

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended December 31, 2020

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-54030

**NATURALSHRIMP INCORPORATED**

(Exact name of registrant as specified in its charter)

Nevada

(State or other Jurisdiction of Incorporation or Organization)

74-3262176

(I.R.S. Employer Identification No.)

15150 Preston Road, Suite #300  
Dallas, Texas

(Address of Principal Executive Offices)

75248

(Zip Code)

(888) 791-9474

(Registrant's telephone number, including area code)

N/A

(Former address)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading symbol(s)</u>	<u>Name of exchange on which registered</u>
None	N/A	N/A

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See the definitions of "large accelerated filer," "accelerated filer," a "smaller reporting company" and an "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act:

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of February 16, 2021, there were 551,301,181 shares of the registrant's common stock outstanding.

NATURALSHRIMP INCORPORATED  
FORM 10-Q  
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2020

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NATURALSHRIMP INCORPORATED AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	December 31, 2020	March 31, 2020
	(unaudited)	
Current assets		
Cash	\$ 311,848	\$ 109,491
Prepaid expenses	778,019	128,693
Insurance settlement	-	917,210
Total current assets	<u>1,089,867</u>	<u>1,155,394</u>
Fixed assets	12,286,515	707,808
Other assets		
Construction-in-process	1,719,945	-
Right of Use asset	275,400	275,400
Deposits	20,633	178,198
Total other assets	<u>2,015,978</u>	<u>453,598</u>
Total assets	<u>\$ 15,392,360</u>	<u>\$ 2,316,800</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	\$ 896,379	\$ 641,146
Accrued interest	64,246	81,034
Accrued interest - related parties	175,520	296,624
Other accrued expenses	628,204	1,204,815
Short-term Promissory Note and Lines of credit	575,910	570,497
Bank loan	8,438	8,904
PPP loan	103,200	-
Convertible debentures	-	463,161
Notes payable - related parties	1,247,162	1,221,162
Dividends payable	182,639	-
Derivative liability	-	176,000
Warrant liability	-	90,000
Total current liabilities	<u>3,881,698</u>	<u>4,753,343</u>
Bank loans, less current maturities	208,493	225,837
Notes payable	5,000,000	-
Note payable - related party, less current maturities	239,604	-
Lease Liability	275,400	275,400
Total liabilities	<u>9,605,195</u>	<u>5,254,580</u>
Commitments and contingencies (Note 11)		
Series D Redeemable Convertible Preferred stock, \$0.0001 par value, 20,000 shares authorized, 5,000 and 0 shares issued and outstanding at December 31, 2020 and March 31, 2020, respectively	208,333	-
Stockholders' deficit		
Series A Convertible Preferred stock, \$0.0001 par value, 5,000,000 shares authorized, 5,000,000 shares issued and outstanding at December 31, 2020 and March 31, 2020	500	500
Series B Convertible Preferred stock, \$0.0001 par value, 5,000 shares authorized, 1,920 and 2,250 shares issued and outstanding at December 31, 2020 and March 31, 2020, respectively	-	-
Common stock, \$0.0001 par value, 900,000,000 shares authorized, 544,989,181 and 379,742,524 shares issued and outstanding at December 31, 2020 and March 31, 2020, respectively	54,500	37,975
Additional paid in capital	55,437,431	43,533,242
Stock Payable	135,000	-
Accumulated deficit	(49,961,843)	(46,427,396)
Total stockholders' deficit attributable to NaturalShrimp, Inc. shareholders	<u>5,665,588</u>	<u>(2,855,679)</u>
Non-controlling interest in NAS	(86,756)	(82,101)
Total stockholders' deficit	<u>5,578,832</u>	<u>(2,937,780)</u>
Total liabilities mezzanine and stockholders' deficit	<u>\$ 15,392,360</u>	<u>\$ 2,316,800</u>

The accompanying footnotes are in integral part of these condensed consolidated financial statements.

**NATURALSHRIMP INCORPORATED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	For the Three Months Ended		For the Nine months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Sales	\$ -	\$ -	\$ -	\$ -
Operating expenses:				
General and administrative	394,654	306,834	1,131,662	944,571
Research and development	-	101,500	79,550	101,500
Facility operations	154,470	41,375	234,113	180,934
Depreciation and amortization	18,173	15,958	37,850	41,521
Total operating expenses	<u>567,297</u>	<u>465,667</u>	<u>1,483,175</u>	<u>1,268,526</u>
Net loss from operations	(567,297)	(465,667)	(1,483,175)	(1,268,526)
Other income (expense):				
Interest expense	(42,541)	(40,820)	(102,057)	(160,351)
Amortization of debt discount	-	(38,831)	-	(515,204)
Financing costs	-	(53,528)	(64,452)	(217,746)
Change in fair value of derivative liability	-	58,000	(29,000)	19,000
Change in fair value of warrant liability	-	-	-	-
Loss on warrant settlement	-	-	-	(50,000)
Total other income (expense)	<u>(42,541)</u>	<u>(75,179)</u>	<u>(195,509)</u>	<u>(924,301)</u>
Loss before income taxes	(609,838)	(540,846)	(1,678,684)	(2,192,827)
Provision for income taxes	-	-	-	-
Net loss	(609,838)	(540,846)	(1,678,684)	(2,192,827)
Less net loss attributable to non-controlling interest	(1,074)	-51363	(4,655)	(51,363)
Net loss attributable to NaturalShrimp Inc.	<u>(608,764)</u>	<u>(489,483)</u>	<u>(1,674,029)</u>	<u>(2,141,464)</u>
Amortization of beneficial conversion feature on PS	(443,333)	(380,000)	(1,543,333)	(380,000)
Dividends	(172,291)	-	(317,083)	-
Net loss available for common stockholders	<u>\$ (1,224,388)</u>	<u>\$ (869,483)</u>	<u>\$ (3,534,445)</u>	<u>\$ (2,521,464)</u>
EARNINGS PER SHARE (Basic and diluted)	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
	<u>451,549,772</u>	<u>345,260,292</u>	<u>419,177,832</u>	<u>326,835,226</u>

The accompanying footnotes are in integral part of these condensed consolidated financial statements.

**NATURALSHRIMP INCORPORATED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
(Unaudited)

	Series A Preferred stock		Series B Preferred stock		Common stock		Additional paid	Stock	Accumulated	Non-	Total
	Shares	Amount	Shares	Amount	Shares	Amount	in Capital	Payable	deficit	controlling interest	stockholders' deficit
Balance March 31, 2020	5,000,000	\$ 500	2,250	\$ -	379,742,524	\$ 37,975	\$ 43,533,243	-	\$ (46,427,396)	\$ (82,101)	(2,937,780)
Issuance of common stock upon conversion					37,926,239	3,793	222,644				226,437
Reclass of derivative liability upon conversion or redemption of related convertible debentures							205,000				205,000
Purchase of Series B Preferred shares			1,250	-			1,250,000				1,250,000
Beneficial conversion feature related to the Series B Preferred Shares							293,000		(293,000)		-
Dividends payable on Series B PS									(144,792)		(144,792)
Series B PS Dividends in kind issued			50	-			56,458				56,458
Conversion of Series B PS to common stock			(800)	-	33,569,730	3,357	(3,357)				-
Common stock issued in Vista Warrant settlement					17,500,000	1,750	608,250				610,000
Reclass of warrant liability upon the cancellation of warrants under Vista Warrant settlement							90,000				90,000
Common stock issued to consultant					1,250,000	125	61,125				61,250
Net loss									(477,072)	(1,895)	(478,967)
Balance June 30, 2020	<u>5,000,000</u>	<u>\$ 500</u>	<u>2,750</u>	<u>\$ -</u>	<u>469,988,493</u>	<u>\$ 47,000</u>	<u>\$ 46,316,363</u>	<u>\$ -</u>	<u>\$ (47,342,260)</u>	<u>\$ (83,996)</u>	<u>\$ (1,062,394)</u>
Issuance of common stock upon conversion					1,014,001	101	125,635				125,736
Purchase of Series B Preferred shares			1,250	-			1,250,000				1,250,000
Beneficial conversion feature related to the Series B Preferred Shares			65	-			807,000		(807,000)		-
Dividends payable on Series B PS									(83,960)		(83,960)
Series B PS Dividends in kind issued							77,984				77,984
Conversion of Series B PS to common stock			(2,369)	-	58,521,249	5,852	(5,852)				-
Common stock issued to consultant					1,500,000	150	67,350				67,500
Net loss									(588,193)	(1,686)	(589,879)
Balance September 30, 2020	<u>5,000,000</u>	<u>\$ 500</u>	<u>1,696</u>	<u>\$ -</u>	<u>531,023,743</u>	<u>\$ 53,103</u>	<u>\$ 48,638,480</u>	<u>\$ -</u>	<u>\$ (48,821,413)</u>	<u>\$ (85,682)</u>	<u>\$ (215,012)</u>
Issuance of common stock upon conversion					795,387	80	198,768				198,848
Purchase of Series B Preferred shares			750	-			750,000				750,000
Beneficial conversion feature related to the Series B Preferred Shares							235,000		(235,000)		-
Dividends payable on Series B Preferred Shares									(88,333)		(88,333)
Conversion of Series B Preferred Shares to common stock			(526)	-	5,670,051	567	(567)				-
Beneficial conversion feature related to the Series D Preferred Shares							5,000,000				5,000,000
Amortization of beneficial conversion feature related to Series D Preferred Shares									(208,333)		(208,333)
Commitment shares issued with Series D Preferred Shares					6,000,000	600	(600)				-
Common stock issued to consultant					1,500,000	150	616,350				616,500
Common stock to be issued as finder's fees related to asset acquisition								135,775			135,775
Net loss									(608,764)	(1,074)	(609,838)
Balance December 31, 2020	<u>5,000,000</u>	<u>\$ 500</u>	<u>1,920</u>	<u>\$ -</u>	<u>544,989,181</u>	<u>\$ 54,500</u>	<u>\$ 55,437,431</u>	<u>135,775</u>	<u>\$ (49,961,843)</u>	<u>\$ (86,756)</u>	<u>\$ 5,579,607</u>

	Series A Preferred stock		Series B Preferred stock		Common stock		Additional paid in Capital	Stock Receivable	Accumulated deficit	Non-controlling interest	Total stockholders' deficit
	Shares	Amount	Shares	Amount	Shares	Amount					
Balance April 1, 2019	5,000,000	500			301,758,293	30,177	38,335,782		(41,223,445)		(2,856,986)
Issuance of shares under equity financing agreement					11,482,721	1,148	1,498,852				1,500,000
Issuance of shares upon conversion					3,000,000	300	29,700				30,000
Beneficial conversion feature							58,548				58,548
Net loss									(795,270)	-	(795,270)
Balance June 30, 2019	<u>5,000,000</u>	<u>\$ 500</u>	<u>-</u>	<u>\$ -</u>	<u>316,241,014</u>	<u>\$ 31,625</u>	<u>\$ 39,922,882</u>	<u>-</u>	<u>\$ (42,018,715)</u>	<u>\$ -</u>	<u>\$ (2,063,708)</u>
Purchase of Series B Preferred shares			250	-			250,000				250,000
Issuance of shares upon conversion					14,000,000	1,400	138,600				140,000
Issuance of shares under equity financing agreement					3,275,060	326	273,675			#	274,001
Net loss									(856,711)		(856,711)
Balance September 30, 2019	<u>5,000,000</u>	<u>\$ 500</u>	<u>250</u>	<u>\$ -</u>	<u>333,516,074</u>	<u>\$ 33,351</u>	<u>\$ 40,585,157</u>	<u>-</u>	<u>\$ (42,875,426)</u>	<u>-</u>	<u>\$ (2,256,418)</u>
Purchase of Series B Preferred shares			1,250	-			1,250,000				1,250,000
Issuance of shares upon conversion					20,600,461	2,060	211,388				213,448
Reclass of derivative liability upon conversion of related convertible debentures							8,000				8,000
Beneficial conversion feature related to the Series B Preferred Shares							380,000		(380,000)		-
Net loss									(489,483)	(51,363)	(540,846)
Balance December 31, 2019	<u>5,000,000</u>	<u>\$ 500</u>	<u>1,500</u>	<u>\$ -</u>	<u>354,116,535</u>	<u>\$ 35,411</u>	<u>\$ 42,434,545</u>	<u>-</u>	<u>\$ (43,744,909)</u>	<u>-</u>	<u>\$ (1,325,816)</u>

The accompanying footnotes are in integral part of these condensed consolidated financial statements.

**NATURALSHRIMP INCORPORATED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	For the Nine Months Ended	
	December 31, 2020	December 31, 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss attributable to NaturalShrimp Inc.	\$ (1,674,029)	\$ (2,141,464)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation expense	37,850	41,521
Amortization of debt discount	-	515,204
Change in fair value of derivative liability	29,000	(19,000)
Default penalty	41,112	27,000
Net loss attributable to non-controlling interest	(4,655)	(51,363)
Shares issued for services	745,250	-
<b>Changes in operating assets and liabilities:</b>		
Prepaid expenses and other current assets	(649,326)	(91,643)
Deposits	-	(10,133)
Accounts payable	255,231	56,002
Other accrued expenses	143,793	180,728
Accrued interest	29,959	-
Accrued interest - related parties	32,096	(10,560)
<b>Cash used in operating activities</b>	<b>(1,013,719)</b>	<b>(1,503,708)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash paid for machinery and equipment	(1,481,558)	(611,790)
Cash paid for asset acquisition with VeroBlue Farms, Inc.	(5,000,000)	-
Cash received from Insurance settlement	917,210	-
Cash paid for construction in process	(1,562,380)	(541,735)
<b>CASH USED IN INVESTING ACTIVITIES</b>	<b>(7,126,728)</b>	<b>(1,153,525)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on bank loan	(17,810)	(5,989)
Payment of related party notes payable	(48,000)	-
Repayment line of credit short-term	5,413	(110,788)
Proceeds from PPP loan	103,200	-
Proceeds from issuance of common shares under equity agreement	-	1,774,001
Proceeds from sale of Series B Convertible Preferred stock	3,250,000	1,500,000
Proceeds from convertible debentures	-	100,000
Proceeds from sale of Series D PS	5,000,000	(85,500)
Payments on convertible debentures, related party	-	(69,000)
Cash received in relation to Vista warrant settlement	50,000	-
<b>Cash provided by financing activities</b>	<b>8,342,803</b>	<b>3,102,724</b>
<b>NET CHANGE IN CASH</b>	<b>202,357</b>	<b>445,491</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>109,491</b>	<b>137,499</b>
<b>CASH AT END OF PERIOD</b>	<b>\$ 311,848</b>	<b>\$ 582,990</b>
<b>INTEREST PAID</b>	<b>\$ 69,961</b>	<b>\$ 170,911</b>
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities:</b>		
Shares issued upon conversion	\$ 1,131,824	\$ 383,448
Right of Use asset and Lease liability	\$ -	\$ 275,400
Dividends in kind issued	\$ 134,446	\$ -
Shares issued on Vista Warrant settlement	\$ 610,000	\$ -
Note payable, related party, issued in place of Settlement Agreement	\$ 383,604	\$ -
Notes payable, issued as consideration in VeroBlue Farms, Inc. asset acquisition	\$ 5,000,000	\$ -
Shares payable, to be issued as finders fee in VeroBlue Farms, Inc. asset acquisition	\$ 135,775	\$ -

The accompanying footnotes are in integral part of these condensed consolidated financial statements.

**NATURALSHRIMP INCORPORATED AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2020**  
**(Unaudited)**

**NOTE 1 – NATURE OF THE ORGANIZATION AND BUSINESS**

*Nature of the Business*

NaturalShrimp Incorporated (“NaturalShrimp” or the “Company”), a Nevada corporation, is a biotechnology company and has developed a proprietary technology that allows it to grow Pacific White shrimp (*Litopenaeus vannamei*, formerly *Penaeus vannamei*) in an ecologically controlled, high-density, low-cost environment, and in fully contained and independent production facilities. The Company’s system uses technology which allows it to produce a naturally-grown shrimp “crop” weekly, and accomplishes this without the use of antibiotics or toxic chemicals. The Company has developed several proprietary technology assets, including a knowledge base that allows it to produce commercial quantities of shrimp in a closed system with a computer monitoring system that automates, monitors and maintains proper levels of oxygen, salinity and temperature for optimal shrimp production. Its initial production facility is located outside of San Antonio, Texas.

The Company has two wholly-owned subsidiaries including NaturalShrimp Corporation, NaturalShrimp Global, Inc. and 51% owned Natural Aquatic Systems, Inc. (“NAS”).

