MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019

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The following discussion of the operating results and financial position of The Very Good Food Company Inc. (the "Company") is prepared as of August 31, 2020, and should be read in conjunction with the Company's condensed interim consolidated financial statements for the six months ended June 30, 2020. The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, commonly referred to as "IFRS".

The following Management Discussion and Analysis (the "**MD&A**") has been prepared by management and provides a narrative about our financial performance and condition that should be read in conjunction with the condensed interim consolidated financial statements and related notes contained therein which have been prepared under IFRS. The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information in this MD&A is not intended to be a comprehensive review of all matters and developments concerning the Company.

All financial information in this MD&A has been prepared in accordance with IFRS and all dollar amounts are quoted in Canadian dollars, the reporting and functional currency of the Company, unless specifically noted.

FORWARD-LOOKING STATEMENTS

This MD&A may contain forward "forward-looking statements" that reflect the Company's current expectations and projections about its future results. Forward-looking statements are statements that are not historical facts, and include, but are not limited to: estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to future operations, capital raising initiatives, the impact of industry and macroeconomic factors on the Company's operations, and market opportunities; and statements regarding future performance.

Forward-looking statements used in this MD&A are subject to various risks, uncertainties and other factors, most of which are difficult to predict and are generally beyond the control of the Company. These risks, uncertainties and other factors may include, but are not limited to, those set forth under "Risks and Uncertainties" below, and those contained in the Company's Final Prospectus dated May 14, 2020 (the "**Prospectus**") that is available under the Company's profile on SEDAR at www.sedar.com.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks, uncertainties and other factors, including the risks, uncertainties and other factors identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by securities law.

OVERVIEW AND OVERALL PERFORMANCE

The Company was incorporated on December 27, 2016, under the laws of the province of British Columbia, Canada. The Company changed its name from The Very Good Butchers Inc. to The Very Good Food Company Inc. on October 1, 2019. The Company's head office is located at #6 – 1701 Douglas Street, Victoria, BC V8W 2G7 registered and records office are located at Suite 409 – 221 West Esplanade, North Vancouver, British Columbia, BC V7M 3J3. Effective June 18, 2020, the Company's shares commenced trading on the Canadian Securities Exchange (the "CSE") under the symbol "VERY".

This Company is an emerging plant-based food technology company that designs, develops, produces, distributes and sells a variety of plant-based meat and other food alternatives. Our mission is to employ plant-based food technology to create products that are delicious while maintaining a wholesome nutritional profile. To date, we have developed a solid core product line under The Very Good Butchers brand.

In early 2016, James Davison a vegan and classically French trained chef, our Co-Founder, Chief Research and Development Officer ("**CRADO**") and director, began designing, developing, and selling plant-based meat protein alternative products at a farmer's market on Denman Island, British Columbia. James perceived a lack of healthful, appealing and tasty plant-based protein alternatives available and desired to provide a collection of natural and organic plant-based substitutes to offer to those seeking a better alternative to animal protein consumption. The Company's CEO, Mitchell Scott also a vegan joined James in late 2016 and raised early capital to support expanding to Victoria, BC.

In February 2017, the Company opened the first vegan butcher shop (the "**Butcher Shop**") on the west coast of Canada at the Victoria Public Market in Victoria, British Columbia. The Butcher Shop garnered significant public interest with over one-thousand people attending on opening day. In August 2017, the Company expanded the Butcher Shop and created a restaurant (the "**Restaurant**") to serve an enhanced product line and hot-food offerings. In the fall of 2017, the Company established its wholesale program (the "**Wholesale Program**") with initial deliveries to smaller natural food-oriented grocery retailers. In April 2018, a monthly subscription service (the "**Monthly Meat Club**") available to consumers via the Company website at www.verygoodbutchers.com was launched. In 2018, the Company was also featured on the well-known CBC television program, Dragon's Den.

Initially, the Company handcrafted organic products at a production kitchen on Denman Island. In December 2018, the Company moved its production kitchen to Victoria and in May 2019 expanded production capacity by opening a new 4,000 square feet production facility (the "**Victoria Production Facility**").

In July 2019, the Company welcomed Celeste Trujillo, as its Associate Director of Research and Development and as of September 9, 2019, she has been leading a team of 4 professional researchers and food engineers to create the next generation of innovative plant-based meat alternatives for the Company. Currently and until the Company has access to a new Vancouver facility, its R&D team is working in temporary premises in Vancouver.

In December 2019, the Company signed an offer to lease for an approximately 14,000 square feet space in Vancouver's Mt. Pleasant district (the "**Vancouver Facility**"). In January 2020 we entered into a lease for the Vancouver Facility for an initial term of ten years, starting on September 1, 2020 (the "Vancouver Lease") with a right of renewal for two successive five-year terms. In the interim, the landlord has agreed to allow us a time period to have access to the Vancouver Facility for planning, permitting and completion of the construction of our improvements. The Vancouver Facility will comprise a production area, restaurant and patio, a retail butcher shop and a research and development area. The landlord will contribute $40 per square foot toward the improvements we make to the space. The basic rent (the "**Basic Rent**") is $32.00 per square foot in years one to three, $33.50 per square foot for years four to six and $35.50 per square foot for years seven to ten. Additional rent is estimated at $15.80 per square foot per year, for the 2020 calendar year and includes items such as our pro-rata share of operating expenses, taxes and utilities, as well as special tenant expenses and fees. Under the Lease, we do not have to pay Basic Rent for the first four months of the Term. Our CEO and CRADO are currently guarantors under the Vancouver Lease. Upon completion the Vancouver Facility will serve as the Company's Vancouver headquarters and will house its research & development lab (the "**R&D Lab**"), an expanded manufacturing and distribution center, a second retail front featuring our vegan butcher shop concept as well as a restaurant and test kitchen. We are currently in discussions with the landlord on various building requirements and to adjust the current timelines for lease commencement to match the Covid 19 interruptions and slow-downs we have experienced with our Vancouver build out plans and schedule. We will provide further updates to these discussions as appropriate.

Effective March 2020, the Company entered into an eCommerce Partnership Agreement, whereby the Company engaged a marketing company to increase the Company's customer base through various marketing channels, including but not limited to Facebook Instagram, Email and Google Ads. The services will be performed on a performance basis, wherein the marketing company earns $60 per initial sale, plus 10% of recurring revenues. The agreement may be renewed for successive 6-month periods unless either party provides 30 days' notice to the other party.

The Company currently distributes and sells its products through four main channels, the Butcher Shop, the Restaurant, the eCommerce Store and the Wholesale Program (collectively, the "Distribution Network") as described below.

The Butcher Shop - The Butcher Shop currently serves as the primary retail component of the Distribution Network. Designed as a flagship store concept to showcase our Products, the Butcher Shop also serves as a key marketing and branding tool. In addition to the Company's Products, the Butcher Shop also retails a small offering of plant-based dairy and cheese alternatives made by local artisan companies.

The Restaurant – The Restaurant, which also serves as the Company's test kitchen, developed out of the Butcher Shop. In October 2017, the Company expanded its line of hot-food products and has been testing these products at the Restaurant ever since. The Restaurant allows consumers to try its Products as cooked by the Company and provides the Company with an opportunity to learn about consumer tastes and preferences, while testing current and future Products. Since May 2019, the Company has also been operating its food truck, which serves many of the same foods as the Restaurant, at various festivals and events.

eCommerce Store – Accessible through the Company's website, the eCommerce Store offers the Monthly Meat Club subscription service as well as certain of its Products for sale individually. The Company currently has approximately 700 active subscribers with new subscribers joining weekly and has shipped thousands of boxes as part of the Monthly Meat Club. The Company's eCommerce sales allow it to capitalize on varying streams of consumer demand, by shipping products directly to consumers; and transforming proven demand into a recurring income stream via a subscription model.

The Wholesale Program – The Company currently has approximately 200 active wholesale accounts (the "Active Wholesale Accounts") with a waiting list of approximately 50 businesses who have contacted the Company (the "Prospective Wholesale Accounts"). The Active Wholesale Accounts include smaller independent grocers, restaurants, and national grocery store chains operating in British Columbia including Whole Foods Markets, Fresh St. Market, Choices Markets, and IGA, a number of which accounts we have secured through our brokerage arrangement with a food broker focused on plant-based brands for the marketing and sales of our Products to distributors, wholesalers and retailers in Canada. In particular, we have engaged our first regional wholesaler operating in British Columbia under the brokerage arrangement. The agreement governing the brokerage arrangement has a one year term with automatic renewal unless terminated 30 days in advance of such renewal, and provides for an initial monthly brokerage fee of $2,000 which will increase to a commission of 5% on all net sales once we have achieved $40,000 in monthly sales to account covered by the Brokerage Agreement. The Prospective Wholesale Accounts include a wide range of businesses, including smaller independent grocers and large retailers as well as select restaurants located primarily in Ontario/Quebec and the west coast of the USA. To date our sales arrangements with the Active Wholesale Accounts have been goodwill and relationship based with orders filled depending on product availability, however, as we continue to increase production and expand our Wholesale Program, we expect to implement formal sales agreements.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth unaudited selected financial information for each of the last eight quarters.

	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Revenue	$1,100,816	$338,552	$328,866	$229,921
Net and comprehensive loss	($1,653,655)	($1,129,986)	($829,057)	($1,030,739)
Net loss per share	($0.03)	($0.02)	($0.02)	($0.03)

	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
Revenue	$222,054	$218,956	$302,186	$281,085
Net and comprehensive loss	($246,740)	($235,006)	($230,445)	($43,194)
Net loss per share	($0.01)	($0.00)	($0.01)	($0.00)

There was a slight increase in revenues for the three months ended September 30, 2018 as compared to the prior quarter, which was mainly due to an increase in sales at summer markets and events. The decrease in net and comprehensive loss for the quarter was mainly due to a decrease in wages and benefits of $19,671.

