Financial Statements

Unaudited Condensed Interim Consolidated Financial Statements for the First Quarter Ended March 31, 2023 and 2022

Ceapro Inc.

Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed interim consolidated financial statements of Ceapro Inc. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

CEAPRO INC.

Condensed Interim Consolidated Balance Sheets

Unaudited

	March 31, 2023	December 31, 2022
	$	$
ASSETS		
Current Assets		
Cash and cash equivalents	12,563,469	13,810,998
Trade receivables	2,911,238	2,820,300
Other receivables	54,419	64,808
Inventories (note 4)	4,245,505	3,757,040
Prepaid expenses and deposits	186,949	135,133
Total Current Assets	19,961,580	20,588,279
Non-Current Assets		
Investment tax credits receivable	854,895	854,895
Deposits	76,954	76,954
Licences (note 5)	11,847	12,588
Property and equipment (note 6)	15,741,886	16,201,755
Total Non-Current Assets	16,685,582	17,146,192
TOTAL ASSETS	36,647,162	37,734,471
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	1,083,571	1,730,377
Current portion of lease liabilities (note 7)	381,455	370,460
Total Current Liabilities	1,465,026	2,100,837
Non-Current Liabilities		
Long-term lease liabilities (note 7)	2,151,394	2,248,577
Deferred tax liabilities	990,620	1,095,968
Total Non-Current Liabilities	3,142,014	3,344,545
TOTAL LIABILITIES	4,607,040	5,445,382
Equity		
Share capital (note 8 (b))	16,697,712	16,694,625
Contributed surplus (note 8 (e))	4,847,400	4,714,404
Retained earnings	10,495,010	10,880,060
Total Equity	32,040,122	32,289,089
TOTAL LIABILITIES AND EQUITY	36,647,162	37,734,471

See accompanying notes

Approved on Behalf of the Board

SIGNED: "Geneviève Foster"
Director

SIGNED: "Dr. Ulrich Kosciessa"
Director

CEAPRO INC.
Condensed Interim Consolidated Statements of Net (Loss) Income and Comprehensive (Loss) Income
Unaudited

Three Months Ended March 31,	2023 $	2022 *Restated* *(note 3)* $
Revenue (note 14)	3,494,811	6,171,624
Cost of goods sold	1,888,973	2,457,102
Gross margin	1,605,838	3,714,522
Research and product development	573,687	355,281
General and administration	1,521,445	769,045
Sales and marketing	8,179	5,299
Finance costs (note 10)	88,800	88,035
(Loss) income from operations	(586,273)	2,496,862
Other (income) expense (note 11)	(95,875)	123,038
Loss (income) before tax	(490,398)	2,373,824
Deferred tax (benefit) expense	(105,348)	560,895
Total net (loss) income and comprehensive (loss) income for the period	(385,050)	1,812,929
Net (loss) income per common share (note 17):		
Basic	(0.00)	0.02
Diluted	(0.00)	0.02
Weighted average number of common shares outstanding (note 17):		
Basic	78,251,844	77,686,576
Diluted	78,251,844	78,333,335

See accompanying notes

CEAPRO INC.
Condensed Interim Consolidated Statements of Changes in Equity
Unaudited

	Share capital $	Contributed surplus $	Retained earnings $	Total equity $
Balance December 31, 2022	16,694,625	4,714,404	10,880,060	32,289,089
Share-based payments (note 8 (c))	-	134,083	-	134,083
Share options exercised	3,087	(1,087)	-	2,000
Total net loss and comprehensive loss for the period	-	-	(385,050)	(385,050)
Balance March 31, 2023	16,697,712	4,847,400	10,495,010	32,040,122
Balance December 31, 2021 *Restated (note 3)*	16,557,401	4,680,690	6,481,962	27,720,053
Share-based payments (note 8 (c))	-	14,914	-	14,914
Share options exercised	574	(214)	-	360
Total net income and comprehensive income for the period	-	-	1,812,929	1,812,929
Balance March 31, 2022 *Restated (note 3)*	16,557,975	4,695,390	8,294,891	29,548,256

