ii. Unlimited number of Class B non-voting common shares. There are no issued Class B shares.

b. Issued - Class A common shares

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Number of Shares	Amount \$	Number of Shares	Amount \$
Balance at beginning of the year	77,335,841	16,401,677	77,045,008	16,320,522
Stock options exercised	13,000	7,978	153,333	28,217
Restricted share units vested	272,500	101,412	137,500	52,938
Balance at end of the year	77,621,341	16,511,067	77,335,841	16,401,677

In July 2019, the Company issued 137,500 common shares on the vesting and conversion of restricted share units (see note 8 (d)). This non-cash transaction has been excluded from the Statement of Cash Flows.

In January 2020, the Company issued 272,500 common shares on the vesting and conversion of restricted share units (see note 8 (d)). This non-cash transaction has been excluded from the Statement of Cash Flows.

c. Stock Option Share-Based Payment Plan

The Company has granted stock options to eligible employees, directors, officers, and consultants under stock option plans that vest over two-year periods and have a maximum term of ten years.

The Company accounts for options granted under these plans in accordance with the fair value based method of accounting for share-based payments. In the year ended December 31, 2020, the Company granted 395,000 (December 31, 2019 – 420,000) stock options. The application of the fair value based method requires the use of certain assumptions regarding the risk-free market interest rate, expected volatility of the underlying stock, life of the options, and forfeiture rate. The weighted average risk-free rate used in 2020 was 1.62% (2019 – 1.91%), the weighted average expected volatility was 72% (2019 - 80%) which was based on prior trading activity of the Company's shares, the weighted average expected life of the options was 5 years (2019 – 5 years), the forfeiture rate was 0% (2019 - 0%), the weighted average share price was \$0.36 (2019 – \$0.385), the weighted average exercise price was \$0.36 (2019 – \$0.385), and the expected dividends were nil (2019 - nil). The weighted average grant date fair value of options granted in the year ended December 31, 2020 was \$0.21 (2019 - \$0.25) per option.

The share-based payments expense recorded during the current year relating to options granted in 2020, 2019, and 2018 was \$86,250 (during 2019 relating to options granted in 2019, 2018, and 2017 - \$108,714).

A summary of the status of the Company's stock options at December 31, 2020 and December 31, 2019 and changes during the years ended on those dates is as follows:

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at beginning of year	2,801,168	0.62	2,635,334	0.61
Granted	395,000	0.36	420,000	0.39
Exercised	(13,000)	0.38	(153,333)	0.11
Expired	(60,000)	0.33	-	-
Forfeited	(74,667)	0.55	(100,833)	0.40
Outstanding at end of year	3,048,501	0.55	2,801,168	0.62
Exercisable at end of year	2,663,668	0.61	2,454,501	0.65

Stock options outstanding are as follows:

Fair Value \$	Exercise Price \$	Year of Expiration	Weighted Average Contractual Life Remaining (years)	December 31, 2020 Number of Options	December 31, 2019 Number of Options
0.21	0.36	2025	4.0	380,668	-
0.25	0.39	2024	3.0	372,499	395,834
0.10	0.33	2020	-	-	60,000
0.47	0.50	2028	7.0	210,000	210,000
0.56	0.59	2027	6.8	90,000	90,000
1.22	1.30	2027	6.3	10,000	10,000
1.65	1.75	2027	6.0	400,000	400,000
0.34	0.36	2025	4.3	150,000	150,000
0.47	0.50	2025	4.1	100,000	100,000
0.60	0.64	2025	4.0	715,334	765,334
0.37	0.27	2024	3.9	150,000	150,000
0.08	0.10	2024	3.0	300,000	300,000
0.05	0.10	2023	2.0	170,000	170,000
			4.2	3,048,501	2,801,168

d. Restricted Share Unit Share-Based Payment Plan

Effective June 1, 2017, the Company adopted a restricted share unit plan, which provides for the grant of restricted share units ("RSU's") to existing or proposed directors, employees, and consultants of the Company and its subsidiaries or any insider of the Company and its subsidiaries. Under the plan, the maximum number of common shares that may be reserved for issuance is fixed at 1,000,000. On the vesting of RSU's, the common shares of the Company will be issued from the same 10% rolling pool as the common shares issued under the stock option plan. The obligations under the RSU plan can be settled at the Company's discretion through either the issuance of cash or the issuance of common shares. The Company intends to settle the obligations through the issuance of common shares.