The increase in revenues for the three months ended December 31, 2018 as compared to the prior quarter, was mainly due to an increase in eCommerce Store sales of $28,416, which was partially due to an increase in activity from holiday sales and promotions. The significant increase in net and comprehensive loss for the quarter was mainly due to an increase in professional fees of $73,461 from accrued audit fees and an increase in wages and benefits of $63,122.

The decrease in revenues for the three months ended March 31, 2019 as compared to the prior quarter was mainly due to the holiday sales and promotions in the prior quarter. This resulted in less Butcher Shop and eCommerce Store sales for the current quarter. The net and comprehensive loss was consistent with the previous quarter.

Revenue and net and comprehensive loss for the three months ended June 30, 2019, was consistent with the prior quarter.

Revenue for the three months ended September 30, 2019, was consistent with the prior quarter. The significant increase in net and comprehensive loss was mainly due to an increase in professional fees of $617,848. This increase in professional fees was mainly due to the issuance of 3,000,000 common shares with a fair value of $450,000 pursuant to a consultancy agreement entered into on January 1, 2019, along with an increase in legal fees in anticipation of the Company’s Prospectus.

The increase in revenues for the three months ended December 31, 2019, was due to an increase in eCommerce Store sales, which are mainly due to an increase in activity from holiday sales and promotions. The decrease in net and comprehensive loss for the quarter was mainly due to a decrease in professional fees related to the consultancy agreement fee $450,000 incurred in the prior quarter.

The slight increase in revenues for the three months ended March 31, 2020, was mainly due to an increase in eCommerce Store sales associated with an eCommerce Partnership Agreement entered into during March 2020. The increase in net and comprehensive loss for the quarter was mainly due to an increase in professional fees associated with the Company's Prospectus and share-based compensation of $277,928 related to the grant of 3,100,000 stock options to directors, officers and employees of the Company on January 1, 2020.

The increase in revenues for the three months ended June 30, 2020, was mainly due to an increase in eCommerce Store sales associated with an eCommerce Partnership Agreement entered into during March 2020. The increase in net and comprehensive loss for the quarter was mainly due to an increase in advertising and promotion expense associated with the eCommerce Partnership Agreement, and an increase in selling costs, which consist of shipping and merchant processing fees.

Discussion of Results for the Quarter Ended June 30, 2020

During the three months ended June 30, 2020, and 2019, the Company:

- Generated revenue of $1,100,816 and $222,054, respectively. The increase in revenue was mainly due to an increase in Wholesale partner sales and eCommerce Store sales associated with an eCommerce Partnership Agreement entered into during March 2020. There were additional eCommerce sales of $196,425 in June 2020, which had not shipped as at June 30, 2020 and were recognized as deferred revenue.

- Incurred cost of sales of $537,738 and $144,607, respectively. The increase in cost of sales was mainly due to an increase in production costs associated with the increased sales along with an increase in direct labour costs required to produce finished goods.

- Incurred operating expenses of $2,127,387 and $267,562, respectively. The significant increase in operating expenses for 2020 is mainly due to an increase in:

    - Advertising and promotion from $2,306 in 2019 to $463,780 in 2020, which is mainly due to the advertising services provided by Google and due to the eCommerce Partnership Agreement entered into during March 2020. Pursuant to the agreement, the services will be performed on a performance basis, wherein the marketing company earns $60 per initial sale, plus 10% of recurring revenues.

    - Investor relations from $nil in 2019 to $162,677 in 2020. The increase in investor relations was mainly related to the 500,000 warrants with a fair value of $80,324 issued to an agent for financial advisory services and the engagement of an investor relations firm.

    - Professional fees from $43,081 in 2019 to $285,519 in 2020. The increase in professional fees was mainly due to an increase in legal, consulting, and accounting fees due to going public, including the preparation of the Company's quarterly financial statements and related reporting requirements, and general increase in the Company's operations.

- Selling costs from $17,600 in 2019 to $296,168 in 2020. The increase in selling costs was mainly due to increased shipping and merchant processing fees related directly to the increase in sales during the quarter.

- Share-based compensation from $nil in 2019 to $172,083 in 2020. On June 17, 2020, the Company granted 400,000 options to management and consultants of the Company, exercisable at $0.25 per share for a period of 5 years. The options will vest in three equal instalments with 1/3 vesting on Jun 17, 2020, 1/3 vesting on Oct 17, 2020 and 1/3 vesting on Feb 17, 2021. On June 24, 2020, the Company granted 120,000 options to its employees, exercisable at $1.31 per share for a period of 5 years. The options will vest in three equal instalments with 1/3 vesting on Jun 24, 2020, 1/3 vesting on Oct 24, 2020 and 1/3 vesting on Feb 24, 2021.

- Incurred a net loss of $1,653,655 and $246,740, respectively, as a result of the changes in revenues and expenses discussed above.

LIQUIDITY AND CAPITAL RESOURCES

The following is a summary of the Company's working capital at June 30, 2020, and December 31, 2019:

	As at June 30, 2020	**As at December 31, 2019**
Current Assets	$3,858,741	$641,310
Current Liabilities	$1,620,514	$735,487
Working Capital (Deficiency)	$2,238,227	($94,177)

Current assets of $3,858,741 as at June 30, 2020 (December 31, 2019 – $641,310), was comprised mainly of cash of $3,508,826, accounts receivable of $194,825 and prepaids and deposits of $91,511.

Current liabilities of $1,620,514 at June 30, 2020 (December 31, 2019 – $735,487), was comprised mainly of accounts payable of $859,462, deferred revenue of $196,425, loans payable and other financing of $320,849, and current portion of lease liabilities of $243,778.

The increase in working capital at June 30, 2020, was mainly due to an increase in cash from the completion of the Initial Public Offering, offset by an increase in accounts payable related to advertising services from the eCommerce Partnership Agreement and an increase in deferred revenue.

Cash Flow

The following table summarizes our cash flows for the six months ended June 30, 2020, and 2019:

	Six months ended June 30, 2020	Six months ended June 30, 2019
Net cash (used in) provided by operating activities	($1,224,546)	($150,857)
Net cash used in investing activities	($112,507)	($39,403)
Net cash provided by (used in) financing activities	$4,440,269	$185,837
Net changes in cash and cash equivalents	$3,103,216	($4,423)

Operating Activities

The increase in net cash used in operating activities during the six months ended June 30, 2020, as compared to the six months ended June 30, 2019, was primarily due an increase in operational expenses including advertising and promotion related to the eCommerce Partnership Agreement and professional fees for corporate matters and related to the Company's Prospectus, and an increase in wages and benefits due to the expanded production and opening the new Vancouver facility.

Investing Activities

The increase in net cash used in investing activities during the six months ended June 30, 2020, as compared to the six months ended June 30, 2019, was primarily due to more acquisitions of restaurant and production equipment.

Financing Activities

The increase in net cash provided by financing activities during the six months ended June 30, 2020, as compared to the six months ended June 30, 2019, was primarily due to the net proceeds of $3,635,634 received from the issuance of units pursuant to the Initial Public Offering, and the proceeds of $773,101 from the exercise of warrants.

Recent Financing Activities

On February 11, 2020, we entered into an operating loan agreement (the "**Operating Loan Agreement**") with our CEO, Mitchell Scott and our CRADO, James Davison (together, the "**Lenders**") pursuant to which the Lenders have agreed to provide us with an operating loan of up to $1,200,000 (the "**Loan**"). We have the option to draw down the Loan in three equal advances of $400,000 (each, an "Advance") and, to date, have drawn down the first such Advance for an amount of $400,000. The outstanding principal amount of the Loan bears simple interest at a rate of 0.67% per month (the "Interest") and we must pay back the Loan on or before November 11, 2021 ("**Maturity**"). The Operating Loan Agreement provides us with the right to prepay the Loan at any time prior to Maturity without penalty other than a mandatory payment of two months Interest if we determine to prepay prior to November 11, 2020. The Loan is secured by a general security agreement over all of our present and after acquired personal property. On May 6, 2020, the Company entered into an Amending Agreement with the Chief Executive

Officer of the Company and a director of the Company, pursuant to which the maturity date of the Operating Loan Agreement was extended from May 11, 2021, to November 11, 2021. The Company received one tranche of $400,000, and during the six months ended June 30, 2020, the Company repaid the principal balance of $400,000 and interest of $11,728.

On January 20, 2020, the Company entered into a Business Loan and Security Agreement, whereby it received a loan of $44,500 which is repayable over 113 installments of $504 due each business day commencing the effective date of the loan. The loan is secured against the Company's assets and has an effective interest rate of 61.20%. The Company paid a $1,780 origination fee related to this loan.

On May 12, 2020, the Company entered into a Capital Agreement, whereby the Company agreed to remit a daily payment equal to 17% of future sales up to $181,900 in consideration for proceeds of $170,000. The Company's obligations under the agreement are secured against the Company's assets.

On June 17, 2020, the Company completed its Initial Public Offering (the "Offering") consisting of 16,100,000 common shares for proceeds of $4,025,000. The Company paid a commission of $322,000 (representing 8% of the gross proceeds realized from the Offering) of which $241,500 was paid in cash and $80,500 through the issuance of 322,000 Common Shares at a price of $0.25 per common share. The Company also granted 1,288,000 warrants exercisable to purchase common shares at a price of $0.25 per common share until June 17, 2021 (the "Agent's Warrants").

During the six months ended June 30, 2020, the Company entered into Revenue Share Agreements, whereby the Company agreed to remit a daily payment at rates ranging between 8% and 11% of future sales up to a total of $235,406 in consideration for proceeds of $209,250. The Company's obligations under the agreement are secured against the Company's assets.

During the six months ended June 30, 2020, the Company received a loan for $40,000 from the Government of Canada under the Canada Emergency Business Account program ("CEBA"). These funds are interest free until December 31, 2022, at which time the remaining balance will convert to a 3-year term loan at an interest rate of 5% per annum. If the Company repays the loan prior to December 31, 2022, there will be loan forgiveness of 25%, up to $10,000.