See accompanying notes

CEAPRO INC.
Condensed Interim Consolidated Statements of Cash Flows
Unaudited

Three Months Ended March 31,	2023 $	2022 *Restated* *(note 3)* $
OPERATING ACTIVITIES		
Net (loss) income for the period	(385,050)	1,812,929
Adjustments for items not involving cash		
Finance costs	33,800	33,035
Depreciation and amortization	485,253	462,456
Deferred income tax (benefit) expense	(105,348)	560,895
Share-based payments	134,083	14,914
	162,738	2,884,229
CHANGES IN NON-CASH WORKING CAPITAL ITEMS		
Trade receivables	(90,938)	(1,447,715)
Other receivables	10,389	(30,108)
Inventories	(488,465)	139,629
Prepaid expenses and deposits	(34,397)	(135,299)
Accounts payable and accrued liabilities relating to operating activities	(646,806)	(77,608)
	(1,250,217)	(1,551,101)
Net (loss) income for the period adjusted for non-cash and working capital items	(1,087,479)	1,333,128
Interest paid	(33,800)	(33,035)
CASH (USED IN) GENERATED FROM OPERATIONS	(1,121,279)	1,300,093
INVESTING ACTIVITIES		
Purchase of property and equipment	(24,643)	(180,897)
Deposits relating to the purchase of equipment	(17,419)	-
Accounts payable and accrued liabilities relating to investing activities	-	(47,754)
CASH USED IN INVESTING ACTIVITIES	(42,062)	(228,651)
FINANCING ACTIVITIES		
Stock options exercised	2,000	360
Repayment of lease liabilities	(86,188)	(71,219)
CASH USED IN FINANCING ACTIVITIES	(84,188)	(70,859)
(Decrease) Increase in cash and cash equivalents	(1,247,529)	1,000,583
Cash and cash equivalents at beginning of the period	13,810,998	7,780,989
Cash and cash equivalents at end of the period	12,563,469	8,781,572

See accompanying notes

Cash and cash equivalents are comprised of $12,563,469 (December 31, 2022 - $13,810,998) on deposit with financial institutions.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022
Unaudited

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 condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of consolidated financial statements, including IAS 34, "Interim Financial Reporting". The accounting principles and methods of computation adopted in these financial statements are the same as those of the annual financial statements for the year ended December 31, 2022.

Omitted from these statements are certain information and note disclosures normally included in the annual financial statements. The financial statements and notes presented should be read in conjunction with the annual financial statements for the year ended December 31, 2022.

The Audit Committee authorized these condensed interim consolidated financial statements for issue on May 23, 2023.

b) Basis for presentation

These condensed interim 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 (P.E.I.) 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 period are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

c) 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 condensed interim 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 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 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 restated the consolidated financial statements for the year ended December 31, 2021. The consolidated financial statements of the Company for the year ended December 31, 2022, reflect the adjustments for which the accounts were restated. Refer to Note 3 of the audited consolidated financial statements for the year ended December 31, 2022.

The following is a summary of the impacts from changing the method of assigning costs of conversion to inventories on the comparative consolidated statements of net income and comprehensive income, changes in equity, and cash flows for the three months ended March 31, 2022.

Impact on Condensed Interim Consolidated Statements of Net Income And Comprehensive Income

Three Months Ended March 31, 2022	**Previously Reported $**	**Adjustment $**		**Restated $**
Cost of goods sold	2,217,015	240,087	a)	2,457,102
Gross margin	3,954,609	(240,087)		3,714,522
Income before tax	2,613,911	(240,087)		2,373,824
Deferred income tax expense	617,623	(56,728)		560,895
Net income and comprehensive income	1,996,288	(183,359)		1,812,929
Net income per common share (basic and diluted)	0.03	(0.01)		0.02

a) The change to the method of assigning costs to inventories impacts the timing of when costs are allocated to inventories and when they are released to cost of goods sold and 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 March 31, 2022 has been restated from $145,578 to $177,513 and the amount of depreciation included in cost of goods sold has been restated from $239,592 to $207,657 (see note 6). The amount of inventories expensed to cost of goods sold during the three month period ended March 31, 2022, has been restated from $2,205,858 to $1,982,922.