*Going Concern*

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”), assuming the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. For the nine months ended December 31, 2020, the Company had a net loss available for common stockholders of approximately \$3,534,000. As of December 31, 2020, the Company had an accumulated deficit of approximately \$49,962,000 and a working capital deficit of approximately \$2,792,000. These factors raise substantial doubt about the Company’s ability to continue as a going concern, within one year from the issuance date of this filing. The Company’s ability to continue as a going concern is dependent on its ability to raise the required additional capital or debt financing to meet short and long-term operating requirements. During the nine months ended December 31, 2020, the Company received net cash proceeds of \$3,250,000 from the sale of 3,250 Series B Preferred shares and \$5,000,000 from the sale of 5,000 Series D Preferred shares. Management believes that private placements of equity capital will be needed to fund the Company’s long-term operating requirements. The Company may also encounter business endeavors that require significant cash commitments or unanticipated problems or expenses that could result in a requirement for additional cash. If the Company raises additional funds through the issuance of equity, the percentage ownership of its current shareholders could be reduced, and such securities might have rights, preferences or privileges senior to our common stock. Additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available or are not available on acceptable terms, the Company may not be able to take advantage of prospective business endeavors or opportunities, which could significantly and materially restrict our operations. The Company continues to pursue external financing alternatives to improve its working capital position. If the Company is unable to obtain the necessary capital, the Company may be unable to develop its facilities and enter in production.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation*

The accompanying unaudited financial information as of and for the three and nine months ended December 31, 2020 and 2019 has been prepared in accordance with GAAP in the U.S. for interim financial information and with the instructions to Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, such financial information includes all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of our financial position at such date and the operating results and cash flows for such periods. Operating results for the three and nine months ended December 31, 2020 are not necessarily indicative of the results that may be expected for the entire year or for any other subsequent interim period.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to the rules of the U.S. Securities and Exchange Commission, or the SEC. These unaudited financial statements and related notes should be read in conjunction with our audited financial statements for the year ended March 31, 2020 included in the Company’s Annual Report on Form 10-K filed with the SEC on June 26, 2020.

The condensed consolidated balance sheet as of March 31, 2020 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles in the U.S. for complete financial statements.

#### *Consolidation*

The consolidated financial statements include the accounts of NaturalShrimp Incorporated and its wholly-owned subsidiaries, NaturalShrimp Corporation, NaturalShrimp Global and 51 % owned Natural Aquatic Systems, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

#### *Use of Estimates*

Preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### *Basic and Diluted Earnings/Loss per Common Share*

Basic and diluted earnings or loss per share ("EPS") amounts in the consolidated financial statements are computed in accordance with ASC 260 – 10 "Earnings per Share", which establishes the requirements for presenting EPS. Basic EPS is based on the weighted average number of shares of common stock outstanding. Diluted EPS is based on the weighted average number of shares of common stock outstanding and dilutive common stock equivalents. Basic EPS is computed by dividing net income or loss available to common stockholders (numerator) by the weighted average number of shares of common stock outstanding (denominator) during the period. For the nine months ended December 31, 2020, the Company had a 1,920 shares of Series B PS whose approximately 12,308,000 underlying shares are convertible at the investors' option at a conversion price based on the lowest market price over the last 20 trading days, and 5,000 of Series D PS whose approximately 50,000,000 underlying shares are convertible at the investors' option at a fixed conversion price of \$0.10, which were not included in the calculation of diluted EPS as their effect would be anti-dilutive. For the nine months ended December 31, 2019, the Company had approximately \$709,000 in principal on convertible debentures whose approximately 22,895,000 underlying shares are convertible at the holders' option at conversion prices ranging from \$0.01 to \$0.30 for fixed conversion rates, and 57% - 60% of the defined trading price for variable conversion rates and approximately 848,000 warrants with an exercise price of 45% of the market price of the Company's common stock, which were not included in the calculation of diluted EPS as their effect would be anti-dilutive.

#### *Fair Value Measurements*

ASC Topic 820, "*Fair Value Measurement*", requires that certain financial instruments be recognized at their fair values at our balance sheet dates. However, other financial instruments, such as debt obligations, are not required to be recognized at their fair values, but GAAP provides an option to elect fair value accounting for these instruments. GAAP requires the disclosure of the fair values of all financial instruments, regardless of whether they are recognized at their fair values or carrying amounts in our balance sheets. For financial instruments recognized at fair value, GAAP requires the disclosure of their fair values by type of instrument, along with other information, including changes in the fair values of certain financial instruments recognized in income or other comprehensive income. For financial instruments not recognized at fair value, the disclosure of their fair values is provided below under "*Financial Instruments*."

Nonfinancial assets, such as property, plant and equipment, and nonfinancial liabilities are recognized at their carrying amounts in the Company's balance sheets. GAAP does not permit nonfinancial assets and liabilities to be remeasured at their fair values. However, GAAP requires the remeasurement of such assets and liabilities to their fair values upon the occurrence of certain events, such as the impairment of property, plant and equipment. In addition, if such an event occurs, GAAP requires the disclosure of the fair value of the asset or liability along with other information, including the gain or loss recognized in income in the period the remeasurement occurred.

The Company did not have any Level 1 or Level 2 assets and liabilities as of December 31, 2020 and March 31, 2020.

The Derivative liabilities are Level 3 fair value measurements.

The following is a summary of activity of Level 3 liabilities during the nine months ended December 31, 2020 and 2019:

#### Derivatives

	<u>2020</u>	<u>2019</u>
Derivative liability balance at beginning of period	\$ 176,000	\$ 157,000
Reclass to equity upon conversion or redemption	(205,000)	(8,000)
Change in fair value	29,000	(19,000)
Balance at end of period	<u>\$ -</u>	<u>\$ 130,000</u>

As of December 31, 2019, the fair value of the derivative liabilities of convertible notes was estimated using the following weighted-average inputs: the price of the Company's common stock of \$0.11; a risk-free interest rate of 1.55%, and expected volatility of the Company's common stock of 98.46%, and the various estimated reset exercise prices weighted by probability.

#### Warrant liability

	<u>2020</u>	<u>2019</u>
Warrant liability balance at beginning of period	\$ 90,000	\$ 93,000
Reclass to equity upon cancellation or exercise	(90,000)	-
Change in fair value	-	-
Balance at end of period	<u>\$ -</u>	<u>\$ 93,000</u>

As of December 31, 2019, the fair value of the warrant liability was estimated using the following weighted-average inputs: the price of the Company's common stock of \$0.11; a risk-free interest rate of 1.55%, and expected volatility of the Company's common stock of 281.4%.

#### Financial Instruments

The Company's financial instruments include cash and cash equivalents, receivables, payables, and debt and are accounted for under the provisions of ASC Topic 825, "Financial Instruments". The carrying amount of these financial instruments, with the exception of discounted debt, as reflected in the consolidated balance sheets approximates fair value.

#### Cash and Cash Equivalents

For the purpose of the consolidated statements of cash flows, the Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents as of December 31, 2020 and March 31, 2020.

### *Concentration of Credit Risk*

The Company maintains cash balances at two financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2020 the Company's cash balance exceeded FDIC coverage. As of March 31, 2020, the Company's cash balance did not exceed FDIC coverage. The Company has not experienced any losses in such accounts and periodically evaluates the credit worthiness of the financial institutions and has determined the credit exposure to be negligible.

### *Fixed Assets*

Equipment is carried at historical value or cost and is depreciated over the estimated useful lives of the related assets. Depreciation on buildings is computed using the straight-line method, while depreciation on all other fixed assets is computed using the Modified Accelerated Cost Recovery System (MACRS) method, which does not materially differ from GAAP. Estimated useful lives are as follows:

Buildings	27.5 – 39 years
Other Depreciable Property	5 – 10 years
Furniture and Fixtures	3 – 10 years

Maintenance and repairs are charged to expense as incurred. At the time of retirement or other disposition of equipment, the cost and accumulated depreciation will be removed from the accounts and the resulting gain or loss, if any, will be reflected in operations.

The consolidated statements of operations reflect depreciation expense of approximately \$18,000 and \$38,000 for the three and nine months ended December 31, 2020 and \$16,000 and \$42,000 for the three and nine months ended December 31, 2019, respectively.

### *Commitments and Contingencies*

Certain conditions may exist as of the date the consolidated financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

### *Recently Issued Accounting Standards*

As of December 31, 2020, there were several new accounting pronouncements issued by the Financial Accounting Standards Board. Each of these pronouncements, as applicable, has been or will be adopted by the Company. Management does not believe the adoption of any of these accounting pronouncements has had or will have a material impact on the Company's consolidated financial statements.

### *Management's Evaluation of Subsequent Events*

The Company evaluates events that have occurred after the balance sheet date of December 31, 2020, through the date which the consolidated financial statements were issued. Based upon the review, other than described in Note 12 – Subsequent Events, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the consolidated financial statements.

### NOTE 3 – ASSET ACQUISITION

On December 15, 2020, the Company entered into an Asset Purchase Agreement (“APA”) between VeroBlue Farms USA, Inc., a Nevada corporation (“VBF”), VBF Transport, Inc., a Delaware corporation (“Transport”), and Iowa’s First, Inc., an Iowa corporation (“Iowa’s First”) (each a “Seller” and collectively, “Sellers”). Transport and Iowa’s First were wholly-owned subsidiaries of VBF. The agreement called for the Company to purchase all of the tangible assets of VBF, the motor vehicles of Transport and the real property (together with all plants, buildings, structures, fixtures, fittings, systems and other improvements located on such real property) of Iowa’s First. The consideration was \$10,000,000, consisting of \$5,000,000 in cash, paid at closing on December 17, 2020, (ii) \$3,000,000 payable in 36 months with interest thereon at the rate of 5% per annum, interest only payable quarterly on the first day of the quarter, with the remaining balance to be paid to VBF as a balloon payment on the maturity date, (“Promissory Note A”), and (iii) \$2,000,000 payable in 48 months with interest thereon at the rate of 5% per annum, interest only payable quarterly on the first day of the quarter, with the remaining balance to be paid to VBF as a balloon payment on the maturity date (“Promissory Note B”). The Company also agreed to issue 500,000 shares of the common stock as a finder’s fee, which would be considered as transaction fees in relation to the asset acquisition, with a fair value of \$135,000 based on the market value of the common stock as of the closing date of the acquisition (Note 8).

The facility was originally designed as a farming facility, with the company never beginning production. The Company’s plan is to begin a modification process to convert the plant to produce shrimp, which will allow them to scale faster without having to build new facilities. The three Iowa facilities contain the tanks and infrastructure that will be used to support the production of shrimp with the incorporation of the Company’s patented EC platform technology.

The Company determined the asset acquisition did not qualify as a business combination as not only did the Company only acquire certain listed tangible assets, but VBF did not fall under the definition of a business in accordance with ASU 2017-01. VBF was an early stage company that had not yet generated revenue, and it did not yet include an input and a substantive process that will afford the Company the ability to create an output. Additionally, the acquisition does not include an organized workforce. Instead, the assets acquired are to be used by the Company as a location in which to apply their own patented process and create their output, the production of shrimp.

The \$10,136,000 consideration was allocated to the assets acquired based on their relative fair value:

Equipment	\$ 7,014,000	69.2%
Vehicles	202,000	2.0%
Buildings	2,797,000	26.6%
Land	122,000	1.2%
	<u>\$ 10,135,000</u>	<u>100%</u>

### NOTE 4 – FIXED ASSETS

A summary of the fixed assets as of December 31, 2020 and March 31, 2020 is as follows:

	December 31, 2020	March 31, 2020
Land	\$ 323,564	\$ 202,293
Buildings	3,338,644	509,762
Machinery and equipment	8,686,256	221,987
Autos and trucks	221,199	19,063
	12,569,663	953,105
Accumulated depreciation	(283,147)	(245,297)
Fixed assets, net	<u>\$ 12,286,516</u>	<u>\$ 707,808</u>

The fixed assets include the assets purchased in the asset acquisition on December 15, 2020, in Note 3.

On March 18, 2020, the Company's research and development plant in La Coste, Texas was destroyed by a fire. The Company believes that it was caused by a natural gas leak, but the fire was so extensive that the cause was undetermined. The majority of the damage was to their pilot production plant, which destroyed a large portion of the fixed assets of the Company. The property destroyed had a net book value of \$1,909,495, which was written off and recognized as Loss due to fire during the year ended March 31, 2020. The Company filed a claim with their insurance company, and as of June 2, 2020, received all the proceeds, which totaled \$917,210. The Company is currently purchasing replacement fixed assets and reconstructing their pilot production plant.

#### **NOTE 5 – SHORT-TERM NOTE AND LINES OF CREDIT**

The Company has a working capital line of credit with Extraco Bank. On April 30, 2020, the line of credit was renewed with a maturity date of April 30, 2021 for a balance of \$372,675. The line of credit bears an interest rate of 5.0%, that is compounded monthly and to be paid with the principal on the maturity date. The line of credit matures on April 30, 2021 and is secured by certificates of deposit and letters of credit owned by directors and shareholders of the Company. The balance of the line of credit is \$372,675 at both December 31, 2020 and March 31, 2020.

The Company also has an additional line of credit with Extraco Bank for \$200,000, which was renewed with a maturity date of April 30, 2021, for a balance of \$177,778. The lines of credit bear interest at a rate of 5%, that is compounded monthly and to be paid with the principal on the maturity date. The line of credit is secured by certificates of deposit and letters of credit owned by directors and shareholders of the Company. The balance of the line of credit was \$177,778 at both December 31, 2020 and March 31, 2020.

The Company also has a working capital line of credit with Capital One Bank for \$50,000. The line of credit bears an interest rate of prime plus 25.9 basis points, which totaled 29.15% as of December 31, 2020. The line of credit is unsecured. The balance of the line of credit was \$9,580 at both December 31, 2020 and March 31, 2020.

The Company also has a working capital line of credit with Chase Bank for \$25,000. The line of credit bears an interest rate of prime plus 10 basis points, which totaled 13.25% as of December 31, 2020. The line of credit is secured by assets of the Company's subsidiaries. The balance of the line of credit is \$10,237 as of December 31, 2020 and March 31, 2020.

#### **NOTE 6 – BANK LOAN**

On April 10, 2020, the Company obtained a Paycheck Protection Program ("PPP") loan in the amount of \$103,200 pursuant to the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). Interest on the loan is at the rate of 1% per year, and all loan payments are deferred for nine months, at which time the balance is payable in 18 monthly installments if not forgiven in accordance with the CARES Act and the terms of the promissory note executed by the Company in connection with the loan. The promissory note contains events of default and other provisions customary for a loan of this type. As required, the Company intends to use the PPP loan proceeds for payroll, healthcare benefits, and utilities. The program provides that the use of PPP Loan amount shall be limited to certain qualifying expenses and may be partially or wholly forgiven in accordance with the requirements set forth in the CARES Act.

On January 10, 2017, the Company entered into a promissory note with Community National Bank for \$245,000, at an annual interest rate of 5% and a maturity date of January 10, 2020 (the "CNB Note"). The CNB Note is secured by certain real property owned by the Company in LaCoste, Texas, and is also personally guaranteed by the Company's President, as well as certain shareholders of the Company. On January 10, 2020, the loan was modified, with certain terms amended. The modified note is for the principal balance of \$222,736, with initial monthly payments of \$1,730 through February 1, 2037, when all unpaid principal and interest will be due and payable. The loan has an initial yearly rate of interest of 5.75%, which may change beginning on February 1, 2023 and each 36 months thereafter, to the Wall Street Journal Prime Rate plus 1%, but never below 4.25%. The monthly payments may change on the same dates as the interest changes. The Company is also allowed to make payments against the principal at any time. The balance of the CNB Note is \$216,931 as of December 31, 2020, \$8,438 of which was in current liabilities, and \$222,736 as of March 31, 2020, of which \$8,904 was in current liabilities.

On November 3, 2015, the Company entered into a short-term note agreement with Community National Bank for a total value of \$50,000, with a maturity date of December 15, 2017. On July 18, 2018, the short-term note was replaced by a promissory note for the outstanding balance of \$25,298, which bears interest at 8% with a maturity date of July 18, 2021. The note is guaranteed by an officer and director. The balance of the note as of December 31, 2020 and March 31, 2020 was \$5,413 and \$12,005, respectively.

Maturities on Bank loan is as follows:

Years ended:	
March 31, 2021	\$ 103,782
March 31, 2022	20,730
March 31, 2023	9,240
March 31, 2024	9,786
March 31, 2025	10,364
Thereafter	171,642
	<u>\$ 325,544</u>

#### NOTE 7 – CONVERTIBLE DEBENTURES

##### *August 24, 2018 Debenture*

On August 24, 2018, the Company entered into a 10% convertible note in the principal amount of \$55,000, convertible into shares of common stock of the Company, which matures August 24, 2019. The interest rate increases to 24% per annum upon an event of default, as set forth in the agreement, including a cross default to all other outstanding notes, and if the debenture is not paid at maturity the principal due increases by 10%. If the Company loses its bid price the principal outstanding on the debenture increases by 20%, and if the Company's common stock is delisted, the principal increases by 50%.