During the six months ended June 30, 2020, pursuant to an executive management services agreement entered into July 15, 2019, with the Chief Financial Officer, director and executive consultant of the Company, the Company issued a total of 166,670 units with a fair value of $25,000, of which $3,760 was allocated to warrants. Each unit issued was comprised of one common share and one-half of share purchase warrant exercisable at a price of $0.30 per share for a period of 12 months from issuance, subject to early acceleration in certain circumstances.

On August 7, 2020, the Company completed a short form prospectus offering of 6,555,000 units at $1.30 per unit for gross proceeds of $8,521,500. Each unit consists of one common share and one-half of one warrant, with each whole warrant entitling the holder to purchase one additional common share at $2.00 until February 7, 2022. In connection with the offering, the Company agreed to pay an agent a cash commission of 8% of the gross proceeds of the offering and brokers warrants equal to 8% of the aggregate number of units sold pursuant to the offering, with each broker warrant exercisable to acquire one unit at $1.30 per unit until February 7, 2022. Each unit consisted of one common share and one-half of one warrant, with each whole warrant exercisable at $2.00 until February 7, 2022. The agent also received a corporate finance fee of 80,000 units, which consisted of one common share and one-half of one warrant, with each whole warrant exercisable at $2.00 until February 7, 2022.

On August 13, 2020, the Company completed a private placement of 88,462 units at $1.30 per unit for gross proceeds of $115,000. Each unit consists of one common share and one-half of one warrant, with each whole warrant entitling the holder to purchase one additional common share at $2.00 until February 13, 2022.

Cash Requirements

Subsequent to June 30, 2020, the Company completed a short form prospectus offering for gross proceeds of $8,521,500. These funds plus our June 30, 2020 working capital of $2,238,227 provide adequate capital for our next twelve months estimated expenditures as well providing an additional $3,000,000 in general corporate and unallocated working capital. This unallocated capital offers the Company flexibility for our operations and positioning in the rapidly evolving plant-based food sector. Including the $3,000,000 in general corporate and unallocated working capital we expect we will require a total of $9,950,000 to fund our operating and growth expenditures for the next twelve months as follows:

Estimated Working Capital Expenditures During the Next Twelve Months

Expansion to the United States	$3,500,000
Build out Vancouver facility (less TI allowance)	$1,200,000
Direct research and development expenses	$750,000
Accretive Acquisitions	$1,500,000
General Corporate & Unallocated Working Capital	$3,000,000,
Total	$9,950,000

Estimated working capital expenditures for the next 12 months are comprised of: Expansion to the United States expenditures ($300,000 to $350,000 for lease costs, $700,000 to $800,000 equipment deposit and finance costs, $1,750,000 to $2,000,000 tenant improvement costs, with $450,000 to $750,000 contingency allowance), Vancouver Facility build out expenditures (less a $416,000 tenant improvement allowance, $75,000 for architect, engineering, and mechanical consulting fees, $1,120,000 for tenant improvements, fixturing, and furniture, $318,0000 for production equipment financing costs, and $103,000 contingency allowance), Direct research and development expenses of up to $750,000, and Accretive acquisitions of $1,500,000. We are currently in a growth-phase, which requires capital in all facets of our business and we believe that having unallocated general corporate and other cash resources provides us with meaningful flexibility for our operations and positioning of our Company in the rapidly evolving plant-based food sector.

We may require additional cash resources to meet our capital expenditures and working capital requirements for the next 12 months. We may derive such cash through the sale of other equity or debt securities or by obtaining a credit facility. The sale of additional equity securities would result in dilution to shareholders. The incurrence of indebtedness would result in debt service obligations, could cause additional dilution to shareholders, and could require us to agree to financial covenants that could restrict our operations or modify our plans to source a new business opportunity. Financing may not be available in amounts or on terms acceptable to us, if at all.

DISCLOSURE OF OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares. As at June 30, 2020, and August 31, 2020, there were 72,449,761 and 85,030,573 common shares issued and outstanding, respectively. As at June 30, 2020, and August 31, 2020, there were 7,040,469 and 5,795,662 warrants outstanding, respectively. As at June 30, 2020, and August 31, 2020, there were 4,871,000 and 4,668,500 incentive stock options outstanding, respectively.

OFF-BALANCE SHEET ARRANGEMENTS

We have no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

TRANSACTIONS BETWEEN RELATED PARTIES

Related party balances

As at June 30, 2020, the Company has $nil (December 31, 2019 – $18,722) owing from Mitchell Scott, the Chief Executive Officer, director and significant shareholder of the Company for expenses paid on behalf of the Company and wages payable. The amount is unsecured, non-interest bearing and has no fixed terms of repayment.

As at June 30, 2020, the Company has $nil (December 31, 2019 – $5,558) owing from James Davison, a director of the Company for expenses paid on behalf of the Company and wages payable. The amount is unsecured, non-interest bearing and has no fixed terms of repayment.

As at June 30, 2020, the Company has $nil (December 31, 2019 – $3,413) owing to Drew Bonnell, the Chief Financial Officer, director and executive consultant of the Company, which is included in accounts payable and accrued liabilities. The amount is unsecured, non-interest bearing and has no fixed terms of repayment.

As at June 30, 2020, the Company has $nil (December 31, 2019 – $5,815) owing from Drew Bonnell, the Chief Financial Officer, director and executive consultant of the Company, which is included in prepaids and deposits for prepayment of professional fees.

On February 11, 2020, the Company entered into a loan agreement with Mitchell Scott, the Chief Executive Officer of the Company and James Davison, a director of the Company (the “Lenders”), whereby the Lenders agreed to loan the Company up to a maximum aggregate loan amount of $1,200,000 (the “Principal”), in three equal tranches of $400,000. The outstanding amount of the Principal matures on May 11, 2021, and bears interest from and after the date of each advance until repayment at the rate of 0.67% per month, simple interest. The Company also executed a general security agreement with the Lenders, which creates a security interest over all present and after acquired personal property of the Company. The Company received one tranche of $400,000, and during the six months ended June 30, 2020, the Company repaid the principal balance of $400,000 and interest of $11,728.

Related party transactions

During the six months ended June 30, 2020, $99,121 (2019 – $17,427) was incurred as salaries to Mitchell Scott, the CEO, and James Davison, a director of the Company.

During the six months ended June 30, 2020, the Company incurred $100,406 (2019 – $nil) of professional fees to Drew Bonnell, the Chief Financial Officer, director and executive consultant of the Company, of which $25,000 was paid by the issuance of 166,670 units. Each unit consists of one common share and one-half of share purchase warrant exercisable at a price of $0.30 per share for a period of 12 months from issuance, subject to early acceleration in certain circumstances.

During the six months ended June 30, 2020, $292,285 (2019 – $nil) was recognized as share-based payments for stock options granted to the officers and directors of the Company.

RECENTLY ADOPTED ACCOUNTING STANDARDS

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's condensed interim consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the period. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Judgments, estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the application of the going concern assumption, net realizable value of inventory, collectability of accounts receivable, carrying value of property and equipment, and right-of-use assets, the fair value measurements for financial instruments, the fair value of share-based payment transactions, and the recoverability and measurement of deferred tax assets.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Fair value

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at June 30, 2020, as follows:

	Fair Value Measurements Using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance, June 30, 2020
Loans payable and other financing	$ 320,849	$ –	$ –	$ 320,849

As at June 30, 2020, the fair value of financial instruments measured on a recurring basis includes loans payable and other financing based on level 1 inputs, consisting of quoted prices in active markets for identical assets. The fair value of all other financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

Risk factors

The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information set out elsewhere in this MD&A and in the Prospectus that is available under the Company's profile on SEDAR at www.sedar.com. These risks and uncertainties are not the only ones the Company is facing. Additional risks and uncertainties not presently known to the Company, or that the Company currently deems immaterial, may also impair operations. If any such risks actually occur, the business, financial condition, liquidity and results of operations could be materially adversely affected.

In addition to the risks and uncertainties set out below, readers should refer to those risks and uncertainties related to the Company's business that are set forth under the heading "Risk Factors" in the Prospectus that is available under the Company's profile on SEDAR at www.sedar.com.

Forward-Looking Information

Certain information set out in this MD&A includes or is based upon expectations, estimates, projections or other "forward looking information". Such forward looking information includes projections or estimates made by the Company about the Company's future business operations. While such forward looking statements and the assumptions underlying them are made in good faith and reflect the Company's management's current judgment regarding the direction of business, actual results will almost certainly vary (sometimes materially) from any estimates, predictions, projections, assumptions or other type of performance suggested here.

Market Risk for Securities

There can be no assurance that an active trading market for the Company's shares will be established and sustained. Upon listing of the Company's shares, the market price for the shares could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the Company's securities. The stock market has from time to time experienced extreme price and volume fluctuations, which have been unrelated to the operating performance of particular companies.

Speculative Nature of Investment Risk

An investment in the Company's securities carries a high degree of risk and should be considered as a speculative investment. The Company has a limited history of earnings, negative cash flow or profitability and has limited cash reserves, a limited operating history, has not paid dividends, and is unlikely to pay dividends in the immediate or near future. Operations are not yet sufficiently established such that the Company can mitigate risks with planned activities. The Company has had negative operating cash flow since the Company's inception, and the Company may continue to have negative operating cash flow for the foreseeable future. No assurance can be given that the Company will attain positive cash flow or profitability.

Liquidity and Future Financing Risk

The Company is in the early stages of business and has not generated revenue in excess of its expenses. The Company will likely operate at a loss until its business becomes established and the Company may require additional financing in order to fund future operations and expansion plans. The Company's ability to secure any required financing to sustain operations will depend in part upon prevailing capital market conditions and business success. There can be no assurance that the Company will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to management. If additional financing is raised by issuance of additional shares, control may change and shareholders may suffer dilution. If adequate funds are not available, or are not available on acceptable terms, the Company may be required to scale back its current business plan or cease operating.