Impact on Condensed Interim Consolidated Statements of Changes in Equity

Three Months Ended March 31, 2022	Previously Reported $	Adjustment $		Restated $
Retained earnings at December 31, 2021	5,958,984	522,978	(b)	6,481,962
Net income and comprehensive income	1,996,288	(183,359)		1,812,929
Retained earnings at March 31, 2022	7,955,272	339,619	(b)	8,294,891

b) The adjustment to retained earnings for the three month period ended March 31, 2022, as previously reported, reflects the impact on opening retained earnings at December 31, 2021 (refer to Note 3 of the audited consolidated financial statements for the year ending December 31, 2022) offset with the impact from the change in net income and comprehensive income for the three month period ended March 31, 2022.

Impact on Condensed Interim Consolidated Statements of Cash Flows

Three Months Ended March 31, 2022	Previously Reported $	Adjustment $	Restated $
Operating Activities:			
Net income	1,996,288	(183,359)	1,812,929
Adjustments for items not involving cash :			
Deferred income tax expense	617,623	(56,728)	560,895
Changes in Non-Cash Working Capital Items :			
Inventories	(100,458)	240,087	139,629

There is no impact to cash flows other than the presentation of line items within the operating activities section in the consolidated statement of cash flows. 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 period:

	March 31, 2023 $	December 31, 2022 $
Raw materials	852,556	864,717
Work in progress	2,816,864	2,527,445
Finished goods	576,085	364,878
	4,245,505	3,757,040

Inventories expensed to cost of goods sold during the three month period ended March 31, 2023, are $1,758,835 (March 31, 2022, *Restated* - $1,982,922).

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 13 (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 $741 has been included in general and administration expense for the three month period ended March 31, 2023 (March 31, 2022 - $741) (see note 13 (a)).

Cost of licences	$
Balance - December 31, 2022	44,439
Additions	-
Balance - March 31, 2023	44,439
Accumulated amortization	
Balance - December 31, 2022	31,851
Amortization	741
Balance - March 31, 2023	32,592
Net book value	
Balance - March 31, 2023	11,847
Balance - December 31, 2022	12,588

6. PROPERTY AND EQUIPMENT

Cost	Equipment Not Available For Use $	Manufacturing Equipment $	Office Equipment $	Computer Equipment $	Buildings $	Leasehold Improvements $	Total $
December 31, 2022	1,982,124	12,501,368	327,638	594,367	3,699,885	8,730,885	27,836,267
Additions	2,851	17,064	899	3,829	-	-	24,643
March 31, 2023	1,984,975	12,518,432	328,537	598,196	3,699,885	8,730,885	27,860,910
Accumulated Depreciation							
December 31, 2022	-	6,562,627	279,056	486,792	1,351,397	2,954,640	11,634,512
Additions	-	212,816	2,467	8,129	96,752	164,348	484,512
March 31, 2023	-	6,775,443	281,523	494,921	1,448,149	3,118,988	12,119,024
Carrying Amount							
March 31, 2023	1,984,975	5,742,989	47,014	103,275	2,251,736	5,611,897	15,741,886
December 31, 2022	1,982,124	5,938,741	48,582	107,575	2,348,488	5,776,245	16,201,755

Depreciation expense is allocated to the following expense categories:

	Cost of goods sold $	Inventory $	General and administration $	Total $
Three Months Ended March 31, 2023	117,979	271,472	95,061	484,512
Three Months Ended March 31, 2022 *Restated*	207,657	177,513	76,545	461,715

Included in the net carrying amount of property and equipment at March 31, 2023, are right-of-use assets relating to buildings, in the amount of $2,251,736 (December 31, 2022 - $2,348,488).

Included in the carrying amount of leasehold improvements is $1,059,707 (December 31, 2022 - $1,059,707) and included in the carrying amount of equipment not available for use is $1,984,975 (December 31, 2022 - $1,982,124) 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 March 31, 2023, 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%.