The note is convertible into shares of the Company's common stock at a price per share equal to 57% of the lowest closing bid price for the last 20 days. The discount is increased an additional 10%, to 47%, upon a "DTC chill". The conversion feature meets the definition of a derivative and therefore requires bifurcation and will be accounted for as a derivative liability.

During the first 180 days the convertible redeemable note is in effect, the Company may redeem the note at amounts ranging from 130% to 145% of the principal and accrued interest balance, based on the redemption date's passage of time ranging from 60 days to 180 days from the date of issuance of the debenture. On January 10, 2019 the outstanding principal of \$55,000 and accrued interest of \$1,974 was purchased from the noteholder by a third party, for \$82,612. The additional \$25,638 represents the redemption amount owing to the original noteholder and increases the principal amount due to the new noteholder and was recognized as financing cost.

During the fourth fiscal quarter of 2019, in three separate conversions, the holder converted \$57,164 of principal into 9,291,354 shares of common stock of the Company. As a result of the conversions the derivative liability related to the debenture was remeasured immediately prior to the conversions with an overall increase in the fair value of \$65,000 recognized, with the fair value of the derivative liability related to the converted portion, of \$171,000 being reclassified to equity. The key valuation assumptions used consist, in part, of the price of the Company's common stock on the dates of conversion, of \$0.28 to \$0.40; a risk-free interest rate of 2.36% to 2.41% and expected volatility of the Company's common stock, of 343.98% to 374.79%, and the various estimated reset exercise prices weighted by probability.

On May 5, 2020, the remaining outstanding balance of \$29,057 was converted into 2,039,069 shares of common stock of the Company, at a conversion rate of \$0.014. As a result of the conversion the derivative liability related to the debenture was remeasured immediately prior to the conversions with an overall increase in the fair value of \$8,000 recognized, with the fair value of the derivative liability related to the converted portion, of \$30,000 being reclassified to equity. The key valuation assumptions used consist, in part, of the price of the Company's common stock on the dates of conversion of \$0.03; a risk-free interest rate of 0.13% and expected volatility of the Company's common stock, of 158.29%, and the various estimated reset exercise prices weighted by probability.

*September 14, 2018 Debenture*

On September 14, 2018, the Company entered into a 12% convertible promissory note for \$112,500, with an original issuance discount (OID) of \$10,250, which matures on March 14, 2019. There is a right of prepayment in the first 180 days, but there is no right to repay after 180 days. Per the agreement, the Company is required at all times to have authorized and reserved three times the number of shares that is actually issuable upon full conversion of the note. The Company has not maintained the required share reservation under the terms of the note agreement. The Company believes it has sufficient available shares of the Company's common stock in the event of conversion for these notes. The interest rate increases to a default rate of 24% for events as set forth in the agreement, including if the market capitalization is below \$5 million, or there are any dilutive issuances. There is also a cross default provision to all other notes. In the event of default, the outstanding principal balance increases to 150%, and if the Company fails to maintain the required authorized share reserve, the outstanding principal increases to 200%. Additionally, if the Company enters into a 3(a)(9) or 3(a)(10) issuance of shares there are liquidation damages of 25% of principal, not to be below \$15,000. The Company must also obtain the noteholder's written consent before issuing any new debt. Additionally, if the note is not repaid by the maturity date the principal balance increases by \$15,000. The market capitalization has been below \$5 million and therefore the note was in default, however, the holder has issued a waiver to the Company on this default provision.

The note is convertible into shares of the Company's common stock at a variable conversion rate that is equal to the lesser of 60% of the lowest trading price for the last 20 days prior to the issuance of the note or 60% of the lowest market price over the 20 days prior to conversion. The conversion price shall be adjusted upon subsequent sales of securities at a price lower than the original conversion price. There are additional 10% adjustments to the conversion price for events set forth in the agreement, including if the conversion price is less than \$0.01, if the Company is not DTC eligible, the Company is no longer a reporting company, or the note cannot be converted into free trading shares on or after nine months from issue date. Per the agreement, the Company is required at all times to have authorized and reserved three times the number of shares that is actually issuable upon full conversion of the note. The conversion feature meets the definition of a derivative and therefore requires bifurcation and is accounted for as a derivative liability.

On December 13, 2018 the holder converted \$11,200 of principal into 4,000,000 shares of common stock of the Company.

On January 25, 2019 the outstanding principal of \$101,550, plus an additional \$81,970 of default principal and \$13,695 in accrued interest of the note, resulting in a new balance of \$197,215, was purchased from the noteholder by a third party, who extended the maturity date.

On three separate dates during the first quarter of the fiscal year ending March 31, 2021, the remaining outstanding balance was converted into 35,887,170 shares of common stock of the Company, at a conversion rate of \$0.006. As a result of the conversion the derivative liability related to the debenture was remeasured immediately prior to the conversions with an overall increase in the fair value of \$8,000 recognized, with the fair value of the derivative liability related to the converted portion, of \$30,000 being reclassified to equity. The key valuation assumptions used consist, in part, of the price of the Company's common stock on the dates of conversion of \$0.03; a risk-free interest rate of 0.13% and expected volatility of the Company's common stock, of 158.29%, and the various estimated reset exercise prices weighted by probability.

*March 1, 2019 Debenture*

On March 1, 2019, the Company entered into a 10% convertible promissory note for \$168,000, with an OID of \$18,000, for a purchase price of \$150,000, which originally matured on November 1, 2019. The maturity date has been extended to September 1, 2020, with the noteholders waiving the default penalties through December 31, 2020. During the first 180 days the convertible redeemable note is in effect, the Company may redeem the note at a prepayment percentage of 100% to 130% of the outstanding principal and accrued interest based on the redemption date's passage of time ranging from 60 days to 180 days from the date of issuance of the debenture. Per the agreement, the Company is required at all times to have authorized and reserved three times the number of shares that is actually issuable upon full conversion of the note. In the event of default, as set forth in the agreement, the outstanding principal balance increases to 150%. In addition to standard events of default, an event of default occurs if the common stock of the Company shall lose the "bid" price for its Common Stock, on trading markets, including the OTCBB, OTCQB or an equivalent replacement exchange. If the Company enters into a 3(a)(9) or 3(a)(10) issuance of shares there are liquidation damages of 25% of principal, not to be below \$15,000. The Company must also obtain the noteholder's written consent before issuing any new debt. The note is convertible at a fixed conversion price of \$0.25. If an event of default occurs, the fixed conversion price is extinguished and replaced by a variable conversion rate that is 70% of the lowest trading prices during the 20 days prior to conversion. The fixed conversion price shall reset upon any future dilutive issuance of shares, options or convertible securities. The conversion feature at issuance meets the definition of conventional convertible debt and therefore qualifies for the scope exception in ASC 815-10-15-74(a) and would not be bifurcated and accounted for separately as a derivative liability. The Company analyzed the conversion feature under ASC 470-20, "Debt with conversion and other options", and based on the market price of the common stock of the Company on the date of funding as compared to the conversion price, determined there was a \$134,000 beneficial conversion feature to recognize, which will be amortized over the term of the note using the effective interest method. There was not any amortization expense recognized during the three and nine months ended December 31, 2020, as the beneficial conversion feature was fully amortized as of September 30, 2019. The amortization expense recognized during the three and nine months ended December 31, 2019 amounted to approximately \$50,000. On December 21, 2020, the outstanding balance of \$168,000 and accrued interest of \$30,847 was converted into 795,387 shares of common stock of the Company, at a conversion rate of \$0.25.

On April 17, 2019, the Company entered into a 10% convertible promissory note for \$110,000, with an OID of \$10,000, for a purchase price of \$100,000, which matures on January 23, 2020. The maturity date has been extended until September 1, 2020. During the first 180 days the convertible redeemable note is in effect, the Company may redeem the note at a prepayment percentage of 120% to 130% of the outstanding principal and accrued interest based on the redemption date's passage of time ranging from 60 days to 180 days from the date of issuance of the debenture. Per the agreement, the Company is required at all times to have authorized and reserved three times the number of shares that is actually issuable upon full conversion of the note. In the event of default, as set forth in the agreement, the outstanding principal balance increases to 150%. In addition to standard events of default, an event of default occurs if the common stock of the Company shall lose the "bid" price for its Common Stock, on trading markets, including the OTCBB, OTCQB or an equivalent replacement exchange. If the Company enters into a 3 (a)(9) or 3(a)(10) issuance of shares there are liquidation damages of 25% of principal, not to be below \$15,000. The Company must also obtain the noteholder's written consent before issuing any new debt. The note is convertible at a fixed conversion price of \$0.124. If an event of default occurs, the fixed conversion price is extinguished and replaced by a variable conversion rate that is 70% of the lowest trading prices during the 20 days prior to conversion. The fixed conversion price shall reset upon any future dilutive issuance of shares, options or convertible securities. The conversion feature at issuance meets the definition of conventional convertible debt and therefore qualifies for the scope exception in ASC 815-10-15-74(a) and would not be bifurcated and accounted for separately as a derivative liability. The Company analyzed the conversion feature under ASC 470-20, "Debt with conversion and other options", and based on the market price of the common stock of the Company on the date of funding as compared to the conversion price, determined there was an approximately \$59,000 beneficial conversion feature to recognize, which will be amortized over the term of the note using the effective interest method. There was not any amortization expense recognized during the three and nine months ended December 31, 2020, as the beneficial conversion feature was fully amortized as of December 31, 2019. The amortization expense recognized during the three and nine months ended December 31, 2019 amounted to approximately \$20,000. On September 14, 2020, the outstanding balance of \$110,000 was converted into 1,014,001 shares of common stock of the Company, at a conversion rate of \$0.124.

## NOTE 8 – STOCKHOLDERS' DEFICIT

### *Preferred Stock*

As of December 31, 2020 and March 31, 2020, the Company had 200,000,000 shares of preferred stock authorized with a par value of \$0.0001. Of this amount, 5,000,000 shares of Series A preferred stock are authorized and outstanding, 5,000 shares Series B preferred stock are authorized and 1,920 outstanding, and 20,000 shares Series D preferred stock are authorized and 5,000 outstanding respectively.

On December 16, 2020, the Board authorized the issuance of 20,000 preferred shares to be designated as Series D Preferred Stock ("Series D PS"). The Series D PS have a par value of \$0.0001, a stated value of \$1,200 and will vote together with the common stock on an as-converted basis. In addition, as further described in the Series D Designation, as long as any of the shares of Series D Preferred Stock are outstanding, the Company will not take certain corporate actions without the affirmative vote at a meeting (or the written consent with or without a meeting) of the majority of the shares of Series D Preferred Stock then outstanding. Each holder of Series D Preferred Stock shall be entitled to receive, with respect to each share of Series D Preferred Stock then outstanding and held by such holder, dividends at the rate of twelve percent (12%) per annum (the "Preferred Dividends"). Dividends may be paid in cash or in shares of Preferred Stock at the discretion of the Company.

The Series D PS are convertible into Common Stock at the election of the holder of the Series D PS at any time following five days after a qualified offering (defined as an offering of common stock for an aggregate price of at least \$10,000,000 resulting in the listing for trading of the Common Stock on the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market or the New York Stock Exchange) at a 35% discount to the offering price, or, if a qualified offering has not occurred, at a price of \$0.10 per share, subject to adjustment based on several situations, including future dilutive issuances and a Fundamental Transaction.

The Series D PS shall be redeemed by the Corporation on the date that is no later than one calendar year from the date of its issuance. The Series D PS are also redeemable at the Company's option, at percentages ranging from 115% to 125% for the first 180 days, based on the passage of time. The Company shall redeem the Series D PS in cash upon a three business days prior notice to the holder or the holder may convert the Series D PS within such three business days period prior to redemption. Additionally, the holder shall have the right to either redeem for cash or convert the Preferred Stock into Common Stock within three business days following the consummation of a qualified offering. The Series D PS are also redeemable at the holder's option, upon the occurrence of a triggering event which includes a change of control, bankruptcy, and the inability to deliver shares of common stock requested under conversion notices. The triggering redemption amount is 150% of the stated value.

Upon the dissolution, liquidation or winding up of the Company, whether voluntary or involuntary, the holders of Series D PS shall be entitled to receive out of the assets of the Company an amount equal to the stated value, plus any accrued and unpaid dividends and any other fees or liquidated damages then due and owing for each share of Series D PS before any payment or distribution shall be made to the holders of any Junior securities.

As the Series D PS has a conditional redemption date, as it is convertible, it is classified in mezzanine and, it is considered to be a debt host instrument. The conversion price, unless and until there is a qualified offering, is a fixed price and as such the conversion feature is not required to be bifurcated and accounted for as a derivative liability. The Company will analyze the conversion feature under ASC 470-20, "Debt with conversion and other options", at each issuance date and based on the market price of the common stock of the Company on the commitment date as compared to the conversion price, determine if there is a beneficial conversion feature to recognize.

The Series D Designation are subject to certain Registration Rights, whereby if the Corporation does not complete a market listing to the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market or the New York Stock Exchange (or any successors to any of the foregoing) within one hundred twenty (120) calendar days from the issuance of the Series D Preferred Stock, the Company will, within ten (10) calendar days, file a registration statement covering the shares of Common Stock underlying the Series D Preferred Shares. Additionally, the Company will include the shares of Common Stock underlying the Series D Preferred Shares in any registration statement which is being filed by the Corporation's existing investment banker, provided, that said registration statement is not yet effective with the SEC and provided that the Company receives the prior written approval of said investment banker.

#### *Series B Preferred Equity Offering*

On September 17, 2019, the Company entered into a Securities Purchase Agreement ("SPA") with GHS Investments LLC, a Nevada limited liability company ("GHS") for the purchase of up to 5,000 shares of Series B PS at a stated value of \$1,200 per share, or for a total net proceeds of \$5,000,000 in the event the entire 5,000 shares of Series B PS are purchased. During the nine months ended December 31, 2020 the Company received \$3,250,000 for the issuance of 3,250 Series B PS. During the nine months ended December 31, 2019, the Company received \$1,500,000 under the SPA.

During the nine months ended December 31, 2020, the Company has converted 3,554 Series B PS plus 141 Series B PS dividends-in-kind into 97,761,030 shares of the Company's common stock.

#### *Series D Preferred Equity Offering*

On December 18, 2020, the Company entered into securities purchase agreements (the "Purchase Agreement") with GHS Investments LLC, Platinum Point Capital LLC and BHP Capital NY (collectively, the "Purchaser"), whereby, at the closing, each Purchaser agreed to purchase from the Company, up to 5,000 shares of the Company's Series D PS, par value \$0.0001 per share, at a purchase price of \$1,000 per share of Series D Preferred Stock. The aggregate purchase price per Purchaser for the Series D Preferred Stock is \$5,000,000. In connection with the sale of the Series D Preferred Stock, the Purchasers were granted 6,000,000 shares of the Company's common stock, par value \$0.0001 (the "Commitment Shares"), which have a fair value of \$1,616,250 based on the market price of the common shares of \$0.27 on the date of the Series D PS purchase.

The Company analyzed the conversion feature under ASC 470-20, "Debt with conversion and other options", and based on the market price of the common stock of the Company on the dates of funding as compared to the conversion price, determined there was a \$8,471,000, capped at \$5,000,000 based on the purchase price of the Series B PS, beneficial conversion feature to recognize, which will be amortized over the term of the note using the effective interest method. The amortization expense recognized during the three and nine months ended December 31, 2020 amounted to approximately \$208,000.

#### *Common Shares Issued to Consultants*

In connection with the VBF asset acquisition (Note 3), the Company agreed to issue 500,000 shares of common stock as a finder's fee, with a fair value of \$135,000 based on the market value of the common stock of \$0.27 as of December 15, 2020, the closing date of the acquisition. The shares were issued on February XX, 2021, and have been recognized in the accompanying consolidated financial statements as Stock Payable as of December 31, 2020.

On August 24, 2020, the Company issued 1,500,000 shares of common stock to a consultant per an agreement entered into on June 25, 2020. The agreement has a six month term, and therefore the fair value of \$67,500, based on the market value of \$0.045 on the grant date, will be recognized over the term of the agreement, with \$32,500 and \$67,500 expensed during the three and nine months ended December 31, 2020. On December 25, 2020, the Company renewed the agreement for an additional six months. As consideration for the agreement the Company issued 1,500,000 shares of common stock to the consultant. The agreement has a six month term, and therefore the fair value of \$616,500, based on the market value of \$0.041 on the grant date, is recognized in Prepaid expense as of the period end December 31, 2020, and will be expensed over the term of the agreement.

