

Financial Statements

**Consolidated Financial Statements for the
Years Ended December 31, 2022 and 2021**

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 11, 2023

Independent Auditor's Report

To the Shareholders of
Ceapro Inc.

Grant Thornton LLP
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333 Seymour Street
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Opinion

We have audited the consolidated financial statements of Ceapro Inc. (the "Company"), which comprise the consolidated balance sheets as at December 31, 2022, and 2021 and the consolidated statements of net income and comprehensive income, consolidated statements of changes in equity and consolidated statements of 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, 2022 and 2021, 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.

Emphasis of matter—restated comparative information

We draw attention to Note 3 to the consolidated financial statements, which explains that certain comparative information presented for the year ended December 31, 2021 has been restated. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment and allocation of inventory costing

Refer to Notes 2(c), 2(f), 3 and 4 of the consolidated financial statements.

The inventories balance as of December 31, 2022 was \$3,757,040, of which work in progress and finished goods represented \$2,892,323. Inventories are stated at the lower of cost, determined on a weighted average basis, and net realizable value. There was a change in the application of overhead costs to work in progress and finished goods during the year, which required retrospective application resulting in an adjustment to the December 31, 2021 inventories and cost of goods sold of \$679,192 and \$778,337 respectively.

Given the significant auditor attention required during the year to obtain sufficient appropriate audit evidence regarding the overhead cost allocation, including consideration of management's judgements

used in their methodology for overhead cost allocation in accordance with International Financial Reporting Standards, we have determined the assessment and allocation of inventory costing to be a key audit matter.

Our audit procedures included, amongst other procedures:

- Obtained an understanding and tested management's process for developing the standard costing model and overhead allocations.
- Assessed the accuracy, completeness, and reasonableness of the costs included in the standard costs model, including overhead allocations to verify all costs capitalized were appropriate and complete.
- Evaluated the appropriateness and reasonableness of the assumptions, including production times, used by management to allocate costs to specific inventory products.
- Performed price testing on raw material inputs purchased by tracing the recorded costs to supporting third party invoices.
- Assessed the overhead cost allocation for appropriate accounting treatment under the provisions of International Financial Reporting Standards.

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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with governance for the 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 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 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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



Vancouver, Canada
April 11, 2023

Chartered Professional Accountants

Financial Statements

CEAPRO INC. Consolidated Balance Sheets

	December 31, 2022	December 31, 2021 <i>Restated</i> <i>(note 3)</i>
	\$	\$
ASSETS		
Current Assets		
Cash and cash equivalents	13,810,998	7,780,989
Trade receivables	2,820,300	2,092,842
Other receivables	64,808	45,850
Inventories (note 4)	3,757,040	2,324,085
Prepaid expenses and deposits	135,133	162,919
Total Current Assets	20,588,279	12,406,685
Non-Current Assets		
Investment tax credits receivable	854,895	766,629
Deposits	76,954	79,539
Licences (note 5)	12,588	15,551
Property and equipment (note 6)	16,201,755	17,499,774
Deferred tax assets (note 13 (b))	-	282,849
Total Non-Current Assets	17,146,192	18,644,342
TOTAL ASSETS	37,734,471	31,051,027
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	1,730,377	682,057
Current portion of lease liabilities (note 7)	370,460	290,055
Total Current Liabilities	2,100,837	972,112
Non-Current Liabilities		
Long-term lease liabilities (note 7)	2,248,577	2,358,862
Deferred tax liabilities (note 13 (b))	1,095,968	-
Total Non-Current Liabilities	3,344,545	2,358,862
TOTAL LIABILITIES	5,445,382	3,330,974
Equity		
Share capital (note 8 (b))	16,694,625	16,557,401
Contributed surplus (note 8 (e))	4,714,404	4,680,690
Retained earnings	10,880,060	6,481,962
Total Equity	32,289,089	27,720,053
TOTAL LIABILITIES AND EQUITY	37,734,471	31,051,027