	Three Months Ended March 31, 2023 $	Year Ended December 31, 2022 $
Balance at beginning of period	2,619,037	2,648,917
Additions	-	269,229
Interest expense	34,163	129,584
Lease payments	(120,351)	(428,693)
Balance at end of year	2,532,849	2,619,037
Less current portion	381,455	370,460
Non-current portion	2,151,394	2,248,577

Future minimum lease payments at March 31, 2023, are as follows:

	Within one year $	One to five years $	More than five years $	Total $
Lease payments	506,406	1,763,519	729,142	2,999,067
Finance charges	124,951	302,931	38,336	466,218
Net present values	381,455	1,460,588	690,806	2,532,849

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 resulted in a $269,229 addition to the lease liability and a corresponding increase to the right of use asset for buildings.

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

	2023	2022
Three Months Ended March 31,	$	$
Short-term leases	6,494	6,139

At March 31, 2023, the Company was committed to short term leases and the total commitment at that date was $26,574 (December 31, 2022 - $33,068).

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

	Three Months Ended March 31, 2023		Year Ended December 31, 2022	
	Number of Shares	Amount $	Number of Shares	Amount $
Balance at beginning of the period	78,233,177	16,694,625	77,685,843	16,557,401
Stock options exercised	20,000	3,087	547,334	137,224
Balance at end of the period	78,253,177	16,697,712	78,233,177	16,694,625

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 three month period ended March 31, 2023, the Company granted 740,000 (March 31, 2022 – 150,000) 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 2023 was 3.28% (2022 – 1.61%), the weighted average expected volatility was 65% (2022 – 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 (2022 – 5 years), the forfeiture rate was 0% (2022 – 0%), the weighted average share price was $0.62 (2022 - $0.44), the weighted average exercise price was $0.62 (2022 - $0.44), and the expected dividends were nil (2022 – nil). The weighted average grant date fair value of options granted in the three month period ended March 31, 2023, was $0.35 (2022 - $0.24) per option.

The share-based payments expense recorded during the current period relating to options granted in 2023, 2022, and 2021 is $134,083 (during 2022 relating to options granted in 2022, 2021 and 2020 - $14,914).

A summary of the status of the Company's stock options at March 31, 2023 and December 31, 2022 and changes during the periods ended on those dates is as follows:

	Three Months Ended March 31, 2023		Year Ended December 31, 2022	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at beginning of period	2,742,999	0.67	2,990,333	0.56
Granted	740,000	0.62	450,000	0.51
Exercised	(20,000)	0.10	(547,334)	0.15
Forfeited	-	-	(150,000)	0.64
Outstanding at end of period	3,462,999	0.66	2,742,999	0.67
Exercisable at end of period	2,709,666	0.68	2,432,999	0.69

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
0.35	0.62	2028	4.8	740,000	246,667
0.32	0.56	2027	4.3	150,000	50,000
0.30	0.52	2027	4.1	150,000	50,000
0.24	0.44	2027	3.9	150,000	100,000
0.35	0.64	2026	3.5	30,000	20,000
0.21	0.36	2025	1.8	291,333	291,333
0.25	0.39	2024	0.8	294,666	294,666
0.47	0.50	2028	4.8	195,000	195,000
0.56	0.59	2027	4.6	90,000	90,000
1.22	1.30	2027	4.1	10,000	10,000
1.65	1.75	2027	3.8	400,000	400,000
0.34	0.36	2025	2.1	150,000	150,000
0.47	0.50	2025	1.8	100,000	100,000
0.60	0.64	2025	1.8	562,000	562,000
0.37	0.27	2024	1.6	150,000	150,000
				3,462,999	2,709,666
Weighted Average Contractual Life Remaining				3.1	2.7

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 three month period ended March 31, 2023 or the year ended December 31, 2022, and there are no RSU's outstanding during those periods.