During the year ended December 31, 2020, the Company granted 140,000 RSU's to employees, officers, and directors of the Company. The fair market value of each RSU granted was measured at \$0.36, based on the quoted closing price of the Company's stock on the date of grant. The RSU's vested on January 31, 2020 and were converted to common shares during the current year.

During the year ended December 31, 2019, the Company granted 280,000 RSU's to all employees, officers, and directors of the Company. The market value of each RSU granted was measured at \$0.385, based on the quoted closing price of the Company's stock on the trading day immediately preceding the date of grant. The RSU's vested in two equal instalments, the first of which vested on July 1, 2019 and the second on January 1, 2020. The fair value of the RSU's is recognized over the vesting periods with reference to vesting conditions and the estimated RSU's expected to vest.

The share-based payments expense recorded during the year ended December 31, 2020, relating to the granting of RSU's was \$50,546 (2019 - \$103,803).

A summary of the status of the Company's RSU's at December 31, 2020 and December 31, 2019 and changes during the years ended on those dates is as follows:

	Year Ended December 31, 2020 Number of RSU's	Year Ended December 31, 2019 Number of RSU's
Balance at beginning of year	132,500	-
Granted	140,000	280,000
Forfeited	-	(10,000)
Vested	(272,500)	(137,500)
Balance at end of year	-	132,500

Of the 1,000,000 RSU's authorized for grant under the RSU plan, at December 31, 2020, 370,000 RSU's are available for grant (December 31, 2019 – 510,000).

e. Contributed surplus

	Year Ended December 31, 2020 \$	Year Ended December 31, 2019 \$
Balance at beginning of the year	4,650,090	4,501,444
Share-based payments (note 8 (c) & (d))	136,796	212,517
Restricted share units vested	(101,412)	(52,938)
Stock options exercised	(3,081)	(10,933)
Balance at end of the year	4,682,393	4,650,090

9. CAAP LOAN

The Company entered into Canadian Agricultural Adaptation Program ("CAAP") repayable contribution agreements for total possible funding of \$1,339,625 receivable over the period from October 7, 2010 through September 30, 2012. During the year ended December 31, 2012, the Company voluntarily decommitted \$668,557 as a result of lower anticipated project expenditures resulting in amended maximum possible funding under the agreement of \$671,068. The end date for project expenditures and start date for repayments were also extended one year to September 30, 2013 and December 31, 2014 respectively. All amounts claimed under the program are repayable interest free over eight years beginning in 2014.

As the contributions are non-interest bearing, the fair value at inception is estimated as the present value of the principal payments required, discounted using the prevailing market rates of interest for a similar instrument which was estimated to be 15% per annum. The difference between the fair value of the contributions and the cash received is accounted for as a government grant.

The balance of repayable contribution is derived as follows:

Year Ended December 31,	2020 \$	2019 \$
Opening balance	134,522	188,158
Repayment	(83,884)	(83,884)
Accretion of CAAP loan	21,625	30,248
	72,263	134,522
Less current portion	72,263	72,942
	-	61,580

The principal repayment required for amounts received or receivable from inception to December 31, 2013 is \$83,884 annually from 2014 through 2021.

10. RELATED PARTY TRANSACTIONS

Related party transactions during the periods not otherwise disclosed in these consolidated financial statements are as follows:

Year Ended December 31,	2020 \$	2019 \$
Key management salaries, short-term benefits, consulting fees, and director fees	1,013,691	972,731
Consulting fees and key management salaries payable to officers included in accounts payable and accrued liabilities	21,500	-
Key management personnel share-based payments	88,119	123,346
Amount payable to directors	40,354	39,884

These transactions are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

11. OTHER EXPENSES

Year Ended December 31,	2020 \$	2019 \$
Foreign exchange loss	165,520	196,058
Other expense (income)	3,836	(15,047)
Plant relocation costs	89,878	191,839
Quality management system	-	176,529
	259,234	549,379

12. FINANCE COSTS

Year Ended December 31,	2020	2019
	\$	\$
Interest on long-term debt	1,523	5,813
Interest on lease liabilities	152,015	165,436
Transaction costs	1,108	4,187
Royalties	55,000	55,000
Accretion of CAAP loan	21,625	30,248
	231,271	260,684

13. EMPLOYEE BENEFITS EXPENSE

Year Ended December 31,	2020	2019
	\$	\$
Employee benefits	4,142,673	4,256,172

Employee benefits include wages, salaries, bonuses, and CPP, EI, WCB contributions, share-based payment expense, and benefit premiums. Employee benefits are included in cost of goods sold, general and administration, research and product development, and sales and marketing expenses.