On June 12, 2020, the Company issued 1,250,000 shares of common stock to a consultant, with the fair value of \$61,250 based on the market price of \$0.049 on the date issued and which was recognized as professional services in the three months ended June 30, 2020.

### *Options and Warrants*

The Company has not granted any options since inception.

The Company granted warrants in connection with various convertible debentures in previous periods. The remaining outstanding warrants were cancelled in connection with the legal settlement with Vista Capital Investments, LLC, on April 9, 2020. See discussion in Note 10. The related warrant liability was revalued upon cancellation on April 9, 2020, resulting in no change to the fair value of the warrant liability and the \$90,000 fair value was reclassified to equity.

As of September 30, 2019, there were 551,452 (after adjustment) remaining warrants to purchase shares of common stock outstanding, classified as a warrant liability, which were to expire on January 31, 2022, with an exercise price of 45% of the market value of the common shares of the Company on the date of exercise.

### **NOTE 9 – RELATED PARTY TRANSACTIONS**

#### *Accrued Payroll – Related Parties*

Included in other accrued expenses on the accompanying consolidated balance sheet is approximately \$47,000 and \$84,000 owing to the President of the Company as of December 31, 2020 and March 31, 2020, respectively, and approximately \$175,000, owing to a key employee (which includes \$50,000 in both fiscal years, from consulting services prior to his employment) as of both December 31, 2020 and March 31, 2020. These amounts include both accrued payroll and accrued allowances and expenses.

#### *NaturalShrimp Holdings, Inc.*

On January 1, 2016 the Company entered into a notes payable agreement with NaturalShrimp Holdings, Inc. (“NSH”), a shareholder. Between January 16, 2016 and March 7, 2016, the Company borrowed \$134,750 under this agreement. An additional \$601,361 was borrowed under this agreement in the year ended March 31, 2017. The note payable has no set monthly payment or maturity date with a stated interest rate of 2%. As of December 31, 2020 and March 31, 2020 the outstanding balance is approximately \$735,000. As of December 31, 2020 and March 31, 2020, accrued interest payable was approximately \$62,000 and \$51,000, respectively.

#### *Shareholder Notes*

The Company has entered into several working capital notes payable to multiple shareholders of NSH and Bill Williams, a former officer and director, and a shareholder of the Company, for a total of \$486,500. The notes are unsecured and bear interest at 8%. These notes had stock issued in lieu of interest and have no set monthly payment or maturity date. The balance of these notes was \$366,404 as of December 31, 2020 and \$426,404 as of March 31, 2020, respectively, and is classified as a current liability on the consolidated balance sheets. As of December 31, 2020 and March 31, 2020, accrued interest payable was approximately \$110,000 and \$240,000, respectively.

On July 15, 2020, the Company issued a promissory note to Ms. Williams in the amount of \$383,604 to settle the amounts that had been recognized per the separation agreement with the late Mr. Bill Williams dated August 15, 2019 (Note 11) for his portion of the related party notes and related accrued interest discussed above, and accrued compensation and allowances. The note bears interest at one percent per annum, and calls for monthly payments of \$8,000 until the balance is paid in full. The balance as of December 31, 2020 was \$335,604, with \$96,000 classified in current liabilities on the consolidated balance sheet.

#### *Shareholders*

Beginning in 2010, the Company started entering into several working capital notes payable with various shareholders of NSH for a total of \$290,000 and bearing interest at 8%. The balance of these notes as of December 31, 2020 and March 31, 2020 was \$54,647 and is classified as a current liability on the consolidated balance sheets.

## NOTE 10 – LEASE

On June 24, 2019, the Company entered into a service and equipment lease agreement for water treatment services, consumables and equipment. The lease term is for five years, with a renewal option of an additional five years, with a monthly lease payment of \$5,000. The Company analyzed the classification of the lease under ASC 842, and as it did not meet any of the criteria for a financing lease it has been classified as an operating lease. The Company determined the Right of Use asset and Lease liability values at inception calculated at the present value of all future lease payments for the lease term, using an incremental borrowing rate of 5%. The Lease Liability will be expensed each month, on a straight line basis, over the life of the lease. As of December 31, 2020 and March 31, 2020, the lease is on hold while the Company waits for new equipment to be delivered and installed. As the lease is on hold there has been no lease expense or amortization of the Right of Use asset for the three and nine months ended December 31, 2020.

For the three and nine months ended December 31, 2019 the lease expense was \$15,000, and the amortization of the Right of Use asset was \$11,702.

## NOTE 11 – COMMITMENTS AND CONTINGENCIES

### *Executive Employment Agreements –Gerald Easterling*

On April 1, 2015, the Company entered into an employment agreement with Gerald Easterling at the time as the Company's President, effective as of April 1, 2015 (the "Employment Agreement").

The Employment Agreement is terminable at will and each provide for a base annual salary of \$96,000. In addition, the Employment Agreement provides that the employee is entitled, at the sole and absolute discretion of the Company's Board of Directors, to receive performance bonuses. Mr. Easterling will also be entitled to certain benefits including health insurance and monthly allowances for cell phone and automobile expenses.

The Employment Agreement provides that in the event the employee is terminated without cause or resigns for good reason (as defined in their Employment Agreement), the employee will receive, as severance the employee's base salary for a period of 60 months following the date of termination. In the event of a change of control of the Company, the employee may elect to terminate the Employment Agreement within 30 days thereafter and upon such termination would receive a lump sum payment equal to 500% of the employee's base salary.

The Employment Agreement contains certain restrictive covenants relating to non-competition, non-solicitation of customers and non-solicitation of employees for a period of one year following termination of the employee's Employment Agreement.

On August 15, 2019, the late Mr. Bill Williams resigned from his position as Chairman of the Board and Chief Executive Officer of the Company, effective August 31, 2019. Mr. Easterling replaced him as the Chief Executive Officer of the Company. The separation agreement calls for the continued payment of salary, at \$8,000 semi-monthly, until his accrued compensation in the amount of approximately \$217,000 is paid off, as well as his monthly rent, medical and automobile payments to continue to be paid and deducted against the accrued compensation and debt. After the accrued compensation is fully paid, the payments shall be \$10,000 per month against the remaining debt balance, until such balance is paid in full. On July 15, 2020, the Company issued a promissory note to Ms. Williams in the amount of \$383,604 to settle the amounts agreed to in the separation agreement for accrued compensation and debt (see Note 9).

### *Vista Capital Investments, LLC*

On April 30, 2019, a complaint was filed against the Company in the U.S. District Court in Dallas, Texas alleging that the Company breached a provision in a common stock purchase warrant (the "Vista Warrant") issued by the Company to Vista Capital Investments, LLC ("Vista"). Vista alleged that the Company failed to issue certain shares of the Company's Common Stock as was required under the terms of the Warrant. Vista sought money damages in the approximate amount of \$7,000,000, as well as costs and reimbursement of expenses.

On April 9, 2020, the Company, Vista and David Clark ("Clark"), a principal of Vista, (the "Parties") entered into a Settlement Agreement and Release (the "Settlement Agreement") whereby the Company shall (i) pay to Vista the sum of \$75,000, which the Company wired on April 10, 2020, and (ii) issue to Vista 17,500,000 shares of the Company's Common Stock (the "Settlement Shares"). For a period of time equal to 90-days from the date of the settlement, or July 8, 2020, the Company shall have the right, but not the obligation, to purchase back from Vista 8,750,000 of the Settlement Shares at a price equal to the greater of (i) the volume weighted-average trading price of the Company's common shares over the five preceding trading days prior to the date of the delivery of the Company's written notice of such repurchase or (ii) \$0.02 per share. On May 18, 2020, the Company received \$50,000 as consideration for waiving the purchase option on the Settlement Shares, thereby allowing Vista to retain all of the Settlement Shares. The Vista warrants outstanding were also cancelled as part of the Settlement Agreement. The \$75,000, as well as the fair market value of the 17,500,000 common shares, which is \$560,000 based on the market value of the Company's common stock on the settlement date of \$0.32, was accrued in Accrued expenses on the accompanying March 31, 2020 Balance Sheet and recognized as Loss on Warrant settlement in the fourth quarter of the year ending March 31, 2020.

RGA Labs, Inc.

On February 18, 2020, RGA Labs, Inc. (“RGA”) filed suit against the Company in the Illinois Circuit Court (23<sup>rd</sup> District) alleging that the Company owed RGA money pursuant to a written contract for the design and manufacture of certain water treatment equipment commissioned by the Company. The Company disputed the allegations and has counterclaimed against RGA for additional costs and expenses incurred by the Company in correcting, repairing and retro-fitting the equipment to enable it to work in the Company’s facilities. On December 1, 2020, the Company filed a motion to dismiss the lawsuit as a sanction for the failure of RGA to comply with a court order compelling responses to the Company’s requests for production and first set of interrogatories. A hearing was held on the motion to dismiss on January 20, 2021. The Court has taken the matter under advisement and will issue its ruling on March 19, 2021.

Gary Shover

A shareholder of NaturalShrimp Holdings, Inc. (“NSH”), Gary Shover, filed suit against the Company on August 11, 2020 in the Northern District of Texas, Dallas Division, alleging breach of contract for the Company’s failure to exchange common shares of the Company for shares Mr. Shover owns in NSH. The Company has filed its answer to the complaint and is seeking to settle the matter with Mr. Shover with the approval of the Federal District Court. A settlement stipulation has been prepared and approved by the parties and will be filed with the Court along with a proposed order. It is anticipated that the stipulation, joint motion to approve stipulation and proposed order approving the stipulation and settlement will be filed with the Court during the week of February 15, 2021.

**NOTE 12 – SUBSEQUENT EVENTS**

Subsequent to the nine months ended December 31, 2020, the Company has converted 526 Series B PS plus 141 Series B PS dividends-in-kind into 6,312,000 shares of the Company’s common stock.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### *Note Regarding Forward-Looking Statements*

This Quarterly Report on Form 10-Q includes a number of forward-looking statements that reflect management's current views with respect to future events and financial performance. Forward-looking statements are projections in respect of future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other comparable terminology. These statements include statements regarding the intent, belief or current expectations of us and members of our management team, as well as the assumptions on which such statements are based. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risk and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks set forth in the section entitled "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended March 31, 2020, as filed with the U.S. Securities and Exchange Commission (the "SEC") on June 26, 2020, any of which may cause our company's or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied in our forward-looking statements. These risks and factors include, by way of example and without limitation:

- our ability on a timely basis to successfully rebuild our research and development plant in La Coste, Texas which was completely destroyed by a fire on March 18, 2020;
- our ability, once our research and development plant is rebuilt, to successfully commercialize our equipment and shrimp farming operations to produce a market-ready product in a timely manner and in enough quantity;
- absence of contracts with customers or suppliers;
- our ability to maintain and develop relationships with customers and suppliers;
- our ability to successfully integrate acquired businesses or new brands;
- the impact of competitive products and pricing;
- supply constraints or difficulties;
- the retention and availability of key personnel;
- general economic and business conditions;
- substantial doubt about our ability to continue as a going concern;
- our continued ability to raise funding through institutional investors at the pace and quantities required to scale our plant needs to commercialize our products;
- our ability to successfully recruit and retain qualified personnel in order to continue our operations;
- our ability to successfully implement our business plan;
- our ability to successfully acquire, develop or commercialize new products and equipment;
- the commercial success of our products;
- business interruptions resulting from geo-political actions, including war, and terrorism or disease outbreaks (such as the outbreak of COVID-19);
- intellectual property claims brought by third parties;
- and
- the impact of any industry regulation.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, or performance. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the Securities and Exchange Commission (the “SEC”). We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in the future operating results over time except as required by law. We believe that our assumptions are based upon reasonable data derived from and known about our business and operations. No assurances are made that actual results of operations or the results of our future activities will not differ materially from our assumptions.

As used in this Quarterly Report on Form 10-Q and unless otherwise indicated, the terms “Company,” “we,” “us,” and “our” refer to NaturalShrimp Incorporated and its wholly-owned subsidiaries: NaturalShrimp Corporation (“NSC”) and NaturalShrimp Global, Inc. (“NS Global”) and our 51% owned subsidiary, Natural Aquatic Systems, Inc. Unless otherwise specified, all dollar amounts are expressed in United States Dollars.

#### *Corporate History*

We were incorporated in the State of Nevada on July 3, 2008 under the name “Multiplayer Online Dragon, Inc.” Effective November 5, 2010, we effected an 8-for-1 forward stock split, increasing the issued and outstanding shares of our common stock from 12,000,000 shares to 96,000,000 shares. On October 29, 2014, we effected a 1-for-10 reverse stock split, decreasing the issued and outstanding shares of our common stock from 97,000,000 to 9,700,000.

On November 26, 2014, we entered into an Asset Purchase Agreement (the “Agreement”) with NaturalShrimp Holdings, Inc. a Delaware corporation (“NSH”), pursuant to which we agreed to acquire substantially all of the assets of NSH which assets consisted primarily of all of the issued and outstanding shares of capital stock of NSC and NS Global, and certain real property located outside of San Antonio, Texas (the “Assets”).

On January 30, 2015, we consummated the acquisition of the Assets pursuant to the Agreement. In accordance with the terms of the Agreement, we issued 75,520,240 shares of our common stock to NSH as consideration for the Assets. As a result of the transaction, NSH acquired 88.62% of our issued and outstanding shares of common stock; NSC and NS Global became our wholly-owned subsidiaries, and we changed our principal business to a global shrimp farming company.

In connection with our receipt of approval from the Financial Industry Regulatory Authority (“FINRA”), effective March 3, 2015, we amended our Articles of Incorporation to change our name to “NaturalShrimp Incorporated.”

#### *Business Overview*

We are a biotechnology company, and we have developed a proprietary technology that allows us to grow Pacific White shrimp (*Litopenaeus vannamei*, formerly *Penaeus vannamei*) in an ecologically controlled, high-density, low-cost environment, and in fully contained and independent production facilities. Our system uses technology which allows us to produce a naturally-grown shrimp “crop” weekly, and accomplishes this without the use of antibiotics or toxic chemicals. We have developed several proprietary technology assets, including a knowledge base that allows us to produce commercial quantities of shrimp in a closed system with a computer monitoring system that automates, monitors and maintains proper levels of oxygen, salinity and temperature for optimal shrimp production. Our initial production facility is located outside of San Antonio, Texas.

NS Global was a 50% shareholder of NaturalShrimp Europe GmbH, which ultimately re-domiciled from Switzerland to Norway in the name of NaturalShrimp International A.S. and later changed its name to Gamba International, A.S., supplied the original technology and design support for the first production subsidiary formed in Medina del Campo, Spain and operated as GambaNatural de España, S.L. Today, NS Global holds less than 1% ownership in Norwegian-based Noray Seafood A.S. (formally Gamba International A.S.).

On October 16, 2015, we formed Natural Aquatic Systems, Inc. (“NAS”). The purpose of the NAS is to formalize the business relationship between our Company and F&T Water Solutions LLC for the joint development of certain water technologies. The technologies shall include, without limitation, any and all inventions, patents, intellectual property and know-how dealing with enclosed aquatic production systems worldwide. This includes construction, operation, and management of enclosed aquatic production, other than shrimp, facilities throughout the world, co-developed by both parties at our facility located outside of La Coste, Texas. On December 25, 2018, we were awarded U.S. Patent “Recirculating Aquaculture System and Treatment Method for Aquatic Species” covering all indoor aquatic species that utilizes proprietary art.

On December 15, 2020, we entered into an Asset Purchase Agreement (“APA”) between VeroBlue Farms USA, Inc., a Nevada corporation (“VBF”), VBF Transport, Inc., a Delaware corporation (“Transport”), and Iowa’s First, Inc., an Iowa corporation (“Iowa’s First”) (each a “Seller” and collectively, “Sellers”). Transport and Iowa’s First were wholly-owned subsidiaries of VBF. The agreement called for us to purchase all of the tangible assets of VBF, the motor vehicles of Transport and the real property (together with all plants, buildings, structures, fixtures, fittings, systems and other improvements located on such real property) of Iowa’s First. The consideration was \$10,000,000, consisting of \$5,000,000 in cash, paid at closing on December 17, 2020, (ii) \$3,000,000 payable in 36 months with interest thereon at the rate of 5% per annum, interest only payable quarterly on the first day of the quarter, with the remaining balance to be paid to VBF as a balloon payment on the maturity date, (“Promissory Note A”), and (iii) \$2,000,000 payable in 48 months with interest thereon at the rate of 5% per annum, interest only payable quarterly on the first day of the quarter, with the remaining balance to be paid to VBF as a balloon payment on the maturity date (“Promissory Note B”).