See accompanying notes

Approved on Behalf of the Board

SIGNED: "Geneviève Foster"
Director

SIGNED: "Dr. Ulrich Kosciessa"
Director

Financial Statements

CEAPRO INC. Consolidated Statements of Net Income and Comprehensive Income

	2022	2021 <i>Restated</i> <i>(note 3)</i>
Years Ended December 31,	\$	\$
Revenue (note 15)	18,839,607	17,195,329
Cost of goods sold	7,821,908	6,727,699
Gross margin	11,017,699	10,467,630
Research and product development	1,788,666	3,878,247
General and administration	3,700,498	3,239,672
Sales and marketing	29,558	47,119
Finance costs (note 10)	184,967	206,891
Income from operations	5,314,010	3,095,701
Other income (note 11)	(462,905)	(202,281)
Income before tax	5,776,915	3,297,982
Income taxes		
Current tax expense (note 13(a))	-	215,376
Deferred tax expense (benefit) (note 13 (a))	1,378,817	(282,849)
Income tax expense (benefit)	1,378,817	(67,473)
Total net income and comprehensive income for the year	4,398,098	3,365,455
Net income per common share (note 20):		
Basic	0.06	0.04
Diluted	0.06	0.04
Weighted average number of common shares outstanding (note 20):		
Basic	77,961,714	77,673,804
Diluted	78,582,083	78,590,706

See accompanying notes

Financial Statements

CEAPRO INC. Consolidated Statements of Changes in Equity

	Share capital \$	Contributed surplus \$	Retained earnings \$	Total equity \$
Balance December 31, 2021	16,557,401	4,680,690	6,481,962	27,720,053
Share-based payments (note 8 (c))	-	89,648	-	89,648
Share options exercised	137,224	(55,934)	-	81,290
Total net income and comprehensive income for the year	-	-	4,398,098	4,398,098
Balance December 31, 2022	16,694,625	4,714,404	10,880,060	32,289,089
Balance December 31, 2020	16,511,067	4,682,393	3,116,507	24,309,967
Share-based payments (note 8 (c))	-	17,906	-	17,906
Share options exercised	46,334	(19,609)	-	26,725
Total net income and comprehensive income for the year	-	-	3,365,455	3,365,455
Balance December 31, 2021 <i>Restated (note 3)</i>	16,557,401	4,680,690	6,481,962	27,720,053

See accompanying notes

Financial Statements

CEAPRO INC. Consolidated Statements of Cash Flows

	2022	2021 <i>Restated</i> <i>(note 3)</i>
Years Ended December 31,	\$	\$
OPERATING ACTIVITIES		
Net income for the year	4,398,098	3,365,455
Adjustments for items not involving cash		
Finance costs	129,967	140,270
Depreciation and amortization	1,911,278	1,880,748
Gain on disposal of equipment	-	(5,000)
Accretion	-	11,621
Deferred income tax expense (benefit)	1,378,817	(282,849)
Share-based payments	89,648	17,906
	7,907,808	5,128,151
CHANGES IN NON-CASH WORKING CAPITAL ITEMS		
Trade receivables	(727,458)	(73,119)
Other receivables	(18,958)	56,374
Investment tax credits receivable	(88,266)	(158,929)
Inventories	(1,432,955)	(1,114,006)
Prepaid expenses and deposits	30,371	111,044
Accounts payable and accrued liabilities relating to operating activities	1,096,074	(298,765)
	(1,141,192)	(1,477,401)
Net income for the year adjusted for non-cash and working capital items	6,766,616	3,650,750
Interest paid	(129,967)	(140,270)
CASH GENERATED FROM OPERATIONS	6,636,649	3,510,480
INVESTING ACTIVITIES		
Purchase of property and equipment	(341,067)	(708,903)
Proceeds from sale of equipment	-	5,000
Accounts payable and accrued liabilities relating to investing activities	(47,754)	(86,800)
CASH USED IN INVESTING ACTIVITIES	(388,821)	(790,703)
FINANCING ACTIVITIES		
Stock options exercised	81,290	26,725
Repayment of CAAP loan	-	(83,884)
Repayment of lease liabilities	(299,109)	(250,658)
CASH USED IN FINANCING ACTIVITIES	(217,819)	(307,817)
Increase in cash and cash equivalents	6,030,009	2,411,960
Cash and cash equivalents at beginning of the year	7,780,989	5,369,029
Cash and cash equivalents at end of the year	13,810,998	7,780,989