Going-Concern Risk

The Company's financial statements have been prepared on a going-concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Company will be successful in completing equity or debt financing or in achieving profitability. The financial statements included in the Prospectus do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

Dividend Risk

The Company has not paid dividends in the past and does not anticipate paying dividends in the near future. The Company expects to retain earnings to finance further growth and, when appropriate, retire debt.

Share Price Volatility Risk

It is anticipated that the common shares of the Company will be listed for trading on the CSE. As such, external factors outside of the Company's control, such as announcements of quarterly variations in operating results, revenues and costs, and sentiments toward plant-based meat stocks, may have a significant impact on the market price of the Company's common shares. Global stock markets, including the CSE, have, from time-to-time, experienced extreme price and volume fluctuations. The same applies to companies in the plant-based meat industry. There can be no assurance that an active or liquid market will develop or be sustained for the Company's common shares.

Increased Costs of Being a Publicly Traded Company

As the Company will have publicly-traded securities, significant legal, accounting and filing fees will be incurred that are not presently being incurred. Securities legislation and the rules and policies of the CSE require publicly traded listed companies to, among other things, adopt corporate governance policies and related practices and to continuously prepare and disclose material information, all of which will significantly increase legal, financial and securities regulatory compliance costs.

Limited Prior Operating History

The Company has limited operating history, business operations and assets. There is no assurance that it will be profitable or that its investment strategy will be successful. The Company's operations are subject to all of the risks inherent in the creation of new investment activity, including a limited prior operating history.

Dilution

Any sale of the Company's shares will result in dilution to existing holders of shares, The Company may issue additional shares without the consent from the shareholders of the Company.

Financial Instruments

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company’s primary exposure to credit risk is in its cash.

This risk is managed through the use of a major bank which is a high credit quality financial institution as determined by rating agencies. The Company's secondary exposure to risk is on its other current assets. The carrying amount of financial assets represents the maximum credit exposure.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been from shareholder loans, loans payable and convertible debentures. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant debt or equity funding.

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at June 30, 2020:

	Within one year	**Between one and five years**	**More than five years**
Accounts payable and accrued liabilities	$ 859,462	$ –	$ –
Deferred revenue	196,425	–	–
Loans payable and other financing	320,849	–	–
Lease liabilities	243,778	2,122,853	–
	$ 1,620,514	$ 2,122,853	$ –

Foreign exchange risk

The Company is not exposed to any significant foreign exchange rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have floating rate debt, but the short-term debt has maturities less than a year and could lead to interest rate exposure if the Company decides to renew this debt. A 1% change in market interest rates would have an impact on the Company's net loss of $151.

Impact of the COVID-19 Pandemic

In December 2019, a novel strain of coronavirus disease, COVID-19, was first reported in Wuhan, China. Less than four months later, on March 11, 2020, the World Health Organization declared COVID-19 a pandemic — the first pandemic caused by a coronavirus. The outbreak has resulted in the implementation of significant governmental measures worldwide, including lockdowns, closures, quarantines and travel bans, intended to control the spread of the virus, and has caused severe global disruptions.

To date the COVID-19 outbreak has impacted our Company in a number of ways:

Impact on our Victoria Restaurant and Butcher Shop

In support of current mandates, we have implemented reduced operating hours and take-home or delivery food service only at our Victoria Restaurant and the Butcher Shop. With this implementation we continue to be able to provide prepared meals to our local Victoria customers. While, as at the date of this MD&A,

reduced operating hours and fulfillment continue, there is uncertainty regarding the future of the Victoria Public Market within which the Restaurant and Butcher Shop are located. Some tenants in the market have closed permanently as a result of COVID-19. If the collective market atmosphere is not re-established when re-openings are permissible and implemented, this could result in reductions in customer foot traffic or otherwise render the location unsuitable for us and we may be required to move the Restaurant and Butcher Shop to an alternate facility or focus solely on the Vancouver Facility. This could result in lower sales volumes and adversely affect our business, results of operation, and financial condition. As a result and as the COVID-19 pandemic continues we are realizing disruption to these two socially oriented sales channels as compared to the same periods last year as the following table illustrates:

Month	2020 Sales (unaudited)	2019 Sales (unaudited)
January	$44,487	$42,225
February	$42,301	$47,768
March	$27,538	$46,927
April	$13,571	$50,150
May	$15,412	$43,138
June	$24,737	$42,820

Impact on our eCommerce Store and Wholesale Program

We are currently experiencing increased and strong demand for our products through our eCommerce Store and Wholesale Program. While this is consistent with our strategy of achieving sales growth in these two channels through greater production capacity and related marketing, we believe that the COVID-19 health crisis and the resulting increased food-at-home demand has also contributed to higher recent sales. The following table sets forth sales in these two channels, including sales for which the customers have paid but the products have not shipped, as compared to the same periods last year:

Month	2020 Sales (unaudited)(1)	2019 Sales (unaudited)
January	$57,901	$46,368
February	$67,787	$7,521
March	$204,303	$28,147
April	$410,776	$21,699
May	$378,922	$24,755
June	$348,058	$39,492

Notes:

(1) From January 1, 2020 to June 30, 2020 total sales from all channels were $1,635,793 (unaudited), which includes $1,439,368 of earned revenue and $196,425 of unearned revenue. Unearned revenue accounts for online sales processed and paid for, which as of June 30, 2020 were not shipped to the customer. Once the customer order is shipped, the respective unearned revenue converts to earned revenue.

Our Wholesale and eCommerce sales team and broker are, as of the date of this MD&A, experiencing strong demand with product orders significantly above historical levels. We attribute these sales increases to our ability to fulfill larger orders from our recently increased production capacity, increasing brand awareness, new online marketing programs implemented, and COVID-19 related changes in consumer food purchasing behaviour.

Impact on our Supply Chain

To date we have not experienced disruptions with our suppliers, distributors or transportation or logistics providers other than shipping delays for orders from our eCommerce Store as courier services experience increased demand. As the COVID-19 pandemic continues for an extended period of time it may negatively affect the price and availability of our ingredients and/or packaging materials and impact our supply chain.

Our Operational Response

To ensure the safety of our entire organization during the COVID-19 outbreak, we have implemented, at our facilities that continue to operate, enhanced administrative controls, employee monitoring strategies, more rigorous cleaning practices and physical distancing. We are also taking measures to manage costs, including through the use of applicable governments programs.

Food processing, manufacturing and storage has been designated an "essential service" by the British Columbia government and we therefore do not currently believe that the Victoria Production Facility will be subject to any government mandated closures other than in the event of a COVID-19 outbreak at the facility. To ensure that we have the personnel necessary for the continued operation of the Victoria Production Facility we have created appropriate separation between our production team members by implementing two production shifts daily instead of one, thereby reducing the number of personnel on site at any given time in half. The two production teams are 100% independent of each other, which, in the event of illness in one team, will allow us to send that particular team home to isolate, completely sanitize our facility and subsequently restart production with the other production team. We have also transitioned and trained some of our Restaurant/ Butcher Shop personnel to our production processes in order to create a third production team for a weekend shift.

An outbreak of COVID-19 at our Victoria Production Facility would necessitate an immediate temporary shutdown, which would have a material adverse effect on our ability to meet the demands of our customers, as production would be halted for the duration of the closure.

Our sales, shipping, receiving, administrative, and other teams have adopted safe health practices as required to ensure their continued safety while the COVID-19 pandemic continues. Where practical, personnel are working offsite and/or remotely, and where it is necessary for them to be on site they are complying with all personal safety standards as directed by relevant authorities.

Impact on Build-Out of the Vancouver Facility

We are currently in the pre-construction phase under the Vancouver Lease, which consists of all preliminary work prior to construction, such as finalizing design, planning, engineering, permitting, and related approvals. As a result of the impacts of COVID-19, our team of professional contractors have experienced slow-downs and impacts within their respective organizations which have contributed to significant interruption in the permit application process for our Vancouver Facility construction. As the current COVID-19 restrictions and safety concerns continue, the time frame for completion of the pre-construction process remains uncertain. At this time we are proceeding to the extent possible while adhering to all health and safety policies, procedures and recommendations and are working with the landlord of the Nickel Building for an adjustment to the Vancouver Lease commencement terms to accommodate interruptions and slow-downs we have experienced with our build-out plans and schedule as a result of COVID-19.

Looking Ahead

The overall severity, duration, and extent to which the COVID-19 pandemic impacts the Company's business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Company's customers, suppliers and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. The management team is closely following the progression of COVID-19 and its potential impact on the Company. Even after the COVID-19 pandemic has subsided, the Company may experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Company cannot reasonably estimate the impact at this time on its business, liquidity, capital resources and financial results.

RISKS AND UNCERTAINTIES

The activities of the Company are subject to risks including but not limited to: the Company's reliance on key personnel; the Company's reliance on unpatented proprietary technology and expertise; the competitive and regulatory environment in which the Company operates; the Company's exposure to the price of raw materials; the Company's expectations regarding consumer trends; the Company's ability to manage the supply chain, including the limited number of suppliers of raw materials and the exposure to a disruption in the supply of key ingredients; the Company's ability to protect customers and suppliers information; the Company's exposure to food safety and consumer health issues; the ability of the Company to maintain The Very Good brand and the reputation of the same; a disruption to the distribution channels and/or the production facility; the successful expansion of the Company's manufacturing capacity; the Company's ability to develop innovative products; the Company's ability to retain current customers and/or recruit new customers; the Company may become a party to litigation; the Company's reliance on third party's for shipping and payment processing; the speculative nature of investment risk; the Company's history of losses; the Company may require additional financing to fund future operations and expansion plans through equity or debt; the Company has not paid in the past and does not anticipate paying dividends in the near future; the increased costs of being a publicly traded company; global economic risk may impact consumer demand for the Company's products; the Company may not be prohibited from a business opportunity due to a conflict of interest; there may not be an active or liquid market for the Common Shares; the market price of the Common Shares may be adversely affect by stock market volatility; the Company may not use the proceeds from the Offering as described in the Company's Prospectus; and the other factors discussed under the heading "Risk Factors" in the Prospectus. An investment in the Offered Shares is suitable only for those knowledgeable and sophisticated investors who are willing to risk a loss of their entire investment and who are able to understand the unique nature and risks of the Company, the food industry generally and in particular the plant-based meat sector. Investors should consult with their professional advisors to assess an investment in the Company's securities. See "Risk Factors" included in the Company's Prospectus filed on SEDAR at www.sedar.com.