Per the APA, other than the purchased assets, all other assets and properties were excluded from the purchased assets (“Excluded Assets”), which consisted of intangible assets and intellectual property rights, as well as the server, all records on the server, hard copies of accounting records and documents, claims, Pranger retrofit designs, and the equity interest VBF holds in VBF IP Inc., a Texas corporation including, by extension, any and all patents, trademarks and other items of intellectual property owned by VBF IP. The assets purchased are therefore only tangible assets.

The facility was originally designed for the growth of barramundi fish, but the company never began production and declared bankruptcy on September 21, 2018. Our plan is to begin a modification process to convert the plant to produce shrimp. The three Iowa facilities contain the tanks and infrastructure that will be used to support the production of shrimp with the incorporation of the Company’s patented EC platform technology. The Company also plans to convert additional square footage currently used as storage to a shrimp processing plant. Final plans and decisions related to this project continue to be developed.

The Company has two wholly-owned subsidiaries, NSC and NS Global and owns 51% of NAS.

#### *Evolution of Technology and Revenue Expectations*

Historically, efforts to raise shrimp in a high-density, closed system at the commercial level have been met with either modest success or outright failure through “BioFloc Technology.” Infectious agents such as parasites, bacteria and viruses are the most damaging and most difficult to control. Bacterial infection can in some cases be combated through the use of antibiotics (although not always), and in general, the use of antibiotics is considered undesirable and counter to “green” cultivation practices. Viruses can be even worse, in that they are immune to antibiotics. Once introduced to a shrimp population, viruses can wipe out entire farms and shrimp populations, even with intense probiotic applications.

Our primary solution against infectious agents is our “Vibrio Suppression Technology.” We believe this system creates higher sustainable densities, consistent production, improved growth and survival rates and improved food conversion without the use of antibiotics, probiotics or unhealthy anti-microbial chemicals. Vibrio Suppression Technology helps to exclude and suppress harmful organisms that usually destroy “BioFloc” and other enclosed technologies.

In 2001, we began research and development of a high density, natural aquaculture system that is not dependent on ocean water to provide quality, fresh shrimp every week, fifty-two weeks a year. Our initial system was successful, but we determined that it would not be economically feasible due to high operating costs. Over the next several years, using the knowledge we gained from developing the first system, we developed a shrimp production system that eliminated the high costs associated with the previous system. We have continued to refine this technology, eliminating bacteria and other problems that affect enclosed systems, and now have a successful shrimp growing process. We have produced thousands of pounds of shrimp over the years in order to develop a design that will consistently produce quality shrimp that grow to a large size at a specific rate of growth. This included experimenting with various types of natural live and synthesized feed supplies before selecting the most appropriate nutritious and reliable combination. It also included utilizing monitoring and control automation equipment to minimize labor costs and to provide the necessary oversight for proper regulation of the shrimp environment. However, there were further enhancements needed to our process and technology in order to begin production of shrimp on a commercially viable scale and to generate revenues.

Our current system consists of a reception tank where the shrimp are acclimated, then moved to a larger grow-out tank for the rest of the twenty-four week cycle. During 2016, we engaged in additional engineering projects with third parties to further enhance our indoor production capabilities. For example, through our relationship with Trane, Inc., a division of Ingersoll-Rand Plc (“Trane”), Trane provided a detailed audit to use data to build and verify the capabilities of then initial Phase 1 prototype of a Trane-proposed three tank system at our La Coste, Texas facility. The Company contracted F&T Water Solutions and RGA Labs, Inc. (“RGA Labs”) to complete final engineering and building of the initial patent-pending modified Electrocoagulation system for the grow-out, harvesting and processing of fully mature, antibiotic-free Pacific White Leg shrimp. The design presented a viable pathway to begin generating revenue and producing shrimp on a commercially viable scale. The design was completed and was installed in early June 2018 by RGA Labs, and final financing for the system provided by one of the Company’s existing intuitional investors. The first post larvae (PL) arrived from the hatchery on July 3, 2018. The Company used the shrimp for sampling to key potential customers and special events such as the Texas Restaurant Association trade show. The Company also received two production PL lots from Global Blue Technologies on March 21, 2019 and April 17, 2019 and from American Penaeid, Inc. on August 7, 2019. Because the shrimp displayed growth that was slower than normal, the Company had a batch tested by an independent lab at the University of Arizona. The shrimp tested positive for Infectious hypodermal and hematopoietic necrosis (“IHHNV”) and the Texas Parks and Wildlife Department was notified that the facility was under quarantine. On August 26, 2019, the Company was forced to terminate all lots due to the infection. On August 30, 2019, the Company received notice that it was in compliance again and the quarantine had been lifted. During the aforementioned quarantine, the Company decided to begin an approximately \$1,000,000 facility renovation demolishing the interior 16 wood structure lined tanks (720,000 gallons). The Company would be replacing the previous tanks with 40 new fiberglass tanks (600,000 gallons) at a cost of approximately \$400,000 allowing complete production flexibility with more smaller tanks. The Company had expected that the first shrimp tanks harvest target date would be April 2020.

On March 18, 2020, our research and development plant in La Coste, Texas was destroyed by a fire. The Company believes that it was caused by a natural gas leak, but the fire was so extensive that the cause was undetermined. No one was injured as a result of the fire. The majority of the damage was to our pilot production plant, which comprises approximately 35,000 square feet of the total size of all facilities at the La Coste location of approximately 53,000 square feet, but the fire did not impact the separate greenhouse, reservoirs or utility buildings. We have received total insurance proceeds in the amount of \$917,210, the full amount of our claim. These funds are being utilized to convert the original greenhouse into an 8,000 square foot water treatment plant, rebuild a 40,000 square foot production facility at the La Coste facility and to repurchase the equipment and technology needed to replace what was lost in the fire. We began stocking PLs in the water treatment plant in January 2021 to perform testing of the facility support systems and will begin stocking the new grow-out facility with regular biweekly supplies of PLs in February 2021.

On December 18, 2020, we closed the acquisition for the assets of Alder Aqua, formerly known as VeroBlue Farms in Webster City, Iowa, including but not limited to the real property, equipment, tanks, rolling stock, inventory, permits, customer lists, contracts and other such assets used in the operation of the business. These facilities were previously used to raise Barramundi fish. We have begun the conversion from a fish aquaculture facility to a shrimp production facility that includes inserting the Company patented "Vibrio Suppression Technology". We will begin stocking PLs in that facility in March 2021 to perform testing of the support systems.

#### *Recent developments*

On December 15, 2020, the Company entered into an Asset Purchase Agreement ("APA") between VeroBlue Farms USA, Inc., a Nevada corporation ("VBF"), VBF Transport, Inc., a Delaware corporation ("Transport"), and Iowa's First, Inc., an Iowa corporation ("Iowa's First") (each a "Seller" and collectively, "Sellers"). Transport and Iowa's First were wholly-owned subsidiaries of VBF. The agreement called for the Company to purchase all of the tangible assets of VBF, the motor vehicles of Transport and the real property (together with all plants, buildings, structures, fixtures, fittings, systems and other improvements located on such real property) of Iowa's First. The consideration was \$10,000,000, consisting of \$5,000,000 in cash, paid at closing on December 17, 2020, (ii) \$3,000,000 payable in 36 months with interest thereon at the rate of 5% per annum, interest only payable quarterly on the first day of the quarter, with the remaining balance to be paid to VBF as a balloon payment on the maturity date, and (iii) \$2,000,000 payable in 48 months with interest thereon at the rate of 5% per annum, interest only payable quarterly on the first day of the quarter, with the remaining balance to be paid to VBF as a balloon payment on the maturity date. The Company also agreed to issue 500,000 shares of common stock as a finder's fee, with a fair value of \$135,000 based on the market value of the common stock as of the closing date of the acquisition.

The facility was originally designed as a farming facility, with the company never beginning production. The Company's plan is to begin a modification process to convert the plant to produce shrimp, which will allow them to scale faster without having to build new facilities. The three Iowa facilities contain the tanks and infrastructure that will be used to support the production of shrimp with the incorporation of the Company's patented EC platform technology.

#### *Results of Operations*

#### **Comparison of the Three Months Ended December 31, 2020 to the Three Months Ended December 31, 2019**

##### Revenue

We have not earned any significant revenues since our inception and, although we expect revenues to begin in fiscal year 2021, we can provide no assurances as to how significant they will be at that time.

## Expenses

Our expenses for the three months ended December 31, 2020 are summarized as follows, in comparison to our expenses for the three months ended December 31, 2019:

	<u>Three Months Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Salaries and related expenses	\$ 97,090	\$ 109,733
Professional fees	228,967	116,844
Other general and administrative expenses	64,762	75,906
Rent	3,835	4,351
Facility operations	154,470	41,375
Research and development	-	101,500
Depreciation	18,173	15,958
Total	<u>\$ 567,297</u>	<u>\$ 465,667</u>

Operating expenses for the three months ended December 31, 2020 were \$567,297, which is an approximately 22% increase over operating expenses of \$465,667 for the same period in 2019. The overall change in expenses is mainly due to the increase in professional fees resulting from an increase in legal fees this period, related in part to the warrant settlement with Vista, the designation of the new series Preferred shares as well as its purchase and an increase in accounting and consulting fees, over the same period in the previous year. The increase of approximately \$113,000 in the three months ended December 31, 2020 for facility operations is a result of the Company recommencing with its testing and start-up operations in the production plant. The research and development cost in the prior period was for the NAS 51% subsidiary. All other costs between periods are fairly consistent.

## **Comparison of the Nine Months Ended December 31, 2020 to the Nine Months Ended December 31, 2019**

### Revenue

We have not earned any significant revenues since our inception and, although we expect revenues to begin in fiscal year 2021, we can provide no assurances as to how significant they will be at that time.

### Expenses

Our expenses for the nine months ended December 31, 2020 are summarized as follows, in comparison to our expenses for the nine months ended December 31, 2019:

	<u>Nine Months Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Salaries and related expenses	\$ 311,623	\$ 337,265
Professional fees	516,453	266,455
Other general and administrative expenses	291,908	328,688
Rent	11,678	12,163
Facility operations	234,113	180,934
Research and development	79,550	101,500
Depreciation	37,850	41,521
Total	<u>\$ 1,483,175</u>	<u>\$ 1,268,526</u>

Operating expenses for the nine months ended December 31, 2020 were \$1,483,175, which is an increase of approximately 17% as compared to operating expenses for the same period in 2019. The overall change in expenses is mainly due to the increase in professional fees and facility operations, offset by the decrease in other general and administrative expenses and research and development between the periods. The increase in professional fees is due to an increase in legal fees this period, related in part to the Vista warrant settlement and the new Series D PS, and an increase in accounting and consulting fees, over the same period in the previous year. The increase of approximately \$53,000 in facility operations is a result of the fire on March 18, 2020, at our pilot production plant, which is currently in the process of being rebuilt, with additional amounts also spent on testing and startup operations. In the three months ending December 31, 2019, the Company was also progressing with its testing and planning to begin commercial operations, which had resulted in a ramp-up of costs, as well as the research and development of the 51% subsidiary NAS. All other costs between periods are fairly consistent.

#### *Liquidity, Financial Condition and Capital Resources*

As of December 31, 2020, we had cash on hand of approximately \$312,000 and a working capital deficiency of approximately \$2,792,000, as compared to cash on hand of approximately \$109,000 and a working capital deficiency of approximately \$3,598,000 as of March 31, 2020. The decrease in working capital deficiency for the nine months ended December 31, 2020 is mainly due to the decrease in current liabilities as a result of decreases in convertible debt and the related derivatives due to conversions of approximately \$463,000 of convertible debt, the Vista settlement in April of 2020, which was accrued as of March 31, 2020 and which consisted of \$560,000 in accrued expenses and \$90,000 in warrant liability, as well as the issuance of the related party note to Ms. Williams in exchange for the amounts owed under the late Mr. William's settlement agreement, a portion of which is now non-current. This is offset by a decrease in current assets as a result of the collection of the insurance settlement of approximately \$917,000.

#### **Working Capital Deficiency**

Our working capital deficiency as of December 31, 2020, in comparison to our working capital deficiency as of March 31, 2020, can be summarized as follows:

	<u>December 31,</u> <u>2020</u>	<u>March 31,</u> <u>2020</u>
Current assets	\$ 1,089,867	\$ 1,155,394
Current liabilities	3,881,698	4,753,343
Working capital deficiency	<u>\$ 2,791,831</u>	<u>\$ 3,597,949</u>

The decrease in current assets is due to the receipt of the insurance settlement of approximately \$917,000 which was in current assets as of March 31, 2020. While this decreased current assets as compared to the prior year end, the remaining proceeds have increased cash as of December 31, 2020, by approximately \$202,000. The decrease in current liabilities is primarily due to the issuance of the shares of the Company's common stock in the current period related to the Vista warrant settlement, with a fair value of \$560,000, plus the cash payment to Vista of \$75,000 on April 10, 2020, which were both included in accrued expenses as of March 31, 2020, along with the reclassification of the \$90,000 warrant liability to equity upon cancellation of the Vista warrants. The current liabilities also were decreased by the conversion of approximately \$463,000 of principal of convertible notes and the related reclassification to equity of the total derivative liability upon conversion. Additionally, the issuance of the related party note to Ms. Williams in exchange for the amounts owed under the late Mr. William's settlement agreement, also resulted in a decrease to current liabilities as a portion of the new note payable is now non-current. Lastly, there also is an increase of approximately \$255,000 in accounts payable.

#### **Cash Flows**

Our cash flows for the nine months ended December 31, 2020, in comparison to our cash flows for the nine months ended December 31, 2019, can be summarized as follows:

	<u>Nine Months Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Net cash used in operating activities	\$ (1,013,718)	\$ (1,503,708)
Net cash used in investing activities	(7,126,728)	(1,153,525)
Net cash provided by financing activities	8,342,803	3,102,724
Net change in cash	<u>\$ 202,357</u>	<u>\$ 634,353</u>

The decrease in net cash used in operating activities in the nine months ended December 31, 2020 compared to the same period in 2019 is attributable partly due to the decrease in the net loss, as well as the approximately \$745,000 fair value of the shares issued for services. There also was the decrease in accrued expenses, which was a result of the settlement with Vista and in accrued interest due to related parties, stemming from the issuance of the new Ms. Williams note payable in settlement of the late Mr. Williams separation agreement. This is offset in the current period of no longer recognizing amortization of debt discount, which was approximately \$515,000 in the prior period.

The net cash used in investing activities in the nine months ended December 31, 2020 includes cash paid for the VeroBlue Farm asset acquisition, as well as machinery and equipment and construction in process to rebuild the Texas plant and is offset by the \$917,210 of cash proceeds received from the insurance settlement for the fire to the pilot production plant. In the same period in 2019, the Company used cash for investing activities to purchase machinery and equipment and payments on construction in process on the Texas facility, prior to the March 2020 fire.

The net cash provided by financing activities increased by approximately \$738,000 between periods. For the current period, the Company received \$3,250,000 from the Securities Purchase Agreement for the sale of Series B Convertible Preferred Stock, \$5,000,000 from the Securities Purchase Agreement for the sale of Series D Redeemable Convertible Preferred Stock, as well as \$103,200 from a Paycheck Protection Program (“PPP”) loan, which is expected to be forgiven within the current year, and \$50,000 connected to the Vista warrant settlement. In the same period in the prior year, the financing activities primarily arose from the proceeds received from the equity financing agreement of \$1,774,000 and \$100,000 proceeds from a new convertible debenture in April of 2019, and \$250,000 from the initial tranche of the Stock Purchase Agreement of the Series B Convertible Preferred Stock, offset by payments made on the credit line and convertible debentures in fiscal 2020.

Our cash position was approximately \$312,000 as of December 31, 2020. Management believes that our cash on hand and working capital are not sufficient to meet our current anticipated cash requirements for the next twelve months, as more fully described below.

## **Recent Financing Arrangements and Developments During the Period**

### Short-Term Debt and Lines of Credit

The Company has a working capital line of credit with Extraco Bank. On April 30, 2020, the line of credit was renewed with a maturity date of April 30, 2021 for a balance limit of \$372,675. The line of credit bears an interest rate of 5.0%, that is compounded monthly and to be paid with the principal on the maturity date. The line of credit matures on April 30, 2021 and is secured by certificates of deposit and letters of credit owned by directors and shareholders of the Company. The balance of the line of credit is \$372,675 at both December 31, 2020 and March 31, 2020.

The Company also has an additional line of credit with Extraco Bank for \$200,000, which was renewed with a maturity date of April 30, 2021, for a balance of \$177,778. The lines of credit bear interest at a rate of 5%, that is compounded monthly and to be paid with the principal on the maturity date. The line of credit is secured by certificates of deposit and letters of credit owned by directors and shareholders of the Company. The balance of the line of credit was \$177,778 at both December 31, 2020 and March 31, 2020.