See accompanying notes

Cash and cash equivalents are comprised of \$13,810,998 (2021 - \$7,780,989) on deposit with financial institutions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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 11, 2023.

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. Effective December 31, 2021, the Company wound up Ceapro Technology Inc., Ceapro Active Ingredients Inc., and Ceapro BioEnergy Inc. into the Company and dissolved Ceapro USA 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, 2022.

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.

Leases

For the measurement of leases, management considers all factors relating to the assessment of whether or not a contract includes a lease, estimating a lease term including all factors relating to determining whether it is reasonably certain or not that an extension option will be exercised, and determining the appropriate rate to discount lease payments.

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. 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; and
- (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) 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.

j) 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.

k) 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.

l) 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.

m) 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.

n) 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.

o) 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 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. When the Company is in a net loss position, the conversion of convertible securities is considered to be anti-dilutive.

p) 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.

q) 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.

r) 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. The Company does not hold any financial assets at FVOCI.
- 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. The Company does not hold any financial assets at FVPL.

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 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.

s) 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. RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS

During the year ended December 31, 2022, the Company conducted a detailed evaluation of the manufacturing process of its extraction facility in Edmonton in order to assess the appropriateness of the accounting estimates used to assign the costs of conversion of inventories from the raw materials stage through to the finished goods stage for the valuation of inventories.

Pursuant to the completion of the analysis, the Company has changed its method of assigning the costs of conversion to ensure the valuation of inventory incorporates the costs of conversion more appropriately through the different stages of production for the multiple products produced at the facility. The change will also allow for more appropriate valuation of future products currently under development. In applying the change to the method of assigning conversion costs, the Company has determined that more costs of conversion should have been allocated to the work in progress inventories and less to cost of goods sold at December 31, 2021. As a result, the Company has restated the consolidated financial statements for the year ended December 31, 2021, and the impact of this is an overall increase in the value of inventories, an overall decrease in cost of goods sold with an associated increase in income before tax, and a reduction of the deferred tax benefit and the related deferred tax asset for the year ended December 31, 2021. The change to the method of assigning costs to inventories only impacts the timing of when costs are allocated to inventories and when they are released to cost of goods sold, it is not a reflection of a different amount of costing and therefore there is no impact to cash flows other than the presentation of line items within the cash flow statement. The impact of the specific adjustments made are presented in the tables below.

The Company has not applied the restatement prior to January 1, 2021, as the transition to the new facility was only completed at the end of December 31, 2020. Up to this point the production of inventories at the Edmonton facility were significantly lower and an appropriate assignment of costs using the new methodology is not material.

Impact on Consolidated Balance Sheets

Year Ended December 31, 2021	Previously Reported \$	Adjustment \$	Restated \$
Inventories	1,644,893	679,192 a)	2,324,085
Deferred tax asset	439,063	(156,214)	282,849
Retained Earnings	5,958,984	522,978 b)	6,481,962

a) The impact of changing the method of assigning conversion costs to inventories has also impacted the allocation of depreciation assigned to the cost of inventories and cost of goods sold. The amount of depreciation included in inventories at December 31, 2021 has been restated from \$185,532 to \$454,730 and the amount of depreciation included in cost of goods sold has been restated from \$1,356,504 to \$1,087,306 (see note 6). The amount of inventories expensed to cost of goods sold during the year ended December 31, 2021, has been restated from \$7,451,083 to \$6,256,581. The write-down of inventories charged to cost of goods sold during the year ended December 31, 2021, has been restated from \$10,993 to \$10,195 (see note 4).

b) The adjustment to retained earnings for the year ended December 31, 2021, reflects the decrease in cost of goods sold due to assigning more costs to inventories which had the effect of increasing income before tax, as well as the decrease in the deferred tax benefit from the use of non-capital losses carried forward to offset the increase in income before tax.