14. INCOME TAXES

(a) Income tax expense (recovery)

Components of income tax expense are:

	December 31, 2020	December 31, 2019
	\$	\$
Current tax expense (recovery)	-	-
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	478,648	(242,886)
Tax rate changes and tax rate differences	(144,932)	385,640
Change in unrecognized deductible temporary differences	(232,341)	(174,279)
Prior period adjustments	(101,375)	28,117
Income tax benefit	-	(3,408)

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined Federal and Provincial corporate tax rates to income before tax. The statutory rate decreased due to reductions in the Alberta provincial rate. These differences result from the following:

	December 31, 2020 \$	December 31, 2019 \$
Income (loss) before tax	1,856,100	(1,136,036)
Statutory income tax rate	24.00%	26.50%
Expected income tax expense (benefit)	445,464	(301,050)
Increase (decrease) resulting from:		
Non taxable items	33,184	58,164
Change in unrecognized deductible temporary differences	(232,341)	(174,279)
Change in tax rates and rate differences	(144,932)	385,640
Prior period adjustments	(101,375)	28,117
Income tax benefit	-	(3,408)

(b) Recognized deferred tax assets and liabilities

	December 31, 2020 \$	December 31, 2019 \$
Deferred tax assets are attributable to the following:		
Patents	141,739	158,348
Intangibles	50,925	54,759
Other	1,043	1,172
Share issuance costs	-	40,654
Lease liability	666,902	699,373
Non-capital losses	1,958,027	1,898,423
Deferred tax assets	2,818,636	2,852,729
Offset by deferred tax liabilities	(1,944,332)	(2,474,086)
Net deferred tax asset	874,304	378,643
Deferred tax liabilities are attributable to the following:		
Property and equipment	(2,772,335)	(2,701,992)
CAAP loan and long-term debt	(2,673)	(8,084)
Inventory	-	(2,882)
SRED investment tax credits	(43,628)	(139,771)
Deferred tax liabilities	(2,818,636)	(2,852,729)
Offset by deferred tax assets	1,944,332	2,474,086
Net deferred tax liability	(874,304)	(378,643)

(c) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2020 \$	December 31, 2019 \$
Deductible temporary differences	184,396	249,033
Tax losses	11,818,631	14,138,130
	12,003,027	14,387,163

The non-capital loss carryforwards expire between 2026 and 2040. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company and its subsidiaries can utilize the benefits.

15. COMMITMENTS AND CONTINGENCIES

a) During the year ended December 31, 2012, the Company entered into a licence agreement for a new technology to increase the concentration of avenanthramides in oats. The Company shall pay an annual royalty percentage rate of 2% of sales, payable every January 1st and July 1st, subject to a minimum annual royalty payment according to the schedule below:

Year	Amount
2012	nil
2013	\$12,500
2014	\$37,500
2015	\$50,000
2016	\$50,000

And \$50,000 each year thereafter while the licence agreement remains in force. The agreements remain in force until the patents expire or are abandoned.

The licence agreement for the use of the intellectual property requires future royalty payments based on specific sales and is an executory contract. The licence agreement also does not represent an onerous contract. On this basis, upfront payments required to enter into the agreement are capitalized as a licence asset and all royalty payments under the agreement are recognized as they become due.

(b) During the year ended December 31, 2014, the Company entered into a licence agreement with the University of Alberta for the rights to an enabling pressurized gas expanded technology (PGX) that would allow the development, production, and commercialization of powder formulations that could be used as active ingredients.

In accordance with the agreement and as amended on February 2, 2015, the Company shall pay the following royalties, payable on a semi-annual basis:

- (a) a royalty of 3.5% of net sales generated from the field of pharmaceuticals;
- (b) a royalty of 3.0% of net sales generated from the field of nutraceuticals;
- (c) a royalty of 2.75% of net sales generated from the field of cosmetics;
- (d) a royalty of 1.0% of net sales generated from the field of functional foods;
- (e) a royalty of 3.0% of net sales generated from other fields.

The Company shall pay a minimum annual advance on earned royalties of \$5,000 commencing March 1, 2017 and every year thereafter while the licence agreement remains in force.