The Company also has a working capital line of credit with Capital One Bank for \$50,000. The line of credit bears an interest rate of prime plus 25.9 basis points, which totaled 29.15% as of December 31, 2020. The line of credit is unsecured. The balance of the line of credit was \$9,580 at both December 31, 2020 and March 31, 2020.

The Company also has a working capital line of credit with Chase Bank for \$25,000. The line of credit bears an interest rate of prime plus 10 basis points, which totaled 13.25% as of December 31, 2020. The line of credit is secured by assets of the Company’s subsidiaries. The balance of the line of credit is \$10,237 as of December 31, 2020 and March 31, 2020.

### Bank Loan

On April 10, 2020, the Company obtained a PPP loan in the amount of \$103,200 pursuant to the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). Interest on the loan is at the rate of 1% per year, and all loan payments are deferred for six months, at which time the balance is payable in 18 monthly installments if not forgiven in accordance with the CARES Act and the terms of the promissory note executed by the Company in connection with the loan. The promissory note contains events of default and other provisions customary for a loan of this type. As required, the Company intends to use the PPP loan proceeds for payroll, healthcare benefits, and utilities. The program provides that the use of PPP Loan amount shall be limited to certain qualifying expenses and may be partially or wholly forgiven in accordance with the requirements set forth in the CARES Act.

On January 10, 2017, the Company entered into a promissory note with Community National Bank for \$245,000, at an annual interest rate of 5% and a maturity date of January 10, 2020 (the "CNB Note"). The CNB Note is secured by certain real property owned by the Company in LaCoste, Texas, and is also personally guaranteed by the Company's President, as well as certain shareholders of the Company. On January 10, 2020, the loan was modified, with certain terms amended. The modified note is for the principal balance of \$222,736, with initial monthly payments of \$1,730 through February 1, 2037, when all unpaid principal and interest will be due and payable. The loan has an initial yearly rate of interest of 5.75%, which may change beginning on February 1, 2023 and each 36 months thereafter, to the Wall Street Journal Prime Rate plus 1%, but never below 4.25%. The monthly payments may change on the same dates as the interest changes. The Company is also allowed to make payments against the principal at any time. The balance of the CNB Note is \$216,931 as of December 31, 2020, \$8,438 of which was in current liabilities, and \$220,899 as of March 31, 2020, of which \$8,904 was in current liabilities.

On November 3, 2015, the Company entered into a short-term note agreement with Community National Bank for a total value of \$50,000. The short-term note had a stated interest rate of 5.25%, maturity date of December 15, 2017 and had an initial interest only payment on February 3, 2016. On July 18, 2018, the short-term note was replaced by a promissory note for the outstanding balance of \$25,298, which bears interest at 8% with a maturity date of July 18, 2021. The note is guaranteed by an officer and director. The balance of the note as of December 31, 2020 and March 31, 2020 was \$5,413 and \$12,005, respectively.

#### Convertible Debentures

On August 24, 2018, the Company entered into a 10% convertible note in the principal amount of \$55,000, convertible into shares of common stock of the Company, which matures August 24, 2019. The interest rate increases to 24% per annum upon an event of default, as set forth in the agreement, including a cross default to all other outstanding notes, and if the debenture is not paid at maturity the principal due increases by 10%. If the Company loses its bid price the principal outstanding on the debenture increases by 20%, and if the Company's common stock is delisted, the principal increases by 50%. On January 10, 2019 the outstanding principal of \$55,000 and accrued interest of \$1,974 was purchased from the noteholder by a third party, for \$82,612. The additional \$25,638 represents the redemption amount owing to the original noteholder and increases the principal amount due to the new noteholder. The note is convertible into shares of the Company's common stock at a price per share equal to 57% of the lowest closing bid price for the last 20 days. The discount is increased an additional 10%, to 47%, upon a "DTC chill". During the fourth fiscal quarter of 2019, in three separate conversions, the holder converted \$57,164 of principal into 9,291,354 shares of common stock of the Company. On May 5, 2020, the remaining outstanding balance of \$29,057 was converted into 2,039,069 shares of common stock of the Company, at a conversion rate of \$0.014.

On September 14, 2018, the Company entered into a 12% convertible promissory note for \$112,500, with an OID of \$10,250, which matures on March 14, 2019. On January 25, 2019 the outstanding principal of \$101,550, plus an additional \$81,970 of default principal and \$13,695 in accrued interest of the note, resulting in a new balance of \$197,215, was purchased from the noteholder by a third party, who extended the maturity date. Per the agreement, the Company is required at all times to have authorized and reserved three times the number of shares that is actually issuable upon full conversion of the note. The interest rate increases to a default rate of 24% for events as set forth in the agreement, including if the market capitalization is below \$5 million, or there are any dilutive issuances. There is also a cross default provision to all other notes. In the event of default, the outstanding principal balance increases to 150%, and if the Company fails to maintain the required authorized share reserve, the outstanding principal increases to 200%. Additionally, If the Company enters into a 3(a)(9) or 3(a)(10) issuance of shares there are liquidation damages of 25% of principal, not to be below \$15,000. The Company must also obtain the noteholder's written consent before issuing any new debt. Additionally, if the note is not repaid by the maturity date the principal balance increases by \$15,000. The market capitalization has been below \$5 million and therefore the note was in default, however, the holder has issued a waiver to the Company on this default provision.

The note is convertible into shares of the Company's common stock at a variable conversion rate that is equal to the lesser of 60% of the lowest trading price for the last 20 days prior to the issuance of the note or 60% of the lowest market price over the 20 days prior to conversion. The conversion price shall be adjusted upon subsequent sales of securities at a price lower than the original conversion price. There are additional 10% adjustments to the conversion price for events set forth in the agreement, including if the conversion price is less than \$0.01, if the Company is not DTC eligible, the Company is no longer a reporting company, or the note cannot be converted into free trading shares on or after nine months from issue date. On December 13, 2018 the holder converted \$11,200 of principal into 4,000,000 shares of common stock of the Company. On three separate dates during the first quarter of the fiscal year ending March 31, 2021, the remaining outstanding balance was converted into 35,887,170 shares of common stock of the Company, at a conversion rate of \$0.006.

On March 1, 2019, the Company entered into a 10% convertible promissory note for \$168,000, with an OID of \$18,000, for a purchase price of \$150,000, which originally matured on November 1, 2019. The maturity date has been extended to September 1, 2020, with the noteholders waiving the default penalties through December 31, 2020. During the first 180 days the convertible redeemable note is in effect, the Company may redeem the note at a prepayment percentage of 100% to 130% of the outstanding principal and accrued interest based on the redemption date's passage of time ranging from 60 days to 180 days from the date of issuance of the debenture. Per the agreement, the Company is required at all times to have authorized and reserved three times the number of shares that is actually issuable upon full conversion of the note. In the event of default, as set forth in the agreement, the outstanding principal balance increases to 150%. In addition to standard events of default, an event of default occurs if the common stock of the Company shall lose the "bid" price for its Common Stock, on trading markets, including the OTCBB, OTCQB or an equivalent replacement exchange. If the Company enters into a 3 (a)(9) or 3(a)(10) issuance of shares there are liquidation damages of 25% of principal, not to be below \$15,000. The Company must also obtain the noteholder's written consent before issuing any new debt. The note is convertible at a fixed conversion price of \$0.25. If an event of default occurs, the fixed conversion price is extinguished and replaced by a variable conversion rate that is 70% of the lowest trading prices during the 20 days prior to conversion. The fixed conversion price shall reset upon any future dilutive issuance of shares, options or convertible securities. On December 21, 2020, the outstanding balance of \$168,000 and accrued interest of \$30,847 was converted into 795,387 shares of common stock of the Company, at a conversion rate of \$0.25.

On April 17, 2019, the Company entered into a 10% convertible promissory note for \$110,000, with an OID of \$10,000, for a purchase price of \$100,000, which matures on January 23, 2020. The maturity date has been extended to September 1, 2020. During the first 180 days the convertible redeemable note is in effect, the Company may redeem the note at a prepayment percentage of 120% to 130% of the outstanding principal and accrued interest based on the redemption date's passage of time ranging from 60 days to 180 days from the date of issuance of the debenture. Per the agreement, the Company is required at all times to have authorized and reserved three times the number of shares that is actually issuable upon full conversion of the note. In the event of default, as set forth in the agreement, the outstanding principal balance increases to 150%. In addition to standard events of default, an event of default occurs if the common stock of the Company shall lose the "bid" price for its Common Stock, on trading markets, including the OTCBB, OTCQB or an equivalent replacement exchange. If the Company enters into a 3 (a)(9) or 3(a)(10) issuance of shares there are liquidation damages of 25% of principal, not to be below \$15,000. The Company must also obtain the noteholder's written consent before issuing any new debt. The note is convertible at a fixed conversion price of \$0.124. If an event of default occurs, the fixed conversion price is extinguished and replaced by a variable conversion rate that is 70% of the lowest trading prices during the 20 days prior to conversion. On September 14, 2020, the outstanding balance of \$110,000 was converted into 1,014,001 shares of common stock of the Company, at a conversion rate of \$0.124.

#### Sale and Issuance of Common Stock

During the nine months ended December 31, 2020, the Company issued 39,735,627 shares of the Company's common stock upon conversion of approximately \$564,000 of their outstanding convertible debt and accrued interest.

During the nine months ended December 31, 2020, the Company has converted 3,554 Series B PS plus 141 Series B PS dividends-in-kind into 97,761,030 shares of the Company's common stock.

#### Common Shares Issued to Consultants

On August 24, 2020, the Company issued 1,500,000 shares of common stock to a consultant per an agreement entered into on June 25, 2020. The agreement has a six month term, and therefore the fair value of \$67,500, based on the market value of \$0.045 on the grant date, will be recognized over the term of the agreement, with \$32,500 and \$67,500 expensed during the three and nine months ended December 31, 2020. On December 25, 2020, the Company renewed the agreement for an additional six months. As consideration for the agreement the Company issued 1,500,000 shares of common stock to the consultant. The agreement has a six month term, and therefore the fair value of \$616,500, based on the market value of \$0.041 on the grant date, is recognized in Prepaid expense as of the period end December 31, 2020, and will be expensed over the term of the agreement.

On June 12, 2020, the Company issued 1,250,000 shares of common stock to a consultant, with the fair value of \$61,250 based on the market price of \$0.049 on the date issued and which was recognized as professional services in the three months ended June 30, 2020.

#### Series B Preferred Equity Offering

On September 5, 2019, the Board authorized the issuance of 5,000 preferred shares to be designated as Series B Preferred Stock. The Series B PS have a par value of \$0.0001, a stated value of \$1,200 and no voting rights. The Series B PS are redeemable at the Company's option, at percentages ranging from 120% to 135% for the first 180 days, based on the passage of time. The Series B are also redeemable at the holder's option, upon the occurrence of a triggering event which includes a change of control, bankruptcy, and the inability to deliver Series B PS requested under conversion notices. The triggering redemption amount is at the greater of (i) 135% of the stated value or (ii) the product of the volume-weighted average price ("VWAP") on the day proceeding the triggering event multiplied by the stated value divided by the conversion price. As the redemption feature at the holder's option is contingent on a future triggering event, the Series B PS is considered contingently redeemable, and as such the preferred shares are classified in equity until such time as a triggering event occurs, at which time they will be classified as mezzanine.

The Series B PS is convertible, at the discounted market price which is defined as the lowest VWAP over last 20 days. The conversion price is adjustable based on several situations, including future dilutive issuances. As the Series B PS does not have a redemption date and is perpetual preferred stock, it is considered to be an equity host instrument and as such the conversion feature is not required to be bifurcated as it is clearly and closely related to the equity host instrument.

During the nine months ended December 31, 2020, the Company received \$3,250,000 for the issuance of 3,250 Series B PS.

### *Series D Preferred Equity Offering*

On December 18, 2020, the Company entered into securities purchase agreements (the “Purchase Agreement”) with GHS Investments LLC, Platinum Point Capital LLC and BHP Capital NY (collectively, the “Purchaser”), whereby, at the closing, each Purchaser agreed to purchase from the Company, up to 5,000 shares of the Company’s Series D Convertible Preferred Stock, par value \$0.0001 per share (the “Series D Preferred Stock”), at a purchase price of \$1,000 per share of Series D Preferred Stock. The aggregate purchase price per Purchaser for the Series D Preferred Stock is \$5,000,000. In connection with the sale of the Series D Preferred Stock, the Purchasers received 6,000,000 shares of the Company’s common stock, par value \$0.0001 (the “Commitment Shares”), which have a fair value of \$1,616,250 based on the market price of the common shares of \$0.27 on the date of the Series D PS purchase.

Each holder of Series D Preferred Stock shall be entitled to receive, with respect to each share of Series D Preferred Stock then outstanding and held by such holder, dividends at the rate of twelve percent (12%) per annum (the “Preferred Dividends”). Dividends may be paid in cash or in shares of Preferred Stock at the discretion of the Company.

The Series D PS are convertible into Common Stock at the election of the holder of the Series D PS at any time following five days after a qualified offering (as defined in the Purchase Agreement) at a 35% discount to the offering price, or, if a qualified offering has not occurred, at a price of \$0.10 per share, subject to adjustment as set forth in the designation.

The Series BD PS shall be redeemed by the Corporation on the date that is no later than one calendar year from the date of its issuance. The Series D PS are also redeemable at the Company’s option, at percentages ranging from 115% to 125% for the first 180 days, based on the passage of time. The Company shall redeem the Series D PS in cash upon a three business days prior notice to the holder or the holder may convert the Series D PS within such three business days period prior to redemption. Additionally, the holder shall have the right to either redeem for cash or convert the Preferred Stock into Common Stock within three business days following the consummation of a qualified offering. The Series D PS are also redeemable at the holder’s option, upon the occurrence of a triggering event which includes a change of control, bankruptcy, and the inability to deliver shares of the Company’s common stock requested under conversion notices. The triggering redemption amount is 150% of the stated value.

### *Going Concern*

The audited consolidated financial statements contained in this quarterly report on Form 10-Q have been prepared, assuming that the Company will continue as a going concern. The Company has accumulated losses through the period to December 31, 2020 of approximately \$49,962,000 as well as negative cash flows from operating activities of approximately \$1,014,000. Presently, the Company does not have sufficient cash resources to meet its plans in the twelve months following the date of issuance of this filing. These factors raise substantial doubt about the Company’s ability to continue as a going concern. Management is in the process of evaluating various financing alternatives in order to finance the continued build-out of our equipment and for general and administrative expenses. These alternatives include raising funds through public or private equity markets and either through institutional or retail investors. Although there is no assurance that the Company will be successful with our fund raising initiatives, management believes that the Company will be able to secure the necessary financing as a result of ongoing financing discussions with third party investors and existing shareholders.

The consolidated financial statements do not include any adjustments that may be necessary should the Company be unable to continue as a going concern. The Company’s continuation as a going concern is dependent on its ability to obtain additional financing as may be required and ultimately to attain profitability. If the Company raises additional funds through the issuance of equity, the percentage ownership of current shareholders could be reduced, and such securities might have rights, preferences or privileges senior to the rights, preferences and privileges of the Company’s common stock. Additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available or are not available on acceptable terms, the Company may not be able to take advantage of prospective business endeavors or opportunities, which could significantly and materially restrict its future plans for developing its business and achieving commercial revenues. If the Company is unable to obtain the necessary capital, the Company may have to cease operations.

### *Future Financing*

We will require additional funds to implement our growth strategy for our business. In addition, while we have received capital from various private placements that have enabled us to fund our operations, these funds have been largely used to develop our processes, although additional funds are needed for other corporate operational and working capital purposes. However, not including funds needed for capital expenditures or to pay down existing debt and trade payables, we anticipate that we will need to raise an additional \$2,500,000 to cover all of our operational expenses over the next 12 months, not including any capital expenditures needed as part of any commercial scale-up of our equipment. These funds may be raised through equity financing, debt financing, or other sources, which may result in further dilution in the equity ownership of our shares. There can be no assurance that additional financing will be available to us when needed or, if available, that such financing can be obtained on commercially reasonable terms. If we are not able to obtain the additional necessary financing on a timely basis, or if we are unable to generate significant revenues from operations, we will not be able to meet our other obligations as they become due, and we will be forced to scale down or perhaps even cease our operations.

### *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 that is material to stockholders.

### *Effects of Inflation*

We do not believe that inflation has had a material impact on our business, revenues or operating results during the periods presented.