Impact on Consolidated Statements of Changes in Equity

Year Ended December 31, 2021	Previously Reported \$	Adjustment \$	Restated \$
Net income and comprehensive income	2,842,477	522,978	3,365,455
Retained earnings	5,958,984	522,978 (b)	6,481,962

Impact on Consolidated Statements of Net Income And Comprehensive Income

Year Ended December 31, 2021	Previously Reported \$	Adjustment \$	Restated \$
Cost of goods sold	7,506,036	(778,337) c)	6,727,699
Gross margin	9,689,293	778,337	10,467,630
Research and product development	3,779,102	(99,145) c)	3,679,957
Income before tax	2,618,790	679,192	3,297,982
Income tax benefit	(223,687)	156,214	(67,473)
Net income and comprehensive income	2,842,477	522,978	3,365,455

c) The impact on cost of goods sold includes the increase in costs of conversion assigned to inventories at December 31, 2021 of \$679,192 as well as the increase in the value of product that was transferred to be used in research and development projects in the amount of \$99,145.

The calculation of net income per share on a basic and diluted basis was impacted from using the restated net income for the year ended December 31, 2021, but the difference in the calculation was not significant enough to result in a change to the calculated \$0.04 earnings per share on a basic or diluted basis.

Impact on Consolidated Statements of Cash Flows

Year Ended December 31, 2021	Previously Reported \$	Adjustment \$	Restated \$
Operating Activities:			
Net income	2,842,477	522,978	3,365,455
Adjustments for items not involving cash :			
Deferred income tax benefit	(439,063)	156,214	(282,849)
Changes in Non-Cash Working Capital Items :			
Inventories	(434,814)	(679,192)	(1,114,006)

There are adjustments to the individual line items within Operating Activities in the Consolidated Statements of Cash Flows. However, as reflected above, there is no overall impact to cash flows generated from operations following the adjustments. Furthermore, there is no impact to any line item in Investing Activities or Financing Activities.

4. INVENTORIES

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

	December 31, 2022	December 31, 2021 <i>Restated (note 3)</i>
	\$	\$
Raw materials	864,717	549,022
Work in progress	2,527,445	1,485,609
Finished goods	364,878	289,454
	3,757,040	2,324,085

Inventories expensed to cost of goods sold during the year ended December 31, 2022, are \$6,948,706 (December 31, 2021, *Restated* - \$6,256,581).

During the year ended December 31, 2022, the Company decreased the carrying value of inventory by \$23,891 (2021 *Restated* - \$10,195) primarily due to damaged or obsolete inventory. The write-down is included in cost of goods sold.

5. 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 14 (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, 2022 (December 31, 2021 - \$2,963) (see note 14 (a)).

Cost of licences	\$
Balance - December 31, 2020	44,439
Additions	-
Balance - December 31, 2021	44,439
Additions	-
Balance - December 31, 2022	44,439
Accumulated amortization	
Balance - December 31, 2020	25,925
Amortization	2,963
Balance - December 31, 2021	28,888
Amortization	2,963
Balance - December 31, 2022	31,851
Net book value	
Balance - December 31, 2022	12,588
Balance - December 31, 2021	15,551