CONTROLS AND PROCEDURES

<u>Disclosure Controls and Procedures</u>

Disclosure controls and procedures are designed to provide reasonable assurance that all material information related to the Company, including our consolidated subsidiaries, is made known to senior management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") on a timely basis so that appropriate decisions can be made regarding public disclosure.

<u>Internal Control over Financial Reporting ("ICOFR")</u>

Our management, with the participation of our CEO and CFO, are responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of the CEO and CFO, our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Our internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS and that our receipts and expenditures are made only in accordance with authorization of management and our directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the annual or interim financial statements.

<u>Limitations on the Effectiveness of Disclosure Controls and the Design of ICOFR</u>

Our management, including the CEO and CFO, do not expect that our disclosure controls and procedures and ICFR will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable assurance that the control system objectives will be met. The likelihood of achievement is affected by limitations inherent in all internal control systems. These inherent limitations include the realities that judgments or decision making can be faulty, and that breakdowns occur because of simple errors or mistakes. Controls can also be circumvented in numerous ways including collusion, overrides and deception. In addition to the inherent limitations, the design of a control system must reflect that there are resource constraints, and the expected benefit of controls must be considered relative to the expected costs. Due to inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Further, no evaluation of controls can provide absolute assurance that all control issues within a company will be detected.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019

(*Unaudited* – Expressed in Canadian dollars)

The Very Good Food Company Inc.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars)
(Unaudited)

	Notes		June 30, 2020		December 31, 2019
ASSETS					
Current assets					
Cash		$	3,508,826	$	405,610
Accounts receivable	4		194,825		72,844
Inventory	5		63,579		55,923
Prepaids and deposits	6		91,511		82,653
Due from shareholders	13		–		24,280
Total current assets			3,858,741		641,310
Property and equipment	7		377,080		309,509
Right-of-use assets	8		2,318,506		393,400
Deposits	18		202,735		–
Total assets		**$**	**6,757,062**	**$**	**1,344,219**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	9	$	859,462	$	232,306
Deferred revenue			196,425		7,576
Loans payable and other financing	10		320,849		31,181
Current portion of convertible debentures	11		–		329,099
Current portion of lease liabilities	12		243,778		135,325
Total current liabilities			1,620,514		735,487
Convertible debentures	11		–		692,166
Lease liabilities	12		2,122,853		257,147
Total liabilities			**3,743,367**		**1,684,800**
SHAREHOLDERS' EQUITY (DEFICIT)					
Share capital	14		7,707,847		2,245,422
Equity reserves	15, 16		948,386		272,894
Deficit			(5,642,538)		(2,858,897)
Total shareholders' equity (deficit)			**3,013,695**		**(340,581)**
Total liabilities and shareholders' equity		**$**	**6,757,062**	**$**	**1,344,219**

Nature and continuance of operations (Note 1)
Commitments (Notes 12 and 18)
Events after the reporting period (Note 19)

Approved and authorized for issue by Board of Directors on August 31, 2020

"Mitchell Scott"	*"James Davison"*
Director	Director

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

The Very Good Food Company Inc.
Condensed Interim Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)
(Unaudited)

		Three months ended		Six months ended	
	Notes	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Sales		$ 1,100,816	$ 222,054	$ 1,439,368	$ 441,010
Cost of sales	5	537,738	144,607	834,641	291,805
Gross margin		563,078	77,447	604,727	149,205
Operating expenses					
Advertising and promotion		$ 463,780	$ 2,306	$ 619,872	$ 4,430
Bank charges		691	1,109	2,426	2,237
Bad debt expense		1,800	–	5,294	–
Corporate communication		126,800	–	126,800	–
Depreciation	7, 8	104,089	35,202	154,717	68,927
Insurance		5,614	2,353	14,753	3,914
Investor relations		162,677	–	162,677	–
Meals and entertainment		3,123	1,533	6,929	3,955
Office and administration		96,569	24,909	139,309	34,211
Professional fees		285,519	43,081	504,349	82,964
Rent		12,091	14,004	36,597	30,869
Repairs and maintenance		25,628	2,510	37,370	5,920
Research and development		48,830	–	110,956	–
Selling costs		296,168	17,600	347,481	42,296
Share-based compensation	16	172,083	–	450,011	–
Small tools and supplies		163,856	12,838	197,803	28,642
Telephone and utilities		8,377	4,037	16,281	10,358
Travel		13,249	15,631	35,294	43,405
Wages and benefits	13	136,443	90,449	272,116	182,421
Total operating expenses		2,127,387	267,562	3,241,035	544,549
Net loss before other items		**(1,564,309)**	**(190,115)**	**(2,636,308)**	**(395,344)**
Other items					
Interest and accretion expense	17	(89,346)	(56,625)	(147,333)	(86,402)
Net and comprehensive loss		**$ (1,653,655)**	**$ (246,740)**	**$ (2,783,641)**	**$ (481,746)**
Loss per share – basic and diluted		**$ (0.03)**	**$ (0.01)**	**$ (0.06)**	**$ (0.02)**
Weighted average number of shares outstanding – basic and diluted		**49,259,877**	**30,000,000**	**47,404,458**	**30,000,000**

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

The Very Good Food Company Inc.
Condensed Interim Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)
(Unaudited)

	Share capital				
	Number of shares	**Amount**	**Equity reserves**	**Deficit**	**Total shareholders' deficit**
Balance at January 1, 2019	30,000,000	$ 83	$ –	$ (517,353)	$ (517,270)
Net loss for the period	–	–	–	(246,740)	(246,740)
Balance at June 30, 2019	30,000,000	83	–	(764,093)	(764,010)
Balance at January 1, 2020	45,515,339	2,245,422	272,894	(2,858,897)	(340,581)
Issuance of units for cash	16,100,000	4,025,000	–	–	4,025,000
Issuance of shares for finders' fees	322,000	80,500	–	–	80,500
Share issuance costs	–	(646,108)	176,242	–	(469,866)
Issuance of shares pursuant to the exercise of stock options	262,500	100,470	(34,845)	–	65,625
Issuance of shares pursuant to the exercise of warrants	2,588,536	773,101	–	–	773,101
Issuance of shares pursuant to the conversion of convertible debentures	7,494,716	1,108,222	–	–	1,108,222
Issuance of units for services	166,670	21,240	3,760	–	25,000
Issuance of warrants for services	–	–	80,324	–	80,324
Share-based compensation	–	–	450,011	–	450,011
Net loss for the period	–	–	–	(2,783,641)	(2,783,641)
Balance at June 30, 2020	72,449,761	$ 7,707,847	$ 948,386	$ (5,642,538)	$ 3,013,695

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

The Very Good Food Company Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
(Unaudited)

	Notes	Six months ended June 30, 2020	June 30, 2019
Operating activities			
Net loss for the period		$ (2,783,641)	$ (481,748)
Adjustments for non-cash items:			
Interest and accretion expense		147,333	86,402
Depreciation		154,717	68,927
Share-based compensation		450,011	–
Units issued for services		25,000	–
Warrants issued for services		80,324	–
Changes in non-cash working capital items:			
Accounts receivable		(121,981)	(4,757)
Inventory		(7,656)	–
Prepaids and deposits		(8,858)	(25,146)
Accounts payable and accrued liabilities		627,076	39,388
Deferred revenue		188,849	–
Due from shareholders		24,280	(24,993)
Net cash used in operating activities		(1,224,546)	(341,927)
Investing activities			
Purchase of property and equipment		(112,507)	(50,635)
Net cash used in investing activities		(112,507)	(50,635)
Financing activities			
Proceeds from the issuance of units for cash		3,635,634	–
Proceeds from the exercise of warrants		773,101	–
Proceeds from the exercise of stock options		65,625	–
Proceeds from loans payable	10	499,129	96,400
Repayments of loans payable		(236,128)	(85,889)
Proceeds from loan payable to related parties	13	400,000	–
Repayment of loan payable and accrued interest to related parties		(411,728)	–
Payments of lease liabilities		(82,629)	(127,036)
Payment of non-current lease deposits		(202,735)	–
Proceeds from convertible debt		–	508,416
Net cash provided by financing activities		4,440,269	391,891
Increase (decrease) in cash		3,103,216	(671)
Cash, beginning of period		405,610	13,881
Cash, end of period		**$ 3,508,826**	**$ 13,210**

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

1. Nature and continuance of operations

The Very Good Food Company Inc. (the "Company") was incorporated on December 27, 2016, under the laws of the province of British Columbia, Canada, and its principal activity is the production and distribution of plant based meats, and the operation of a vegan restaurant in Victoria, BC, Canada. The Company changed its name from The Very Good Butchers Inc. to The Very Good Food Company Inc. on October 1, 2019. Effective June 18, 2020, the Company's shares commenced trading on the Canadian Securities Exchange (the "CSE") under the symbol "VERY".

The Company's registered and records office are located at Suite 409 – 221 West Esplanade, North Vancouver, British Columbia, BC V7M 3J3.