The licence agreement for the use of the intellectual property requires future royalty payments based on specific sales and is an executory contract. The licence agreement also does not represent an onerous contract. On this basis, upfront payments required to enter into the agreement are capitalized as a licence asset and all royalty payments under the agreement are recognized as they become due.

16. SEGMENTED INFORMATION

The Company has two operating segments, the active ingredient product technology industry and the cosmeceutical industry.

The active ingredient product technology industry involves the development of proprietary extraction technologies and the application of these technologies to the production and development and commercialization of active ingredients derived from oats and other renewable plant resources for healthcare and cosmetic industries. Active ingredients produced include oat beta glucan and avenanthramides. These and similar manufactured products are sold primarily through distribution networks.

The cosmeceutical industry involves the development and commercialization of anti-aging products derived from natural active ingredients and is represented in the Company through its subsidiary, Juvente. This line of finished products is sold directly to the end-user primarily through website sales online and also through select natural products stores.

Geographic Information

The following table presents revenue from contracts with customers disaggregated by geographic location to depict how the nature, amount, timing, and uncertainty of revenue and cash flows could be affected by economic factors:

Year Ended December 31,	2020 \$	2019 \$
United States	10,403,154	8,014,374
Germany	3,289,593	2,677,508
China	1,299,106	2,076,356
Other	65,346	69,073
Canada	64,083	42,695
	15,121,282	12,880,006

During the year ended December 31, 2020, the Company had export sales to one major distributor of the Company's products in the aggregate amount of \$13,543,881 representing 90% of total revenue (2019 - \$11,213,782 representing 87% of total revenue). This major distributor sells to dozens of customers on a worldwide basis.

All the assets of the Company, which support the revenues of the Company, are located in Canada.

Information about reportable segments is as follows:

Year ended December 31, 2020:

	Active Ingredient Product Technology Industry	Cosmeceutical Industry	Total
	\$	\$	\$
Revenue from external sales	15,094,250	27,032	15,121,282
Gross margin	7,638,940	(16,654)	7,622,286
Other income (expenses)	(259,234)	-	(259,234)
Income (loss) before tax	2,224,256	(368,156)	1,856,100
Income tax benefit	-	-	-
Net income (loss) and comprehensive income (loss)	2,224,256	(368,156)	1,856,100
Depreciation and amortization	1,839,289	1,744	1,841,033
Share-based payments	136,796	-	136,796
Additions to property and equipment	665,490	-	665,490

At December 31, 2020:

	Active Ingredient Product Technology Industry	Cosmeceutical Industry	Total
	\$	\$	\$
Property and equipment	18,585,564	5,625	18,591,189
Segment assets	28,993,481	230,250	29,223,731
Segment liabilities	4,888,626	25,138	4,913,764

Year ended December 31, 2019:

	Active Ingredient Product Technology Industry	Cosmeceutical Industry	Total
	\$	\$	\$
Revenue from external sales	12,850,151	29,855	12,880,006
Gross margin	5,437,245	8,107	5,445,352
Other income (expenses)	(549,379)	-	(549,379)
Income (loss) before tax	(491,571)	(644,465)	(1,136,036)
Income tax benefit	-	3,408	3,408
Net income (loss) and comprehensive income (loss)	(491,571)	(641,057)	(1,132,628)
Depreciation and amortization	1,829,369	2,375	1,831,744
Share-based payments	212,517	-	212,517
Additions to property and equipment	3,644,286	650	3,644,936

At December 31, 2019:

	Active Ingredient Product Technology Industry	Cosmeceutical Industry	Total
	\$	\$	\$
Property and equipment	19,756,400	7,722	19,764,122
Segment assets	27,074,486	194,672	27,269,158
Segment liabilities	4,935,580	21,404	4,956,984

17. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities measured at fair value in the balance sheet are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of cash and cash equivalents, trade and other receivables, and accounts payable and accrued liabilities approximate their carrying amount(s) due to their short-term nature. The fair value of long-term debt is estimated to approximate its carrying value because the interest rates do not differ significantly from current interest rates for similar types of borrowing arrangements (Level 2).

The Canadian Agricultural Adaptation Program (“CAAP”) loan is recorded at the amount drawn under the agreement, discounted using the prevailing market rate of interest for a similar instrument, which represents the estimated fair value of the obligation.