6. PROPERTY AND EQUIPMENT

	Equipment Not Available For Use	Manufacturing Equipment	Office Equipment	Computer Equipment	Buildings	Leasehold Improvements	Total
Cost	\$	\$	\$	\$	\$	\$	\$
December 31, 2020	1,518,826	11,999,108	319,219	483,565	3,430,656	8,704,977	26,456,351
Additions	459,601	293,141	2,753	11,403	-	19,472	786,370
Disposals	-	(13,100)	-	-	-	-	(13,100)
December 31, 2021	1,978,427	12,279,149	321,972	494,968	3,430,656	8,724,449	27,229,621
Additions	3,697	222,219	5,666	103,049	269,229	6,436	610,296
Disposals	-	-	-	(3,650)	-	-	(3,650)
December 31, 2022	1,982,124	12,501,368	327,638	594,367	3,699,885	8,730,885	27,836,267
Accumulated Depreciation							
December 31, 2020	-	4,867,321	251,534	428,738	676,093	1,641,476	7,865,162
Additions	-	856,683	13,693	18,112	333,165	656,132	1,877,785
Disposals	-	(13,100)	-	-	-	-	(13,100)
December 31, 2021	-	5,710,904	265,227	446,850	1,009,258	2,297,608	9,729,847
Additions	-	851,723	13,829	43,363	342,139	657,032	1,908,086
Disposals	-	-	-	(3,421)	-	-	(3,421)
December 31, 2022	-	6,562,627	279,056	486,792	1,351,397	2,954,640	11,634,512
Carrying Amount							
December 31, 2022	1,982,124	5,938,741	48,582	107,575	2,348,488	5,776,245	16,201,755
December 31, 2021	1,978,427	6,568,245	56,745	48,118	2,421,398	6,426,841	17,499,774

Depreciation expense is allocated to the following expense categories:

	Cost of goods sold	Inventory	General and administration	Total
	\$	\$	\$	\$
Year Ended December 31, 2022	854,251	687,680	366,155	1,908,086
Year Ended December 31, 2021 <i>Restated</i>	1,087,306	454,730	335,749	1,877,785

Included in the net carrying amount of property and equipment at December 31, 2022, are right-of-use assets relating to buildings, in the amount of \$2,348,488 (December 31, 2021 - \$2,421,398).

Included in the carrying amount of leasehold improvements is \$1,059,707 (December 31, 2021 - \$1,059,707) and included in the carrying amount of equipment not available for use is \$1,982,124 (December 31, 2021 - \$1,978,427) which represent the accumulated expenditures incurred on the purchase of an ethanol recovery system, equipment purchased for technology scale-up, other equipment, and the engineering design for the related construction and installation of the ethanol recovery system. At December 31, 2022, no amortization has commenced on these balances as construction and installation activities have not commenced.

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% - 6.76%.

Year Ended December 31,	2022 \$	2021 \$
Balance at beginning of year	2,648,917	2,899,575
Additions	269,229	-
Interest expense	129,584	141,298
Lease payments	(428,693)	(391,956)
Balance at end of year	2,619,037	2,648,917
Less current portion	370,460	290,055
Non-current portion	2,248,577	2,358,862

Future minimum lease payments at December 31, 2022, are as follows:

	Within one year \$	One to five years \$	More than five years \$	Total \$
Lease payments	500,155	1,798,977	820,285	3,119,417
Finance charges	129,695	322,588	48,097	500,380
Net present values	370,460	1,476,389	772,188	2,619,037

In November 2022, the Company entered into a new five year lease agreement for additional space for the installation of a mid-level scale-up of the PGX technology. This new lease has resulted in a \$269,229 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.

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

	2022 \$	2021 \$
Short-term leases	24,555	30,351

At December 31, 2022, the Company was committed to short term leases and the total commitment at that date was \$33,068 (December 31, 2021 - \$22,915).

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, 2022		Year Ended December 31, 2021	
	Number of Shares	Amount \$	Number of Shares	Amount \$
Balance at beginning of the year	77,685,843	16,557,401	77,621,341	16,511,067
Stock options exercised	547,334	137,224	64,502	46,334
Balance at end of the year	78,233,177	16,694,625	77,685,843	16,557,401

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 uses the Black-Scholes option pricing model to price its options.