These condensed interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to realize its assets and satisfy its liabilities in the normal course of business for the foreseeable future. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The continued operations of the Company are dependent on future profitable operations, management's ability to manage costs, and the future availability of equity or debt financing. Whether and when the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due is uncertain. These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

The recent outbreak of the novel coronavirus COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the Canadian and global economies, disruptions of financial markets, and created uncertainty regarding potential impacts to the Company's supply chain and operations. The COVID-19 pandemic has impacted and could further impact the Company's operations and the operations of the Company's customers, suppliers, and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts the Company's business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Company's customers, suppliers, and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. The management team is closely following the progression of COVID-19 and its potential impact on the Company. Even after the COVID-19 pandemic has subsided, the Company may experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Company cannot reasonably estimate the impact at this time on its business, liquidity, capital resources and financial results.

2. Basis of Presentation

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2019, which have been prepared in accordance with IFRS as issued by IASB. The Company uses the same accounting policies and methods of computation as in the annual financial statements for the year ended December 31, 2019.

Basis of presentation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: The Very Good Butchers Inc. (formerly 1218151 B.C. Ltd.), 1218169 B.C. Ltd., and 1218158 B.C. Ltd., companies incorporated on July 31, 2019, in the province of British Columbia, Canada. All inter-company balances and transactions have been eliminated on consolidation.

These condensed interim consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. The presentation and functional currency of the Company is the Canadian dollar. In the opinion of the Company's management, all adjustments considered necessary for a fair presentation have been included.

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, estimates, and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the period. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Judgments, estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the application of the going concern assumption, net realizable value of inventory, collectability of accounts receivable, carrying value of property and equipment, and right-of-use assets, the fair value measurements for financial instruments, the fair value of share-based payment transactions, and the recoverability and measurement of deferred tax assets.

3. Recently Adopted Accounting Standards

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's condensed interim consolidated financial statements.

(Expressed in Canadian dollars)

4. Accounts receivable

	June 30, 2020	December 31, 2019
Trade accounts receivable	$ 68,094	$ 38,211
GST Input tax credits	126,731	34,633
	$ 194,825	$ 72,844

5. Inventory

Inventory consisted primarily of finished goods, raw materials and packaging supplies, which were either at the retail location or in the office storage space.

	June 30, 2020	December 31, 2019
Finished goods	$ 14,991	$ 22,816
Raw materials	43,339	25,057
Packaging supplies	5,249	8,050
	$ 63,579	$ 55,923

6. Prepaid and deposits

	June 30, 2020	December 31, 2019
Prepaid expenses	$ 22,198	$ 56,341
Security deposits	25,811	26,312
Lease deposit (Note 18)	43,502	–
	$ 91,511	$ 82,653

7. Property and equipment

	Restaurant and Production Equipment	Furniture and Fixtures	Computer Equipment and Software	Leasehold Improvements	Vehicle	Total
Cost:						
At December 31, 2019	$ 195,513	$ 18,030	$ 21,410	$ 70,436	$ 61,222	$ 366,611
Additions	56,030	1,952	1,541	52,984	–	112,507
At June 30, 2020	251,543	19,982	22,951	123,420	61,222	479,118
Depreciation and impairment:						
At December 31, 2019	$ (11,047)	$ (6,113)	$ (13,875)	$ (19,945)	$ (6,122)	$ (57,102)
Depreciation	(20,782)	(1,852)	(5,946)	(10,235)	(6,121)	(44,936)
At June 30, 2020	(31,829)	(7,965)	(19,821)	(30,180)	(12,243)	(102,038)
Net book value:						
At December 31, 2019	$ 184,466	$ 11,917	$ 7,535	$ 50,491	$ 55,100	$ 309,509
At June 30, 2020	$ 219,714	$ 12,017	$ 3,130	$ 93,240	$ 48,979	$ 377,080

(Expressed in Canadian dollars)

8. Right-of-use assets

	Right-of-Use Building	Right-of-Use Equipment	Right-of-Use Vehicle	Total
Cost:				
Balance, December 31, 2019	$ 289,855	$ 216,307	$ –	$ 506,162
Additions	2,005,130	5,990	23,767	2,034,887
Balance, June 30, 2020	2,294,985	222,297	23,767	2,541,049
Depreciation and impairment:				
Balance, December 31, 2019	(68,827)	(43,935)	–	(112,762)
Depreciation	(85,021)	(22,246)	(2,514)	(109,781)
Balance, June 30, 2020	(153,848)	(66,181)	(2,514)	(222,543)
Carrying amounts:				
Balance, December 31, 2019	$ 211,028	$ 172,372	$ –	$ 393,400
Balance, June 30, 2020	$ 2,141,137	$ 156,116	$ 21,253	$ 2,318,506

9. Accounts payables and accrued liabilities

	June 30, 2020	December 31, 2019
Accounts payable	$ 843,616	$ 160,095
Accrued liabilities	15,400	71,680
Government remittances payable	446	531
	$ 859,462	$ 232,306

10. Loans payable and other financing

	June 30, 2020	December 31, 2019
Balance, beginning of period	$ 31,181	$ 66,040
Additions	499,129	127,344
Interest expense	26,667	29,598
Repayments	(236,128)	(191,801)
Balance, end of period	$ 320,849	$ 31,181

The Company's loans payable outstanding as at June 30, 2020 are as follows:

	Opening	Principal	Interest	Repayment	Total
a)	$ 3,070	$ –	$ 75	$ (3,145)	$ –
b)	13,111	39,723	5,335	(19,218)	38,951
c)	15,000	–	–	(15,000)	–
d)	–	42,720	14,221	(55,448)	1,493
e)	–	170,000	5,931	(84,725)	91,206
f)	–	206,686	1,105	(58,592)	149,199
g)	–	40,000	–	–	40,000
Total	$ 31,181	$ 499,129	$ 26,667	$ (236,128)	$ 320,849

10. Loans payable and other financing (continued)

a) On January 15, 2018, the Company entered into a Loan Agreement for net proceeds of $56,550, net of an origination fee of $3,450. The loan was interest bearing at 23.08% per annum, payable monthly, secured against the Company's net assets with personal guarantees from the CEO and a director, and due on January 13, 2020. In addition, the Company paid a fee of $3,450 as issuance costs.

b) On March 20, 2019, the Company entered into a Future Receivables Sale Agreement, whereby the Company agreed to remit a daily payment equal to 15% of future sales up to $64,500 in consideration for proceeds of $50,000. The Company's obligations under the agreement are secured against the Company's assets. On January 21, 2020, the Company entered into a new Future Receivables Sale Agreement with the lender, whereby the remaining balance of $10,277 was renewed and increased to $64,500 in consideration for an additional $39,723. The new agreement carries the same repayment and security terms.

c) On July 1, 2019, the Company entered into a loan agreement for the purchase of a vehicle. The loan was non-interest bearing, secured against the purchased vehicle, and matured on May 1, 2020. Pursuant to the loan agreement, the Company made a down payment of $15,000 on July 1, 2019, and made 10 monthly instalments of $4,000.

d) On January 20, 2020, the Company entered into a Business Loan and Security Agreement for net proceeds of $42,720, net of an original issue discount of $12,460 and an origination fee of $1,780. Pursuant to the agreement, the Company is required to make 113 payments of $504 on each business day until repaid. The loan is secured against the Company's net assets.

e) On May 12, 2020, the Company entered into a Capital Agreement, whereby the Company agreed to remit a daily payment equal to 17% of future sales up to $181,900 in consideration for proceeds of $170,000. The Company's obligations under the agreement are secured against the Company's assets.

f) During the six months ended June 30, 2020, the Company entered into Revenue Share Agreements, whereby the Company agreed to remit a daily payment at rates ranging between 8% and 11% of future sales up to a total of $235,406 in consideration for proceeds of $209,250. The Company's obligations under the agreement are secured against the Company's assets.

g) During the six months ended June 30, 2020, the Company received a loan for $40,000 from the Government of Canada under the Canada Emergency Business Account program ("CEBA"). These funds are interest free until December 31, 2022, at which time the remaining balance will convert to a 3-year term loan at an interest rate of 5% per annum. If the Company repays the loan prior to December 31, 2022, there will be loan forgiveness of 25%, up to $10,000.

(Expressed in Canadian dollars)

11. Convertible debentures

		June 30, 2020		**December 31, 2019**
Balance, beginning of period	$	1,021,265	$	332,505
Additions, net of transaction costs		–		585,116
Interest and accretion expense		86,957		103,644
Conversion of convertible debentures		(1,108,222)		–
Balance, end of period	$	–	$	1,021,265

a) During the year ended December 31, 2018, the Company issued $351,000 in convertible debentures. In connection with the issuance of the debentures, the Company incurred financing costs of $31,113 and received a net amount of $319,887. On January 11, 2019, the Company completed additional financing of $249,000 in convertible debentures from the same lender. In connection with the issuance of the debentures, the Company incurred financing costs of $20,284 and received a net amount of $228,716. The debentures are unsecured, accrue simple interest at 6% per annum and mature on November 30, 2021. The convertible debentures automatically convert at the earlier of:

(i) Qualified financing conversion – if the Company raises gross proceeds of at least $2,000,000, other than convertible notes. The debt will covert at the lower of:

a. 85% of the lowest price sold in the qualify financing; or
b. the price determined by dividing $7,500,000 by the number of outstanding common shares in the capital of the Company on a fully diluted basis.

(ii) Liquidity event – if the Company sells shares or assets, which triggers a change in control. The debt will convert at the lower of:

a. 85% of the price of the highest-ranking shares based on the valuation given at the liquidity event; or
b. the price determined by dividing $7,500,000 by the number of outstanding common shares in the capital of the Company on a fully diluted basis.

(iii) Maturity date – November 30, 2021. The debt will convert at the lower of:

a. 85% of the price per common shares issued by the Company during the 6-month period preceding the maturity date; or
b. the price determined by dividing $7,500,000 by the number of outstanding common shares in the capital of the Company on a fully diluted basis.

As the number of shares to be issued are variable, the convertible debentures are accounted for as a liability with no embedded conversion feature. The financing costs have been netted against the principal balance of the debentures and will be accreted over the term of the debentures using the effective interest method.