The fair value of the CAAP loan is not materially different from its carrying amount as funding received has been discounted using an estimate of a market rate of interest and is being accreted back to its nominal amount (Level 2).

The following table sets out a comparison of the carrying amount and fair values of the Company’s financial assets and financial liabilities:

	December 31, 2020		December 31, 2019	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Cash and cash equivalents	\$ 5,369,029	\$ 5,369,029	\$ 1,857,195	\$ 1,857,195
Trade and other receivables	2,121,947	2,121,947	3,706,353	3,706,353
Financial liabilities:				
Accounts payable and accrued liabilities	\$ 1,067,622	\$ 1,067,622	\$ 1,291,204	\$ 1,291,204
Long-term debt	-	-	111,865	111,865
CAAP loan	72,263	72,263	134,522	134,522

The Company has exposure to credit, liquidity, and market risk as follows:

a) Credit risk

Trade and other receivables

The Company makes sales to distributors that are well-established within their respective industries. Based on previous experience, the counterparties had zero default rates and management views this risk as minimal. Approximately 90% of trade receivables are due from one distributor at December 31, 2020 (December 31, 2019 – 97% from one distributor). This main distributor is considered to have good credit quality and historically has had a high quality credit rating. The majority of the Company's sales are invoiced on standard commercial terms of 30 days.

The aging of trade receivables is as follows:

	December 31, 2020 \$	December 31, 2019 \$
Not yet due	407,993	1,481,978
Less than 30 days past due	1,419,731	1,954,651
Less than 60 days past due, more than 30 days past due	191,999	-
More than 60 days past due	-	222,912
Total	2,019,723	3,659,541

The Company has not assessed any trade receivables past due as impaired.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure expected credit losses, trade receivables are grouped based on shared credit risk characteristics and days past due. The expected loss rates for trade receivables are determined on a combined company-wide basis based upon the Company's historic default rates over the expected life of trade receivables adjusted for forward-looking estimates. The expected credit losses calculated for December 31, 2020 and December 31, 2019 are not significant and have not been recognized.

Other receivables represent amounts due for research program claims, government funding claims, government goods and services taxes, and scientific and research tax credits. The collectability risk is deemed to be low because of the good quality credit rating of the counterparties.

Cash and cash equivalents

The Company has cash and cash equivalents in the amount of \$5,369,029 at December 31, 2020 (December 31, 2019 - \$1,857,195) and mitigates its exposure to credit risk on its cash balances by maintaining its bank accounts with Canadian Chartered Banks and investing in low risk, high liquidity investments.

There are no impaired financial assets. The maximum exposure to credit risk is the carrying amount of the Company's trade and other receivables and cash and cash equivalents. The Company does not hold any collateral as security.

b) Liquidity risk

Liquidity risk relates to the risk that the Company will encounter difficulty in meeting its financial obligations. The Company may be exposed to liquidity risks if it is unable to collect its trade and other receivables balances in a timely manner, which could in turn impact the Company's long-term ability to meet commitments under its current facilities. In order to manage this liquidity risk, the Company regularly reviews its aged trade receivables listing to ensure prompt collections. There is no assurance that the Company will obtain sufficient funding to execute its strategic business plan.

The following are the contractual maturities of the Company's financial liabilities and obligations at December 31, 2020:

	within 1 year	1 to 3 years	3 to 5 years	over 5 years	Total
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,067,622	-	-	-	1,067,622
CAAP loan	83,884	-	-	-	83,884
Total	1,151,506	-	-	-	1,151,506

c) Market risk

Market risk is comprised of interest rate risk, foreign currency risk, and other price risk. The Company's exposure to market risk is as follows:

1. Foreign currency risk

Foreign currency risk arises from the fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar.

The following table summarizes the impact of a 1% change in the foreign exchange rates of the Canadian dollar against the US dollar (USD) on the financial assets and liabilities of the Company. The amounts have been translated based on the exchange rate at December 31, 2020.

	Carrying Amount (USD)	Foreign Exchange Risk (CDN)	
		-1%	+1%
		Earnings & Equity	Earnings & Equity
Financial assets			
Accounts receivable	1,583,613	20,162	(20,162)
Financial liabilities			
Accounts payable and accrued liabilities	170,811	(2,175)	2,175
Total increase (decrease)		17,988	(17,988)

The carrying amount of accounts receivable and accounts payable and accrued liabilities in USD represents the Company's exposure at December 31, 2020.