In the year ended December 31, 2022, the Company granted 450,000 (December 31, 2021 – 30,000) 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 2022 was 2.49% (2021 - .92%), the weighted average expected volatility was 66% (2021 – 66%) which was based on prior trading activity of the Company's shares for the period corresponding with the expected life of the options, the weighted average expected life of the options was 5 years (2021 – 5 years), the forfeiture rate was 0% (2021 – 0%), the weighted average share price was \$0.51 (2021 - \$0.64), the weighted average exercise price was \$0.51 (2021 - \$0.64), and the expected dividends were nil (2021 – nil). The weighted average grant date fair value of options granted in the year ended December 31, 2022, was \$0.29 (2021 - \$0.35) per option.

The share-based payments expense recorded during the current year relating to options granted in 2022, 2021, and 2020 is \$89,648 (during 2021 relating to options granted in 2021, 2020 and 2019 - \$17,906).

A summary of the status of the Company's stock options at December 31, 2022 and December 31, 2021 and changes during the years ended on those dates is as follows:

	Year Ended December 31, 2022		Year Ended December 31, 2021	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at beginning of year	2,990,333	0.56	3,048,501	0.55
Granted	450,000	0.51	30,000	0.64
Exercised	(547,334)	0.15	(64,502)	0.41
Forfeited	(150,000)	0.64	(23,666)	0.37
Outstanding at end of year	2,742,999	0.67	2,990,333	0.56
Exercisable at end of year	2,432,999	0.69	2,848,673	0.58

Stock options outstanding are as follows:

Fair Value \$	Exercise Price \$	Year of Expiration	Contractual Life Remaining (years)	Number of Options Outstanding	Number of Options Exercisable
0.32	0.56	2027	4.5	150,000	50,000
0.30	0.52	2027	4.3	150,000	50,000
0.24	0.44	2027	4.2	150,000	50,000
0.35	0.64	2026	3.7	30,000	20,000
0.21	0.36	2025	2.0	291,333	291,333
0.25	0.39	2024	1.0	294,666	294,666
0.47	0.50	2028	5.0	195,000	195,000
0.56	0.59	2027	4.8	90,000	90,000
1.22	1.30	2027	4.3	10,000	10,000
1.65	1.75	2027	4.0	400,000	400,000
0.34	0.36	2025	2.3	150,000	150,000
0.47	0.50	2025	2.1	100,000	100,000
0.60	0.64	2025	2.0	562,000	562,000
0.37	0.27	2024	1.9	150,000	150,000
0.05	0.10	2023	0.0	20,000	20,000
				2,742,999	2,432,999
Weighted Average Contractual Life Remaining				2.9	2.7

Subsequent to the year-end, the Company granted 740,000 stock options to employees, officers, and directors of the Company.

The stock options have an exercise price of \$0.62 per common share and expire in five years. Each grant vests in three equal instalments, the first of which vests immediately with the second and third instalments vesting on the first and second anniversaries of the date of grant.

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.

The Company did not grant RSU's during the years ended December 31, 2022 or December 31, 2021 and there are no RSU's outstanding during those years.

Of the 1,000,000 RSU's authorized for grant under the RSU plan, at December 31, 2022, 370,000 RSU's are available for grant (December 31, 2021 – 370,000).

e. Contributed Surplus

	Year Ended December 31, 2022 \$	Year Ended December 31, 2021 \$
Balance at beginning of the year	4,680,690	4,682,393
Share-based payments (note 8 (c))	89,648	17,906
Stock options exercised	(55,934)	(19,609)
Balance at end of the year	4,714,404	4,680,690

9. RELATED PARTY TRANSACTIONS

Related party transactions during the years are as follows:

Year Ended December 31,	2022 \$	2021 \$
Key management salaries, short-term benefits, consulting fees, and director fees	1,262,521	1,115,171
Key management personnel share-based payments	57,557	8,190
Research and development expenditures paid to Angiogenesis Foundation for which a director of the Company is the CEO of the Foundation	136,400	251,759

	2022 \$	2021 \$
Balance as at December 31,		
Amount payable to directors	-	39,382
Consulting fees and key management salaries payable to officers included in accounts payable and accrued liabilities	-	10,000

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.