### *Critical Accounting Policies and Estimates*

Our significant accounting policies are more fully described in the notes to our financial statements included in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the fiscal year ended March 31, 2020. We believe that the accounting policies below are critical for one to fully understand and evaluate our financial condition and results of operations.

#### **Fair Value Measurement**

The fair value measurement guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in the valuation of an asset or liability. It establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the fair value measurement guidance are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;

Level 2 - Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; or

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company did not have any Level 1 or Level 2 assets and liabilities as of December 31, 2020 and March 31, 2020.

The Derivative and warrant liabilities are Level 3 fair value measurements.

#### **Basic and Diluted Earnings/Loss per Common Share**

Basic and diluted earnings or loss per share ("EPS") amounts in the consolidated financial statements are computed in accordance with ASC 260 – 10 "Earnings per Share", which establishes the requirements for presenting EPS. Basic EPS is based on the weighted average number of shares of common stock outstanding. Diluted EPS is based on the weighted average number of shares of common stock outstanding and dilutive common stock equivalents. Basic EPS is computed by dividing net income or loss available to common stockholders (numerator) by the weighted average number of shares of common stock outstanding (denominator) during the period. For the nine months ended December 31, 2020, the Company had a 1,920 shares of Series B PS whose approximately 12,308,000 underlying shares are convertible at the investors' option at a conversion price based on the lowest market price over the last 20 trading days, and 5,000 of Series B PS whose approximately 50,000,000 underlying shares are convertible at the investors' option at a fixed conversion price of \$0.10, which were not included in the calculation of diluted EPS as their effect would be anti-dilutive. For the nine months ended December 31, 2019, the Company had approximately \$709,000 in principal on convertible debentures whose approximately 22,895,000 underlying shares are convertible at the holders' option at conversion prices ranging from \$0.01 to \$0.30 for fixed conversion rates, and 57% - 60% of the defined trading price for variable conversion rates and approximately 848,000 warrants with an exercise price of 45% of the market price of the Company's common stock, which were not included in the calculation of diluted EPS as their effect would be anti-dilutive.

## **Impairment of Long-lived Assets and Long-lived Assets**

The Company will periodically evaluate the carrying value of long-lived assets to be held and used when events and circumstances warrant such a review and at least annually. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair values are reduced for the cost to dispose.

### *Recently Adopted Accounting Pronouncements*

Our recently adopted accounting pronouncements are more fully described in Note 2 to our financial statements included herein for the quarter ended December 31, 2020.

### *Recently Issued Accounting Standards*

During the year ended March 31, 2020, there were several new accounting pronouncements issued by the Financial Accounting Standards Board. Each of these pronouncements, as applicable, has been or will be adopted by the Company. Management does not believe the adoption of any of these accounting pronouncements has had or will have a material impact on the Company's consolidated financial statements.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not Applicable. As a smaller reporting company, we are not required to provide the information required by this Item.

## **ITEM 4. CONTROLS AND PROCEDURES**

### *Evaluation of Disclosure Controls and Procedures*

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (who is our Principal Executive Officer) and our Chief Financial Officer and Treasurer (who is our Principal Financial Officer and Principal Accounting Officer), of the effectiveness of the design of our disclosure controls and procedures (as defined by Exchange Act Rules 13a-15(e) or 15d-15(e)) as of September 30, 2020 pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were not effective as of December 31, 2020 in ensuring that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. This conclusion is based on findings that constituted material weaknesses. A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's interim financial statements will not be prevented or detected on a timely basis.

### *Changes in Internal Control Over Financial Reporting*

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting. We believe that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within any company have been detected.

## PART II – OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

Except as described below, we are currently not involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our Company or any of our subsidiaries, threatened against or affecting our company, our common stock, any of our subsidiaries or of our companies or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

#### RGA Labs, Inc.

On February 18, 2020, RGA Labs, Inc. ("RGA") filed suit against the Company in the Illinois Circuit Court (23<sup>rd</sup> District) alleging that the Company owed RGA money pursuant to a written contract for the design and manufacture of certain water treatment equipment commissioned by the Company. The Company disputed the allegations and has counterclaimed against RGA for additional costs and expenses incurred by the Company in correcting, repairing and retro-fitting the equipment to enable it to work in the Company's facilities. On December 1, 2020, the Company filed a motion to dismiss the lawsuit as a sanction for the failure of RGA to comply with a court order compelling responses to the Company's requests for production and first set of interrogatories. A hearing was held on the motion to dismiss on January 20, 2021. The Court has taken the matter under advisement and will issue its ruling on March 19, 2021.

#### Gary Shover

A shareholder of NaturalShrimp Holdings, Inc. ("NSH"), Gary Shover, filed suit against the Company on August 11, 2020 in the Northern District of Texas, Dallas Division, alleging breach of contract for the Company's failure to exchange common shares of the Company for shares Mr. Shover owns in NSH. The Company has filed its answer to the complaint and is seeking to settle the matter with Mr. Shover with the approval of the Federal District Court. A settlement stipulation has been prepared and approved by the parties and will be filed with the Court along with a proposed order. It is anticipated that the stipulation, joint motion to approve stipulation and proposed order approving the stipulation and settlement will be filed with the Court during the week of February 15, 2021.

### ITEM 1A. RISK FACTORS

Factors that could cause or contribute to differences in our future financial and operating results include those discussed in the risk factors set forth in Item 1A of our Annual Report on Form 10-K for the year ended March 31, 2020. The risks described in our Form 10-K and this Report are not the only risks that we face. Additional risks not presently known to us or that we do not currently consider significant may also have an adverse effect on the Company. If any of the risks actually occur, our business, results of operations, cash flows or financial condition could suffer.

There have been no material changes to the risk factors set forth in Item 1A of our Annual Report on Form 10-K for the year ended March 31, 2020, filed with SEC on June 26, 2020, other than the following:

**Our purchase of the assets from VeroBlue Farms USA will require us to devote a significant amount of attention to that operation and will require further investment to develop such assets.**

On December 15, 2020, we entered into an Asset Purchase Agreement ("APA") between VeroBlue Farms USA, Inc., a Nevada corporation ("VBF"), VBF Transport, Inc., a Delaware corporation ("Transport"), and Iowa's First, Inc., an Iowa corporation ("Iowa's First") (each a "Seller" and collectively, "Sellers"). The agreement called for us to purchase all of the tangible assets of VBF, the motor vehicles of Transport and the real property (together with all plants, buildings, structures, fixtures, fittings, systems and other improvements located on such real property) of Iowa's First. The facility was originally designed for the growth of barramundi fish, but the company never began production and declared bankruptcy on September 21, 2018. Our plan is to begin a modification process to convert the plant to produce shrimp. The three Iowa facilities contain the tanks and infrastructure that will be used to support the production of shrimp with the incorporation of the Company's patented EC platform technology. The Company also plans to convert additional square footage currently used as storage to a shrimp processing plant. Final plans and decisions related to this project continue to be developed and we can provide no assurance that we will be able to provide the time and additional resources to further such development.

**We face risks related to Novel Coronavirus (COVID-19) which could significantly disrupt our research and development, operations, sales, and financial results.**

Our business could be adversely impacted by the effects of the Novel Coronavirus (COVID-19). In addition to global macroeconomic effects, the COVID-19 outbreak and any other related adverse public health developments could cause disruption to our operations and manufacturing activities. Our third-party equipment manufacturers, third-party raw material suppliers, and consultants have been and will be disrupted by worker absenteeism, quarantines and restrictions on employees' ability to work, office and factory closures, disruptions to ports and other shipping infrastructure, border closures, or other travel or health-related restrictions which could adversely affect our business and operations. In addition, we have experienced and will experience disruptions to our business operations resulting from quarantines, self-isolations, or other movement and restrictions on the ability of our employees to perform their jobs that may impact our ability to develop and design our products and services in a timely manner or meet required milestones.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

### *Shares of Common Stock*

On December 25, 2020, the Company renewed an agreement with a consultant for an additional six months. As consideration for the agreement, the Company issued 1,500,000 shares of common stock to the consultant.

During the nine months ended December 31, 2020, the Company issued 39,735,627 shares of the Company's common stock upon conversion of approximately \$564,000 of their outstanding convertible debt and accrued interest.

### *Series B Preferred Shares*

During the nine months ended December 31, 2020, the Company converted 3,554 Series B Preferred Shares plus 141 Series B Preferred Share dividends-in-kind into 97,761,030 shares of the Company's common stock.

The above securities were issued in reliance on either the safe harbor of Rule 144 pursuant to Section 4(a)(1) of the Securities Act of 1933, as amended (in the case of shares issued pursuant to conversions of other securities) or the exemption under Section 4(a)(2) of the Securities Act (in the case of the issuance of the Series B PS and the shares issued to the consultants). The issuance of the Series B PS and the shares issued to the consultants qualified for exemption under Section 4(a)(2) since the issuance by us did not involve a public offering. The offerings were not "public offerings" as defined in 4(a)(2) due to the insubstantial number of persons involved in the transactions, manner of the issuance and number of securities issued. We did not undertake an offering in which we sold a high number of securities to a high number of investors. In addition, the investors had the necessary investment intent as required by Section 4(a)(2) since they agreed to and received securities bearing a legend stating that such securities are restricted pursuant to Rule 144 of the Act. This restriction ensures that these securities would not be immediately redistributed into the market and therefore not be part of a "public offering". Based on an analysis of the above factors, we have met the requirements to qualify for exemption under Section 4(a)(2) of the Securities Act for the issuance of the Series B PS and the shares issued to the consultants.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

## ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

## ITEM 5. OTHER INFORMATION

We are providing the following disclosure in lieu of filing a Current Report on Form 8-K relating to: "Item 1.01—Entry into a Material Definitive Agreement" and "Item 2.03—Creation of Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant" of Form 8-K.

On December 15, 2020, the Company entered into an Asset Purchase Agreement ("APA") between VeroBlue Farms USA, Inc., a Nevada corporation ("VBF"), VBF Transport, Inc., a Delaware corporation ("Transport"), and Iowa's First, Inc., an Iowa corporation ("Iowa's First") (each a "Seller" and collectively, "Sellers"). Transport and Iowa's First were wholly-owned subsidiaries of VBF. The agreement called for the Company to purchase all of the tangible assets of VBF, the motor vehicles of Transport and the real property (together with all plants, buildings, structures, fixtures, fittings, systems and other improvements located on such real property) of Iowa's First. The consideration was \$10,000,000, consisting of \$5,000,000 in cash, paid at closing on December 17, 2020, (ii) \$3,000,000 payable in 36 months with interest thereon at the rate of 5% per annum, interest only payable quarterly on the first day of the quarter, with the remaining balance to be paid to VBF as a balloon payment on the maturity date, and (iii) \$2,000,000 payable in 48 months with interest thereon at the rate of 5% per annum, interest only payable quarterly on the first day of the quarter, with the remaining balance to be paid to VBF as a balloon payment on the maturity date. The Company also agreed to issue 500,000 shares of common stock as a finder's fee, which would be considered as transaction fees in relation to the asset acquisition, with a fair value of \$135,000 based on the market value of the common stock as of the closing date of the acquisition.

**ITEM 6. EXHIBITS**

<b>Exhibit Number</b>	<b>Description</b>
<a href="#"><u>3.1</u></a>	Certificate of Designation of the Series D Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on December 22, 2020)
<a href="#"><u>10.1</u></a>	Form Securities Purchase Agreement (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on December 22, 2020)
<a href="#"><u>10.2</u></a> *	Asset Purchase Agreement between NaturalShrimp Incorporated and VeroBlue Farms USA, Inc. and certain subsidiaries of VeroBlue Farms dated December 15, 2020.
<a href="#"><u>31.1</u></a> *	Section 302 Certification under the Sarbanes-Oxley Act of 2002 of the Principal Executive Officer
<a href="#"><u>31.2</u></a> *	Section 302 Certification under the Sarbanes-Oxley Act of 2002 of the Principal Financial Officer and Principal Accounting Officer
<a href="#"><u>32.1</u></a> **	Section 906 Certification under the Sarbanes-Oxley Act of 2002 of the Principal Executive Officer
<a href="#"><u>32.2</u></a> **	Section 906 Certification under the Sarbanes-Oxley Act of 2002 of the Principal Financial Officer and Principal Accounting Officer
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed herewith.

\*\* In accordance with SEC Release 33-8238, Exhibits 32.1 and 32.2 are being furnished and not filed.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**NATURALSHRIMP INCORPORATED**

Date: February 16, 2021

By: /s/ Gerald Easterling  
Gerald Easterling  
Chief Executive Officer  
(Principal Executive Officer)

**NATURALSHRIMP INCORPORATED**

Date: February 16, 2021

By: /s/ William Delgado  
William Delgado  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

**NATURALSHRIMP INCORPORATED**  
**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Gerald Easterling, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NaturalShrimp Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

**NATURALSHRIMP INCORPORATED**

Date: February 16, 2021

By: /s/ Gerald Easterling  
Gerald Easterling  
Chief Executive Officer  
(Principal Executive Officer)

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**NATURALSHRIMP INCORPORATED**  
**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, William Delgado, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NaturalShrimp Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

**NATURALSHRIMP INCORPORATED**

Date: February 16, 2021

By: /s/ William Delgado  
William Delgado  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

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**NATURALSHRIMP INCORPORATED**  
**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Quarterly Report on Form 10-Q of NaturalShrimp Incorporated (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

**NATURALSHRIMP INCORPORATED**

Date: February 16, 2021

By: /s/ Gerald Easterling  
Gerald Easterling  
Chief Executive Officer  
(Principal Executive Officer)

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**NATURALSHRIMP INCORPORATED**  
**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Quarterly Report on Form 10-Q of NaturalShrimp Incorporated (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

**NATURALSHRIMP INCORPORATED**

Date: February 16, 2021

By: /s/ William Delgado  
William Delgado  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

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## ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this “**Agreement**”), dated as of December 15, 2020 (“**Effective Date**”), is entered into between VeroBlue Farms USA, Inc., a Nevada corporation (“**VBF**”), VBF Transport, Inc., a Delaware corporation (“**Transport**”), and Iowa’s First, Inc., an Iowa corporation (“**Iowa’s First**”) (each a “**Seller**” and collectively, “**Sellers**”) and NaturalShrimp, Inc., a Nevada corporation (“**Buyer**”).

### RECITALS

WHEREAS, VBF owns an inoperative aquaculture business based in Webster City, Iowa, with facilities in Blairsburg and Buckeye, Iowa (the “**Business**”);

WHEREAS, VBF wishes to sell to Buyer, and Buyer wishes to purchase from VBF, substantially all Tangible Property of the Business, subject to the terms and conditions set forth herein;

WHEREAS, Transport and Iowa’s First are wholly-owned subsidiaries of VBF and own Vehicles and Real Property related to the Business; and

WHEREAS, Iowa’s First and Transport have been made parties to this Agreement for the purpose of transferring their respective assets to Buyer and joining in the representations, warranties and indemnification obligations.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

### ARTICLE I PURCHASE AND SALE

**Section 1.01 Purchase and Sale of Assets.** On the terms and subject to the conditions set forth herein, at the Closing (as hereinafter defined), Sellers shall sell, assign, transfer, convey and deliver to Buyer, and Buyer shall purchase from Sellers, on an “as is” basis, free and clear of any Encumbrance all of Sellers’ right, title and interest in, to and under all of Sellers’ property and tangible assets of every kind and description located at Webster City, Iowa, Buckeye, Iowa, Blairsburg, Iowa and Byhalia, Mississippi, that was used or intended to be used in connection with the Business (but excluding the “Excluded Assets”) (collectively, the “**Purchased Assets**”) including the following:

(a) all items of equipment, inventory, supplies, parts, tires, accessories and tangible personal property of every kind, nature and description owned by VBF including those set forth and identified on Schedule 1.01(a) (“**Tangible Property**”);

(b) those motor vehicles owned by Transport and set forth on Schedule 1.01(b) (“**Vehicles**”); and

(c) all of Iowa’s First’s right, title and interest in and to the real property (together with all plants, buildings, structures, fixtures, fittings, systems and other improvements located on such real property and all easements, privileges, licenses, rights of way, permits, riparian and other water rights, hereditaments, appurtenances and other rights pertaining to or accruing to the benefit of such owned real property), set forth on Schedule 1.01(c) (“**Real Property**”); and

(d) all manufacturers warranties or other warranties relating to the Purchased Assets, if any.

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**Section 1.02 Excluded Assets.** Other than the Purchased Assets, Buyer expressly understands and agrees that it is not purchasing or acquiring, and Sellers are not selling or assigning, any other assets or properties of Sellers, and all such other assets and properties shall be excluded from the Purchased Assets (collectively, the "**Excluded Assets**"). Excluded Assets consist of those assets, properties and rights specifically set forth on Schedule 1.02 and all intangible assets including without limitation causes of action and Intellectual Property Rights.