2. Interest rate risk

The Company has minimal interest rate risk because its long-term debt agreements are all at fixed rates.

18. CAPITAL DISCLOSURES

The Company considers its capital to be its equity. The Company's objective in managing capital is to ensure a sufficient liquidity position to finance its manufacturing operations, research and development activities, administration and marketing expenses, working capital and overall capital expenditures, including those associated with patents and trademarks. The Company makes every effort to manage its liquidity to minimize dilution to its shareholders when possible.

The Company has funded its activities through public offerings and private placements of common shares, royalty offerings, loans, convertible debentures, and grant contributions.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management did not change during the year ended December 31, 2020.

19. GRANT FUNDING

a) The Company entered into Canadian Agricultural Adaptation Program ("CAAP") repayable contribution agreements for total possible funding of \$1,339,625 receivable over the years from October 7, 2010 through September 30, 2012. During the year ended December 31, 2012, the Company voluntarily amended the maximum possible funding under the agreement to \$671,068 as a result of lower anticipated project expenditures. The end date for project expenditures was also extended one year to September 30, 2013. All amounts claimed under the program are repayable interest free over eight years beginning in 2014. The Company received or recorded as receivable funding of \$671,068 to December 31, 2013 under this program and no further funds are expected (see note 9).

b) During the year ended December 31, 2019, the Company entered into a contribution agreement with the National Research Council of Canada's Industrial Research Assistance Program (NRC - IRAP) for non-repayable funding of up to a maximum of \$268,000 for costs incurred on the continued development of the Company's PGX Technology for the generation of biopolymers or drug delivery systems for deployment into the functional food, cosmetic and drug delivery markets. During the year ended December 31, 2019, the Company received or recorded as a receivable \$153,936 which was recorded as a reduction of research and project development expenses. At December 31, 2019, NRC-IRAP and the Company agreed to amend the contribution agreement to decommit \$25,000 of the non-repayable funding. The agreement has been amended twice in 2020. During the first quarter of 2020, NRC-IRAP and the Company agreed to amend the contribution agreement to increase funding by \$107,000 for the period April 1, 2020 – March 31, 2022 and in October 2020, the contribution agreement was amended again to increase funding by \$240,000 for the period April 1, 2020 to March 31, 2022. During the year ended December 31, 2020, the Company received or recorded as a receivable \$367,542 which has been recorded as a reduction of research and project development expenses. The Company anticipates receiving an additional \$68,522 during fiscal 2021.

20. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in the Company's liabilities arising from financing activities can be classified as follows:

	Long-term debt \$	CAAP loan \$	Lease Liabilities \$	Total \$
Balance January 1, 2020	111,865	134,522	3,040,750	3,287,137
Cash changes				
Repayments	(112,973)	(83,884)	(265,088)	(461,945)
Non cash changes				
Amortization of transaction costs	1,108	-	-	1,108
Accretion	-	21,625	-	21,625
Lease modification adjustment	-	-	123,913	123,913
Balance December 31, 2020	-	72,263	2,899,575	2,971,838

	Long-term debt \$	CAAP loan \$	Lease Liabilities \$	Total \$
Balance January 1, 2019	447,306	188,158	3,306,743	3,942,207
Cash changes				
Repayments	(339,321)	(83,884)	(265,993)	(689,198)
Non cash changes				
Foreign exchange translation	(307)	-	-	(307)
Amortization of transaction costs	4,187	-	-	4,187
Accretion	-	30,248	-	30,248
Balance December 31, 2019	111,865	134,522	3,040,750	3,287,137

21. INCOME (LOSS) PER COMMON SHARE

Year Ended December 31,	2020	2019
Net income (loss) for the year for basic and diluted earnings per share calculation	\$1,856,100	(\$1,132,628)
Weighted average number of common shares outstanding	77,594,629	77,188,505
Effect of dilutive stock options and warrants	548,404	-
Diluted weighted average number of common shares	78,143,033	77,188,505
Income (loss) per share - basic	\$0.02	(\$0.01)
Income (loss) per share - diluted	\$0.02	(\$0.01)

For the year ended December 31, 2020, 1,528,667 stock options outstanding have not been included in the diluted income per share calculation because the options' exercise price was greater than the average market price of the common shares during the year.

As the Company was in a net loss position for the year ended December 31, 2019, the impact of the conversion of convertible securities is anti-dilutive.