10. FINANCE COSTS

Year Ended December 31,	2022	2021
	\$	\$
Interest on lease liabilities	129,967	140,270
Royalties	55,000	55,000
Accretion of CAAP loan	-	11,621
	184,967	206,891

11. OTHER INCOME

Year Ended December 31,	2022	2021
	\$	\$
Foreign exchange (gain) loss	(281,442)	75,843
Other income	(184,210)	(678)
Gain on disposal of equipment	-	(5,000)
Plant relocation costs	91,013	101,859
Recognition of investment tax credits	(88,266)	(374,305)
	(462,905)	(202,281)

12. EMPLOYEE BENEFITS EXPENSE

Year Ended December 31,	2022	2021
	\$	\$
Employee benefits	4,460,260	3,945,945

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.

In the year ended December 31, 2022, employee benefits expense has been allocated as follows: \$1,968,805 to general and administration expense (2021 - \$1,476,174), \$1,313,620 to cost of goods sold (2021 - \$1,295,028), and \$1,177,835 to research and product development expense (2021 - \$1,174,743).

13. INCOME TAXES

(a) Income tax expense (benefit)

Components of income tax expense are:

	December 31, 2022	December 31, 2021 <i>Restated (note 3)</i>
	\$	\$
Current tax expense	-	215,376
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	1,351,599	547,780
Tax rate changes and tax rate differences	59,834	230,592
Change in unrecognized deductible temporary differences	61,546	(1,021,144)
Prior period adjustments	(94,162)	(40,077)
Income tax expense (benefit)	1,378,817	(67,473)

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. These differences result from the following:

	December 31, 2022	December 31, 2021 <i>Restated (note 3)</i>
	\$	\$
Income before tax	5,776,915	3,297,982
Statutory income tax rate	23.00%	23.00%
Expected income tax expense	1,328,690	758,536
Increase (decrease) resulting from:		
Non taxable items	22,909	4,620
Change in unrecognized deductible temporary differences	61,546	(1,021,144)
Change in tax rates and rate differences	59,834	230,592
Prior period adjustments	(94,162)	(40,077)
Income tax expense (benefit)	1,378,817	(67,473)

(b) Recognized deferred tax assets and liabilities

	December 31, 2022 \$	December 31, 2021 <i>Restated (note 3)</i> \$
Deferred tax assets are attributable to the following:		
Patents	151,645	161,657
Intangibles	44,051	47,366
Other	558	558
SRED pool	302,141	235,966
Lease liability	602,379	609,251
Non-capital losses	817,164	2,180,205
Deferred tax assets	1,917,938	3,235,003
Offset by deferred tax liabilities	(1,917,938)	(2,952,154)
Net deferred tax asset	-	282,849
Deferred tax liabilities are attributable to the following:		
Property and equipment	(2,817,280)	(2,775,829)
SRED investment tax credits	(196,626)	(176,325)
Deferred tax liabilities	(3,013,906)	(2,952,154)
Offset by deferred tax assets	1,917,938	2,952,154
Net deferred tax liability	(1,095,968)	-

(c) Unrecognized deferred tax assets

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

	December 31, 2022 \$	December 31, 2021 \$
Deductible temporary differences	21,778	22,885
Tax losses	9,048,460	8,818,642
	9,070,238	8,841,527

The non-capital loss carryforwards expire between 2027 and 2041. 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.

14. 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. The agreement expires after a term of 20 years or after the expiration of the last patent obtained, whichever event shall occur first.

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; and
- (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.

15. REVENUE

The Company has one reportable operating segment and revenue stream, being the operations relating to the active ingredient product technology 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.

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,	2022 \$	2021 \$
United States	11,071,801	11,389,652
Germany	5,934,994	4,001,952
China	1,724,509	1,671,026
Other	70,151	63,144
Canada	38,152	69,555
	18,839,607	17,195,329

During the year ended December 31, 2022, the Company had export sales to one major distributor of the Company's products in the aggregate amount of \$17,638,541 representing 94% of total revenue (2021 - \$15,885,193 representing 92% 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.