Of the 1,000,000 RSU's authorized for grant under the RSU plan, at March 31, 2023, 370,000 RSU's are available for grant (December 31, 2022 – 370,000).

e. Contributed Surplus

	Three Months Ended March 31, 2023 $	Year Ended December 31, 2022 $
Balance at beginning of the period	4,714,404	4,680,690
Share-based payments (note 8 (c))	134,083	89,648
Stock options exercised	(1,087)	(55,934)
Balance at end of the period	4,847,400	4,714,404

9. RELATED PARTY TRANSACTIONS

Related party transactions during the periods are as follows:

Three Months Ended March 31,	2023 $	2022 $
Key management salaries, short-term benefits, consulting fees, and director fees	441,494	261,578
Key management personnel share-based payments	93,159	13,568
Research and development expenditures paid to Angiogenesis Foundation for which a director of the Company is the CEO of the Foundation	103,388	-

Balance as at March 31,	2023 $	2022 $
Amount payable to directors	-	45,541

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

Three Months Ended March 31,	2023 $	2022 $
Interest on lease liabilities	33,800	33,035
Royalties	55,000	55,000
	88,800	88,035

11. OTHER (INCOME) EXPENSE

Three Months Ended March 31,	2023 $	2022 $
Foreign exchange loss	25,383	106,798
Other (income) expense	(121,258)	16,240
	(95,875)	123,038

12. EMPLOYEE BENEFITS EXPENSE

Three Months Ended March 31,	2023 $	2022 $
Employee benefits	1,382,881	1,024,075

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, sales and marketing, and other expenses.

In the three month period ended March 31, 2023, employee benefits expense has been allocated as follows: $632,115 to general and administration expense (2022 - $396,160), $319,487 to cost of goods sold (2022 - $331,411), $311,279 to research and product development expense (2022 - $296,504) and $120,000 to other expense (2022 - $Nil).

13. 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.

14. 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:

Three Months Ended March 31,	2023 $	2022 $
United States	785,821	4,192,890
Germany	2,645,763	1,585,756
China	35,810	375,524
Other	19,938	10,464
Canada	7,479	6,990
	3,494,811	6,171,624

During the three month period ended March 31, 2023, the Company had export sales to one major distributor of the Company's products in the aggregate amount of $3,242,107 representing 93% of total revenue (2022 - $5,822,733 representing 94% 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.

15. 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 95% of trade receivables are due from one distributor at March 31, 2023 (December 31, 2022 – 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:

	March 31, 2023 $	December 31, 2022 $
Not yet due	2,059,239	1,567,892
Less than 30 days past due	851,999	1,226,880
Less than 60 days past due, more than 30 days past due	-	25,528
More than 60 days past due	-	-
Total	2,911,238	2,820,300

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 March 31, 2023 and December 31, 2022 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 $12,563,469 at March 31, 2023 (December 31, 2022 - $13,810,998) 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 March 31, 2023:

	within 1 year $	1 to 3 years $	3 to 5 years $	over 5 years $	Total $
Accounts payable and accrued liabilities	1,083,571	-	-	-	1,083,571

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 March 31, 2023.

	Carrying Amount (USD)	**Foreign Exchange Risk (CDN)**	
		-1% **Net Income**	**+1%** **Net Income**
Financial assets			
Trade receivables	2,151,093	29,111	(29,111)
Financial liabilities			
Accounts payable and accrued liabilities	325,401	(4,404)	4,404
Total increase (decrease)		24,707	(24,707)

The carrying amount of trade receivables and accounts payable and accrued liabilities in USD represents the Company's exposure at March 31, 2023.

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.

16. 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 period ended March 31, 2023.

17. INCOME (LOSS) PER COMMON SHARE

Three Months Ended March 31,	2023	2022 *Restated*
Net (loss) income for the period for basic and diluted earnings per share calculation	($385,050)	$1,812,929
Weighted average number of common shares outstanding	78,251,844	77,686,576
Effect of dilutive stock options	-	646,759
Diluted weighted average number of common shares	78,251,844	78,333,335
Income per share - basic	($0.00)	$0.02
Income per share - diluted	($0.00)	$0.02

As the Company was in a net loss position for the three month period ended March 31, 2023, the impact of the conversion of convertible stock options is anti-dilutive.

For the three month period ended March 31, 2022, 1,637,000 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 period.