During the six months ended June 30, 2020, the Company recognized interest and accretion expense of $53,668 (2019 – $nil).

During the six months ended June 30, 2020, the convertible debentures were converted into 5,084,394 common shares with a fair value of $655,921 upon the completion of a qualified financing.

(Expressed in Canadian dollars)

11. Convertible debentures (continued)

b) On June 20, 2019, the Company completed a financing of debentures in the principal amount of $300,000, which bears compound interest at 1.5% per month, and matures on December 31, 2019. In connection with the issuance of the debentures, the Company paid a finders' fee of $30,000 and received a net amount of $270,000. These debentures become convertible if the Company undergoes a change of control, amalgamation, merger or other business combination resulting in a "going public transaction", or in the process of any such transaction raises funds in excess of $2,000,000 as part of the Company's "going public transaction" ("Qualified Financing"). The debentures will be convertible at a price per share, or per unit, which is equal to the lesser of 85% of the lowest price per share, or unit, sold in the Qualified Financing.

As the number of shares to be issued are variable, the convertible debentures are accounted for as a liability with no embedded conversion feature. The convertible debentures are accreted up over the payment term using the effective interest method. During the six months ended June 30, 2020, the Company recognized interest and accretion expense of $30,663.

During the six months ended June 30, 2020, the convertible debentures were converted into 1,692,995 common shares with a fair value of $359,762 upon the completion of a Qualified Financing.

c) During the year ended December 31, 2019, the Company entered into convertible promissory notes totaling $86,400, of which $75,000 were received for cash and $11,400 in consideration for consulting fees. The debentures have the same terms as the convertible debentures in a).

During the six months ended June 30, 2020, the Company recognized interest expense totaling $2,626.

During the six months ended June 30, 2020, the convertible promissory notes were converted into 717,327 common shares with a fair value of $92,540 upon the completion of a qualified financing.

12. Lease liabilities

Lease liabilities consist of leases for retail and storage space, and restaurant production equipment. The leases have been discounted using a 10.28% weighted average interest rate.

Lease liability at December 31, 2019	$	392,472
Additions		2,034,886
Less: lease payments		(82,629)
Interest expense		21,902
Lease liability at June 30, 2020		2,366,631
Less: current portion		(243,778)
Long-term portion	$	2,122,853

(Expressed in Canadian dollars)

12. Lease liabilities (continued)

The Company's future minimum lease payments for the retail and storage space leases and equipment is as follows:

	Retail and Storage Space	Equipment	Vehicle	Total
Fiscal year ending December 31, 2020	$ 167,154	$ 49,310	$ 4,085	$ 220,549
Fiscal year ending December 31, 2021	435,265	80,362	8,389	524,016
Fiscal year ending December 31, 2022	414,363	13,930	8,078	436,371
Fiscal year ending December 31, 2023	368,333	2,100	8,078	378,511
Fiscal year ending December 31, 2024	2,406,098	–	311	2,406,409
Total lease payments	3,791,213	145,702	28,941	3,965,856
Amounts representing interest over the term of the lease	(1,574,252)	(17,948)	(7,025)	(1,599,225)
Present value of net lease payments	2,216,961	127,754	21,916	2,366,631
Less: Current portion	(165,185)	(73,647)	(4,946)	(243,778)
Long-term portion	$2,051,776	$ 54,107	$ 16,970	$2,122,853

13. Related party balances

Related party balances

As at June 30, 2020, the Company has $nil (December 31, 2019 – $18,722) owing from the Chief Executive Officer, director and significant shareholder of the Company for expenses paid on behalf of the Company and wages payable. The amount is unsecured, non-interest bearing and has no fixed terms of repayment.

As at June 30, 2020, the Company has $nil (December 31, 2019 – $5,558) owing from a director of the Company for expenses paid on behalf of the Company and wages payable. The amount is unsecured, non-interest bearing and has no fixed terms of repayment.

As at June 30, 2020, the Company has $nil (December 31, 2019 – $3,413) owing to the Chief Financial Officer, director and executive consultant of the Company, which is included in accounts payable and accrued liabilities. The amount is unsecured, non-interest bearing and has no fixed terms of repayment.

As at June 30, 2020, the Company has $nil (December 31, 2019 – $5,815) owing from the Chief Financial Officer, director and executive consultant of the Company, which is included in prepaids and deposits for prepayment of professional fees.

On February 11, 2020, the Company entered into a loan agreement with the Chief Executive Officer of the Company and a director of the Company (the "Lenders"), whereby the Lenders agreed to loan the Company up to a maximum aggregate loan amount of $1,200,000 (the "Principal"), in three equal tranches of $400,000. The outstanding amount of the Principal matures on May 11, 2021, and bears interest from and after the date of each advance until repayment at the rate of 0.67% per month, simple interest. The Company also executed a general security agreement with the Lenders, which creates a security interest over all present and after acquired personal property of the Company. The Company received one tranche of $400,000, and during the six months ended June 30, 2020, the Company repaid the principal balance of $400,000 and interest of $11,728.

13. Related party balances (continued)

Related party transactions

During the six months ended June 30, 2020, $99,121 (2019 – $17,427) was incurred as salaries to the CEO and a director of the Company.

During the six months ended June 30, 2020, the Company incurred $100,406 (2019 – $nil) of professional fees to the Chief Financial Officer, director and executive consultant of the Company, of which $25,000 was paid by the issuance of 166,670 units. Each unit consists of one common share and one-half of share purchase warrant exercisable at a price of $0.30 per share for a period of 12 months from issuance, subject to early acceleration in certain circumstances.

During the six months ended June 30, 2020, $292,285 (2019 – $nil) was recognized as share-based payments for stock options granted to the officers and directors of the Company.

14. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

On June 17, 2020, the Company completed its Initial Public Offering (the “Offering”) consisting of 16,100,000 common shares for proceeds of $4,025,000. The Company paid a commission of $322,000 (representing 8% of the gross proceeds realized from the offering) of which $241,500 was paid in cash and $80,500 through the issuance of 322,000 Common Shares at a price of $0.25 per common share. The Company also granted 1,288,000 warrants exercisable to purchase common shares at a price of $0.25 per common share until June 17, 2021 (the "Agent's Warrants").

In addition, the Company has granted 500,000 warrants to the agent for financial advisory services, exercisable at a price of $0.25 per share at any time after the volume weighted average price of the common shares is equal to or exceeds $0.62 until December 17, 2021 (the "Advisory Warrants").

On June 17, 2020, the Company issued 7,494,716 common shares pursuant to the conversion of $1,108,222 of convertible debentures and related accrued interest (Note 11).

On June 23, 2020, the Company issued 525,000 common shares pursuant to the exercise of stock options at $0.25 per share for gross proceeds of $131,250.

During the six months ended June 30, 2020, the Company issued 69,200 common shares pursuant to the exercise of warrants at $0.25 per share for gross proceeds of $17,300.

During the six months ended June 30, 2020, the Company issued 2,539,336 common shares pursuant to the exercise of warrants at $0.30 per share for gross proceeds of $761,801.

During the six months ended June 30, 2020, pursuant to an executive management services agreement entered into July 15, 2019 with the Chief Financial Officer, director and executive consultant of the Company, the Company issued 166,670 units with a fair value of $25,000, of which $3,760 was allocated to warrants. Each unit issued was comprised of one common share and one-half of share purchase warrant exercisable at a price of $0.30 per share for a period of 12 months from issuance, subject to early acceleration in certain circumstances.

(Expressed in Canadian dollars)

15. Warrants

The following table summarizes information about the warrants at June 30, 2020, and the changes for the period then ended:

	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning of the period	7,757,670	$ 0.30
Issued	1,871,335	0.25
Exercised	(2,588,536)	0.30
Warrants outstanding, end of the period	7,040,469	$ 0.29

The Company's warrants are exercisable only for common shares. The following table summarizes information about warrants outstanding and exercisable at June 30, 2020:

Exercise price	Expiry date	Warrants outstanding	Weighted average remaining contracted life (years)
$ 0.30	July 31, 2020	3,819,999	0.08
$ 0.30	August 16, 2020	1,335,000	0.13
$ 0.30	August 30, 2020	16,667	0.17
$ 0.30	September 30, 2020	16,667	0.25
$ 0.30	October 31, 2020	16,667	0.34
$ 0.30	November 30, 2020	16,667	0.42
$ 0.30	December 31, 2020	16,667	0.50
$ 0.30	January 31, 2021	16,667	0.59
$ 0.30	February 28, 2021	16,667	0.67
$ 0.30	March 31, 2021	16,667	0.75
$ 0.30	April 30, 2021	16,667	0.83
$ 0.30	May 31, 2021	16,667	0.92
$ 0.25	June 17, 2021	1,218,800	0.96
$ 0.25	December 17, 2021	500,000	1.47

The fair value of warrants issued for services was determined to be $3,760 and estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	2020
Risk-free interest rate	1.23%
Dividend yield	0%
Expected volatility	150%
Expected life (years)	1.0
Forfeiture rate	0%

(Expressed in Canadian dollars)

16. Stock options

The Company's Board of Directors approved a stock incentive plan in accordance with the policies of the Canadian Securities Exchange (the "Exchange"). The Board of Directors is authorized to grant options to directors, officers, consultants or employees to acquire up to 10% of the issued and outstanding common shares of the Company. The exercise price will not be less than $0.10 per share and the market price of the common shares on the trading day immediately preceding the date of the grant, less applicable discounts permitted by the Exchange. The options that may be granted under this plan must be exercisable for over a period of not exceeding 5 years.