16. 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 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 93% of trade receivables are due from one distributor at December 31, 2022 (December 31, 2021 – 93% 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, 2022 \$	December 31, 2021 \$
Not yet due	1,567,892	1,378,587
Less than 30 days past due	1,226,880	262,125
Less than 60 days past due, more than 30 days past due	25,528	413,842
More than 60 days past due	-	38,288
Total	2,820,300	2,092,842

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, 2022 and December 31, 2021 are not significant and have not been recognized.

Other receivables can 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 \$13,810,998 at December 31, 2022 (December 31, 2021 - \$7,780,989) 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 is the contractual maturity of the Company's financial liabilities and obligations at December 31, 2022:

	within 1 year \$	1 to 3 years \$	3 to 5 years \$	over 5 years \$	Total \$
Accounts payable and accrued liabilities	1,730,377	-	-	-	1,730,377

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, 2022.

	Carrying Amount (USD)	Foreign Exchange Risk (CDN)	
		-1% Net Income	+1% Net Income
Financial assets			
Trade receivables	2,080,998	26,816	(26,816)
Financial liabilities			
Accounts payable and accrued liabilities	969,542	(12,493)	12,493
Total increase (decrease)		14,323	(14,323)

The carrying amount of trade receivables and accounts payable and accrued liabilities in USD represents the Company's exposure at December 31, 2022.

2. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates. The Company has minimal interest rate risk because it has no long-term debt.

17. 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, 2022.

18. 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. The Company received funding of \$671,068 to December 31, 2013, under this program and no further funds were received. All amounts claimed under the program were repayable interest free over eight years beginning in 2014. This funding was fully repaid at December 31, 2021.

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 was recorded as a reduction of research and project development expenses. During the year ended December 31, 2021, the Company received \$68,522 which was recorded as a reduction of research and development expenses. The project was completed at December 31, 2021.

c) During the year ended December 31, 2021, the Company entered into a new 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 \$480,000 for costs incurred on the design of a pharmaceutical PGX processing unit, impregnation unit, and spray chamber unit for the Company's PGX Technology with the aim to boost the innovation capacity of the technology towards pharmaceutical applications. During the year ended December 31, 2021, the Company recognized \$57,651 of funding which was recorded as a reduction of research and development expenses, of which \$24,832 was included in other receivables at year-end. During the year ended December 31, 2022, the Company recognized \$409,574 of funding which has been recorded as a reduction of research and development expenses, of which \$22,293 has been included in other receivables at year-end. The Company received an additional \$3,655 in the first quarter of 2023 and the project was completed.

19. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	CAAP loan \$	Lease Liabilities \$	Total \$
Balance January 1, 2022	-	2,648,917	2,648,917
Cash changes			
Repayments	-	(299,109)	(299,109)
Non cash changes			
Lease addition	-	269,229	269,229
Balance December 31, 2022	-	2,619,037	2,619,037

	CAAP loan \$	Lease Liabilities \$	Total \$
Balance January 1, 2021	72,263	2,899,575	2,971,838
Cash changes			
Repayments	(83,884)	(250,658)	(334,542)
Non cash changes			
Accretion	11,621	-	11,621
Balance December 31, 2021	-	2,648,917	2,648,917

20. INCOME PER COMMON SHARE

Year Ended December 31,	2022	2021 <i>Restated</i>
Net income for the year for basic and diluted earnings per share calculation	\$4,398,098	\$3,365,455
Weighted average number of common shares outstanding	77,961,714	77,673,804
Effect of dilutive stock options	620,369	916,902
Diluted weighted average number of common shares	78,582,083	78,590,706
Income per share - basic	\$0.06	\$0.04
Income per share - diluted	\$0.06	\$0.04

For the year ended December 31, 2022, 1,302,000 (year ended December 31, 2021 – 430,000) 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.