The following table summarizes the continuity of the Company's stock options at June 30, 2020, and the changes for the period then ended:

	Number of options	Weighted average exercise price
Outstanding, beginning of the period	1,513,500	$ 0.25
Granted	3,620,000	0.29
Exercised	(262,500)	0.25
Outstanding, end of the period	4,871,000	$ 0.28
Exercisable, end of the period	3,374,333	$ 0.26

Additional information regarding stock options outstanding as at June 30, 2020, is as follows:

Exercise price	Stock options outstanding	Stock options exercisable	Expiry date
$ 0.25	1,401,000	1,401,000	December 31, 2024
$ 0.25	2,950,000	1,800,000	January 1, 2025
$ 0.25	400,000	133,333	June 17, 2025
$ 1.31	120,000	40,000	June 24, 2025
	4,871,000	3,374,333	

The weighted average remaining life of options outstanding is 4.56 years.

Share-based compensation expense is determined using the Black-Scholes option pricing model. During the six months ended June 30, 2020, the Company recognized share-based compensation expense of $450,011 (2019 - $nil) in equity reserves, of which $292,285 (2019 - $nil) pertains to directors and officers of the Company. The weighted average fair value of options granted during the six months ended June 30, 2020, was $0.19 (2019 - $nil) per share. Weighted average assumptions used in calculating the fair value of share-based compensation expense are as follows:

	2020	2019
Risk-free interest rate	1.49%	–
Dividend yield	0%	–
Expected volatility	150%	–
Expected life (years)	5.0	–
Forfeiture rate	0%	–

(Expressed in Canadian dollars)

17. Interest expense

Interest expense is comprised of the following:

	Six months ended June 30, 2020	Six months ended June 30, 2019
Interest and accretion on short term loans (Note 10)	$ 26,667	$ 16,936
Interest on lease liabilities (Note 12)	21,902	21,679
Interest and accretion on convertible debentures (Note 11)	86,957	47,787
Interest and accretion on related party loan (Note 13)	11,728	–
Other interest	79	–
	$ 147,333	$ 86,402

18. Commitments

Finance leases

a) On December 22, 2017, the Company entered into a lease agreement for the retail and storage space located at 6-1701 Douglas Street, Victoria, BC. The lease is for a 5-year term, commencing on August 1, 2017 and expiring on July 31, 2022. The base rent due under the lease agreement is $1,252 per month during the first year and increases each subsequent year. For years 2-5, the monthly rent payable is equal to the current monthly minimum rent multiplied by the annual increase of the Consumer Price Index ("CPI") for the current lease year just ended over the previous lease year. CPI is defined as the consumer price index for the Greater Victoria Area issued by any bureau of statistics for the Government of Canada. The Company will also pay additional rent equivalent to 4% of the Company's gross retail sales, excluding sales from wholesale orders, in excess of $2,000,000 per annum.

b) On March 28, 2018, the Company entered into four lease agreements for restaurant production equipment. The leases are for a 3-year term, expiring on March 28, 2021. The Company is required to make 156 weekly payments of $289. At the expiration of the 36th month, the Company shall have the option to purchase the equipment for the price of $10 plus applicable taxes.

c) On January 1, 2019, the Company entered into a sub-lease agreement for kitchen and retail space located at 2527 Government Street, Victoria, BC. The lease is for a 4.5-year term, expiring on June 30, 2023. The base rent due under the sub-lease agreement is $3,950 per month for the period from January 1 to June 30, 2019, $4,350 per month for the period from July 1, 2019 to June 30, 2020, $4,600 per month for the period from July 1, 2020 to June 30, 2021, $4,800 per month for the period from July 1, 2021 to June 30, 2022, and $5,050 per month for the period from July 1, 2022 to June 30, 2023.

   Also, in relation to the January 1, 2019 sub-lease agreement, the Company entered into a rental agreement for the use of fixtures and equipment located at 2527 Government Street, Victoria, BC. The lease is for a 4.5-year term, expiring on June 30, 2023. The rent due under the rental agreement is $250 per month for the period from January 1, 2019 to June 30, 2020, $300 per month for the period from July 1, 2020 to June 30, 2021, and $350 per month for the period from July 1, 2021 to June 30, 2023.

(Expressed in Canadian dollars)

18. Commitments (continued)

d) On January 9, 2019, the Company entered into a lease agreement for restaurant production equipment. The lease is for a 3-year term, expiring on January 9, 2022. The Company is required to make 36 monthly payments of $1,858. At the expiration of the 36th month, the Company shall have the option to purchase the equipment for $10.

e) On January 9, 2019, the Company entered into a lease agreement for restaurant production equipment. The lease is for a 3-year term, expiring on January 9, 2022. The Company is required to make 36 monthly payments of $2,232.

f) On March 27, 2019, the Company entered into three lease agreements for equipment. The leases are for a 3-year term, expiring on March 27, 2022. The Company is required to make 156 weekly payments of $188.

g) On October 2, 2019, the Company entered into a lease agreement for restaurant production equipment. The lease is for a 3-year term, expiring on October 2, 2022. The Company is required to make weekly payments of $187.

h) On February 14, 2020, the Company entered into a lease agreement for restaurant production equipment. The lease is for a 2-year term, expiring on February 14, 2022. The Company is required to make weekly payments of $77.

i) On April 8, 2020, the Company entered into a lease agreement for the storage space located at 2612-2630 Bridge Street, Victoria, BC. The lease is for 2 years and 16 days, commencing on April 15, 2020 and expiring on April 30, 2022. The base rent due under the lease agreement is $1,445 per month during the first year and $1,576 per month during the second year.

Operating leases

As at June 30, 2020, future payments required under non-cancellable operating leases contracted for but not capitalized in the financial statements are as follows:

Fiscal year ending December 31, 2020	$	2,804
Fiscal year ending December 31, 2021		4,861
Fiscal year ending December 31, 2022		487
	$	8,152

During the six months ended June 30, 2020, the Company recognized an expense of $11,666 (2019 – $19,174) resulting from minimum lease payments incurred.

Other commitments

a) On July 15, 2019 the Company entered into an executive consulting agreement pursuant to which they engaged Mr. Bonnell as our Chief Financial Officer, director and executive advisor. Under the terms of the agreement, Mr. Bonnell is paid $5,000 on the 1st day of each month and $5,000 in units, at a price per unit of equal to the greater of $0.15 and the market price of the common shares. Each unit issued is comprised of one common share and one-half of share purchase warrant exercisable at a price of $0.30 per share for a period of 12 months from issuance, subject to early acceleration in certain circumstances. The agreement does not contain any provisions regarding to change of control severance packages and is currently extended on a month to month basis.

18. Commitments (continued)

b) On January 22, 2020, the Company entered into a lease for a restaurant, research and development, production, and distribution facility in Vancouver, B.C., which commences September 1, 2020 for a 10-year term. Pursuant to the lease agreement, the annual base rent is $332,832 per annum for years 1-3, $348,434 per annum for years 4-6, and $369,236 per annum for years 7-10. The Company paid a security deposit of $246,237, which will be applied towards the rent due for each of the 3rd, 13th, and 25th months of the term, with the balance being held as a security deposit. Of this amount, $43,502 (Note 6) is presented as current asset and the remaining balance as non-current asset. The lease agreement includes an option to renew for two consecutive five-year periods.

19. Events after the reporting period

a) On July 7, 2020, the Company incorporated a subsidiary, VGFC Holding LLC, in the State of Delaware.

b) On July 10, 2020, the Company issued 408,456 common shares pursuant to the settlement of $102,114 owing to a vendor.

c) On July 10, 2020, the Company entered into two consulting agreements for advisory, consulting, and investor relations services each with terms of 2 months in consideration for $75,000 and US$125,000, respectively.

d) Effective July 27, 2020, the Company entered into a Digital Marketing Agreement with two third party companies, whereby the Company will receive online marketing services for a term of 45 days in consideration for US$108,000 and $125,000, respectively.

e) On August 7, 2020, the Company completed a prospectus offering of 6,555,000 units at $1.30 per unit for gross proceeds of $8,521,500. Each unit consists of one common share and one-half of one warrant, with each whole warrant entitling the holder to purchase one additional common share at $2.00 until February 7, 2022. In connection with the offering, the Company agreed to pay an agent a cash commission of 8% of the gross proceeds of the offering and brokers warrants equal to 8% of the aggregate number of units sold pursuant to the offering, with each broker warrant exercisable to acquire one unit at $1.30 per unit until February 7, 2022. Each unit consisted of one common share and one-half of one warrant, with each whole warrant exercisable at $2.00 until February 7, 2022. The agent also received a corporate finance fee of 80,000 units, which consisted of one common share and one-half of one warrant, with each whole warrant exercisable at $2.00 until February 7, 2022.

f) On August 13, 2020, the Company completed a private placement of 88,462 units at $1.30 per unit for gross proceeds of $115,000. Each unit consists of one common share and one-half of one warrant, with each whole warrant entitling the holder to purchase one additional common share at $2.00 until February 13, 2022.

g) On August 13, 2020, the Company issued 45,000 warrants for services rendered to the Company's Chief Operating Officer. The warrants have a term of 12 months and the exercise price will be based on the closing price of the Company's common shares on the last trading day of the second month after issuance.

h) On August 25, 2020, the Company entered into an investor relations agreement for a term of 90 days in consideration for US$200,000.

19. Events after the reporting period (continued)

i) On July 21, 2020, the Company entered into a consulting agreement for a term of 120 days in consideration for US$70,000, of which US$50,000 is payable in common shares of the Company and US$20,000 is payable in cash. The number of common shares issuable will be determined based on the closing price on the last trading day prior to the date of the consultants' monthly invoice less a 10% discount. On August 25, 2020, the Company issued 12,305 common shares pursuant to the consulting agreement.

j) Subsequent to June 30, 2020, the Company issued a total of 262,500 common shares pursuant to the exercise of stock options at $0.25 per share for gross proceeds of $65,625.

k) Subsequent to June 30, 2020, the Company issued a total of 5,171,669 common shares pursuant to the exercise of warrants at $0.30 per share for gross proceeds of $1,551,501.

l) Subsequent to June 30, 2020, the Company issued 2,420 common shares pursuant to the exercise of agent's warrants at $0.25 per share for gross proceeds of $605.

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