**Section 1.03 No Liabilities.** Buyer shall not assume or be responsible for any Liabilities related to the Purchased Assets, including third-party litigation, or any other Liabilities of Sellers that arose prior to Closing (the "**Retained Liabilities**"). The Retained Liabilities shall remain the sole liability of Sellers and Sellers will have paid, performed, and discharged the Retained Liabilities prior to Closing.

**Section 1.04 Purchase Price.** The purchase price Buyer shall pay to Sellers for the Purchased Assets shall be Ten Million Dollars (\$10,000,000) (the "**Purchase Price**"), payable as follows: (i) Five Million Dollars (\$5,000,000), in cash at Closing ("**Closing Payment**"), (ii) Three Million Dollars (\$3,000,000) payable in thirty-six (36) months with interest thereon at the rate of five percent (5%) per annum, interest only payable quarterly on the first day of the quarter, with the remaining balance to be paid to VBF as a balloon payment on the maturity date, as further set forth in the promissory note, security agreement and mortgage attached hereto as Exhibit B ("**Promissory Note A**"), and (iii) Two Million Dollars (\$2,000,000) payable in forty-eight (48) months with interest thereon at the rate of five percent (5%) per annum, interest only payable quarterly on the first day of the quarter, with the remaining balance to be paid to VBF as a balloon payment on the maturity date, as further set forth in the promissory note, security agreement and mortgage attached hereto as Exhibit C ("**Promissory Note B**"). Sellers agree and instruct Buyer to make payment of the Closing Payment to First American Title Company, who will disburse funds to VBF on Sellers' behalf and Sellers shall assume full responsibility for the proper allocation of such payment as between Sellers.

**Section 1.05 Allocation of Purchase Price.** The Purchase Price shall be allocated among the Purchased Assets and the related Noncompetition and Nonsolicitation Agreement entered into by the parties, dated of even date herewith (the "Noncompete Agreement") for all purposes (including tax and financial accounting) as shown on the allocation schedule set forth on Schedule 1.05 (the "**Allocation Schedule**"). The Allocation Schedule is prepared in accordance with Section 1060 of the Internal Revenue Code of 1986, as amended and is attached hereto as Schedule 1.05. Buyer and each Seller shall file all returns, declarations, reports, information returns and statements and other documents relating to taxes (including amended returns and claims for refund) ("**Tax Returns**") in a manner consistent with the Allocation Schedule.

**Section 1.06 Non-Assignable Assets.**

(a) Notwithstanding anything to the contrary in this Agreement, this Agreement shall not constitute a sale, assignment or transfer of any Purchased Asset if such sale, assignment or transfer: (i) violates applicable law; or (ii) requires the consent or waiver of a person or entity who is not a party to this Agreement and such consent or waiver has not been obtained prior to the Closing (as hereinafter defined).

(b) To the extent that any Purchased Asset cannot be transferred to Buyer pursuant to this Section 1.06, Buyer and the appropriate Seller shall use commercially reasonable efforts to enter into such arrangements (such as subleasing, sublicensing or subcontracting) to provide to the parties the economic and, to the extent permitted under applicable Law, operational equivalent of the transfer of such Purchased Asset to Buyer as of the Closing. Buyer shall, as agent or subcontractor for Sellers, pay, perform and discharge fully the liabilities and obligations of Sellers thereunder from and after the Closing Date. To the extent permitted under applicable law, each Seller shall, at Buyer's expense, hold in trust for and pay to Buyer promptly upon receipt thereof, all income, proceeds and other monies received by that Seller from and after the Closing Date, to the extent related to such Purchased Asset in connection with the arrangements under this Section 1.06. Sellers shall be permitted to set off against such amounts all direct costs associated with the retention and maintenance of such Purchased Assets.

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## ARTICLE II CLOSING

**Section 2.01 Closing.** The closing of the transactions contemplated by this Agreement (the “**Closing**”) will take place electronically at a time to be mutually agreed upon by VBF and Buyer on: (i) the third Business Day following the satisfaction or waiver by the appropriate party of all the conditions precedent to Closing specified in Article VI hereof, but in any event no later than December 31, 2020; or (ii) at any other place, time or date as may be mutually agreed in writing by VBF and Buyer. The date on which the Closing occurs is referred to herein as the “**Closing Date**” and the Closing shall be deemed effective as of 12:01 a.m. on the Closing Date.

### Section 2.02 Closing Deliverables.

- (a) At the Closing, VBF shall deliver to Buyer the following:
    - (i) keys to the facilities located on the Real Property and the Vehicles;
    - (ii) a bill of sale in the form of Exhibit D hereto (the “**VBF Bill of Sale**”), duly executed by VBF, transferring the Tangible Property included in the Purchased Assets to Buyer;
    - (iii) a certificate of the Secretary (or equivalent officer) of VBF certifying as to (A) the resolutions of the board of directors of VBF, which authorize the execution, delivery and performance of this Agreement by VBF, including all documents to be delivered pursuant to Section 2.02(a), and the other agreements, instruments and documents required to be delivered in connection with this Agreement or at the Closing (collectively and for any party, the “**Transaction Documents**”) and the consummation of the transactions contemplated hereby and thereby and (B) the names and signatures of the officers of VBF authorized to sign this Agreement and the other Transaction Documents; and
    - (iv) such other customary instruments of transfer, assumption, filings or documents, in form and substance reasonably satisfactory to Buyer, as may be required by VBF, Transport and Iowa’s First to give effect to the transactions contemplated by this Agreement.
  - (b) At the Closing, Transport shall deliver to Buyer the following:
    - (i) a bill of sale in the form of Exhibit D hereto (the “**Transport Bill of Sale**”), duly executed by Transport, transferring the Vehicles included in the Purchased Assets to Buyer;
    - (ii) a certificate of the Secretary (or equivalent officer) of Transport certifying as to (A) the resolutions of the board of directors of Transport, which authorize the execution, delivery and performance of this Agreement by Transport, including all documents to be delivered pursuant to Section 2.02(b), and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby and (B) the names and signatures of the officers of Transport authorized to sign this Agreement and the other Transaction Documents; and
    - (iii) such other customary instruments of transfer, assumption, filings or documents, in form and substance reasonably satisfactory to Buyer, as may be required by Transport to give effect to the transactions contemplated by this Agreement.
  - (c) At the Closing, Iowa’s First shall deliver to Buyer the following:
    - (i) a Deed in form and substance satisfactory to Buyer (each, a “**Deed**”) for each parcel of Real Property (as hereafter defined), duly executed and notarized by Iowa’s First;
    - (ii) a certificate of the Secretary (or equivalent officer) of Iowa’s First certifying as to (A) the resolutions of the board of directors of Iowa’s First, which authorize the execution, delivery and performance of this Agreement by Iowa’s First, including all documents to be delivered pursuant to Section 2.02(c), and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby and (B) the names and signatures of the officers of Iowa’s First authorized to sign this Agreement and the other Transaction Documents; and
    - (iii) such other customary instruments of transfer, assumption, filings or documents, in form and substance reasonably satisfactory to Buyer, as may be required by Iowa’s First to give effect to the transactions contemplated by this Agreement.
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- (d) At the Closing, Buyer shall deliver the following:
- (i) the Closing Payment to First American Title Company;
  - (ii) the VBF Bill of Sale to VBF, duly executed by Buyer;
  - (iii) the Transport Bill of Sale to Transport, duly executed by Buyer;
  - (iv) Promissory Note A and the related mortgage to VBF, duly executed by Buyer;
  - (v) Promissory Note B and the related mortgage to VBF, duly executed by Buyer;
  - (vi) a certificate of the Secretary (or equivalent officer) of Buyer to VBF certifying as to (A) the resolutions of the Board of Directors of Buyer, which authorize the execution, delivery and performance of this Agreement, including all documents to be delivered pursuant to this Section 2.02(d), and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby and (B) the names and signatures of the officers of Buyer authorized to sign this Agreement and the other Transaction Documents; and
  - (vii) such other customary instruments of transfer, assumption, filings or documents, in form and substance reasonably satisfactory to Buyer, as may be required to give effect to the transactions contemplated by this Agreement.

### ARTICLE III REPRESENTATIONS AND WARRANTIES OF SELLERS

Sellers, jointly and severally, represent and warrant to Buyer that the statements contained in this ARTICLE III are true and correct as of the date hereof. For purposes of this ARTICLE III, "Sellers' knowledge," "knowledge of Sellers" and any similar phrases shall have the meaning set forth on Exhibit A.

**Section 3.01 Organization and Authority of Sellers; Enforceability.** VBF is a corporation duly organized, validly existing and in good standing under the laws of the state of Nevada. Transport is a corporation duly organized, validly existing and in good standing under the laws of the state of Delaware. Iowa's First is a corporation duly organized, validly existing and in good standing under the laws of the state of Iowa. Sellers have full corporate power and authority to enter into this Agreement and the documents to be delivered hereunder, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. The execution, delivery and performance by Sellers of this Agreement and the documents to be delivered hereunder and the consummation of the transactions contemplated hereby have been duly authorized by Sellers' respective boards of directors. This Agreement and the documents to be delivered hereunder have been duly executed and delivered by Sellers, and (assuming due authorization, execution and delivery by Buyer) this Agreement and the documents to be delivered hereunder constitute legal, valid and binding obligations of Sellers, enforceable against Sellers in accordance with their respective terms.

**Section 3.02 No Conflicts; Consents.** The execution, delivery and performance by the Sellers of this Agreement and the documents to be delivered hereunder, and the consummation of the transactions contemplated hereby, do not and will not: (a) violate or conflict with the organizational documents of Sellers; (b) violate or conflict with any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Sellers or the Purchased Assets, including without limitation, any Order or Judgment of the US Bankruptcy Court; (c) conflict with, or result in (with or without notice or lapse of time or both) any violation of, or default under, or give rise to a right of termination, acceleration or modification of any obligation or loss of any benefit under any contract or other instrument to which Sellers are a party or to which any of the Purchased Assets are subject; or (d) result in the creation or imposition of any Encumbrance on the Purchased Assets. Except as otherwise set forth in this Agreement, no consent, approval, waiver or authorization is required to be obtained by Sellers from any person or entity (including any governmental authority) in connection with the execution, delivery and performance by Sellers of this Agreement and the consummation of the transactions contemplated hereby.

**Section 3.03 Legal Proceedings.** Except as set forth in Schedule 3.03, There is no Action of any nature pending or, to Sellers' knowledge, threatened against or by Sellers or any of them that challenges or seeks to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement. To Sellers' knowledge, no event has occurred, or circumstances exist that may give rise to, or serve as a basis for, any such Action.

**Section 3.04 Title to Assets.** Sellers have good and indefeasible title to the Assets, free and clear of all Encumbrances. Buyer shall receive at the Closing good and indefeasible title to the Assets, free and clear of all Encumbrances, and at the Closing, the Purchased Assets shall not be subject to any Liability or obligations (including under theories of successor liability). To the best of Sellers' knowledge, Sellers have not entered into any agreements which would limit their ability to transfer title to their respective Purchased Assets.

**Section 3.05 Compliance with Law.** To the best of Sellers' knowledge, Schedule 3.05 identifies each Governmental Order applicable to the Purchased Assets or the Real Property, and no such Governmental Order has, has had or will have a Material Adverse Effect.

**Section 3.06 Taxes.** There are no Tax liens in effect with respect to or filed against the Purchased Assets or the Real Property and, to the best of Sellers' knowledge, none are threatened.

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**Section 3.07 Environmental Issues, Hazardous Materials.** To the best of Norman McCowan and Ed Kerzner's actual knowledge, in the three (3) years immediately preceding Closing, no Seller has done, caused, or allowed to be done any of the following acts:

- (a) Illegally stored or caused to be stored Hazardous Materials on any of the Real Property;
- (b) Released or caused to be released Hazardous Materials on the Real Property; or
- (c) Disposed of or handled Hazardous Material in a manner contrary to Environmental Laws.

**Section 3.08 Notices.** To the best of Norman McCowan, Ed Kerzner, and Allan Sutherland's actual knowledge, in the three (3) years immediately preceding Closing, with the exception of the Wastewater Discharge Permit issued by the City of Webster City and except as set forth in those documents provided by Sellers to Buyer via the data room prior to Closing, Sellers have received no notice of any violation of Environmental Laws that would currently have a Material Adverse Effect on the Purchased Assets. None of Norman McCowan, Ed Kerzner, nor Allan Sutherland have actual knowledge of any fact or circumstance that may give rise to a violation of Environmental Law.

**Section 3.09 Environmental Documents.** To the best of Sellers' knowledge, Sellers have made available to Buyer copies of all environmental assessments, reports, audits and other documents that relate to the Real Property.

**Section 3.10 Affiliate Relationships.** There are no material contractual arrangements between or among any of Seller or and any Affiliate thereof that (a) are currently in effect, and (b) relate to the Purchased Assets.

**Section 3.11 Bankruptcy.** Except as set forth on Schedule 3.11, all matters affecting the Purchased Assets or title to the Purchased Assets involved in the bankruptcy of *VeroBlue Farms, USA, Inc. et al*, Case No. 18-01297, filed in the US Bankruptcy Court, Northern District of Iowa have been resolved, to the best of Sellers' knowledge.

#### ARTICLE IV REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to VBF that the statements contained in this ARTICLE IV are true and correct as of the date hereof. For purposes of this ARTICLE IV, "Buyer's knowledge," "knowledge of Buyer" and any similar phrases shall have the meaning set forth on Exhibit A.

**Section 4.01 Organization and Authority of Buyer; Enforceability.** Buyer is a corporation duly organized, validly existing and in good standing under the laws of the state of Nevada. Buyer has full corporate power and authority to enter into this Agreement and the documents to be delivered hereunder, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. The execution, delivery and performance by Buyer of this Agreement and the documents to be delivered hereunder and the consummation of the transactions contemplated hereby have been duly authorized by Buyer's Board of Directors. This Agreement and the documents to be delivered hereunder have been duly executed and delivered by Buyer, and (assuming due authorization, execution and delivery by Sellers) this Agreement and the documents to be delivered hereunder constitute legal, valid and binding obligations of Buyer enforceable against Buyer in accordance with their respective terms.

**Section 4.02 No Conflicts; Consents.** The execution, delivery and performance by Buyer of this Agreement and the documents to be delivered hereunder, and the consummation of the transactions contemplated hereby, do not and will not: (a) violate or conflict with the organizational documents of Buyer; or (b) violate or conflict with any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Buyer. No consent, approval, waiver or authorization is required to be obtained by Buyer from any person or entity (including any governmental authority) in connection with the execution, delivery and performance by Buyer of this Agreement and the consummation of the transactions contemplated hereby.

**Section 4.03 Legal Proceedings.** There is no Action of any nature pending or, to Buyer's knowledge, threatened against or by Buyer that challenges or seeks to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement. No event has occurred, or circumstances exist that may give rise to, or serve as a basis for, any such Action.

**Section 4.04 Independent Investigation.** Buyer has conducted its own independent investigation, review and analysis of the Purchased Assets, and acknowledges that it has been provided adequate access to the personnel, properties, assets, premises, books and records and other documents and data of Sellers for such purpose. Buyer acknowledges and agrees that: (a) in making its decision to enter into this Agreement and to consummate the transactions contemplated hereby, Buyer has relied solely upon its own investigation and the express representations and warranties of Sellers set forth in Article III of this Agreement; and (b) neither Sellers nor any other person has made any representation or warranty as to Sellers, the Business, the Purchased Assets or this Agreement, except as expressly set forth in Article III of this Agreement.

**Section 4.05 "As is" Nature of Assets, Permits.** In making the decision to enter into this Agreement and consummate the transactions contemplated hereby, (a) Buyer acknowledges that the Purchased Assets were not designed for Buyer's operations; (b) Buyer acknowledges the existence of the bankruptcy proceedings related to the Sellers; (c) Buyer has not relied on the operating condition of the Purchased Assets, which Buyer acknowledges have been sitting idle, may not operate, and may not be suitable for the Business or useful for any of Buyer's purposes;

(d) Buyer has not relied upon any representations and warranties of any of the Sellers except as explicitly set forth in writing herein; (e) Buyer has agreed to the Purchase Price understanding and acknowledging that it will not be adjusted due to the operating condition, sufficiency or usefulness of the Purchased Assets; and (f) Buyer has not relied on any of Sellers' permits, licenses and other agreements, including those permits, licenses and other agreements that may be required by the city of Webster City, Iowa, to operate the Business, being current, operational or otherwise suitable for the Business or any of Buyer's purposes.

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## ARTICLE V COVENANTS

**Section 5.01 Transfer Taxes.** All transfer, sales, use, registration, documentary, stamp, value added and other such taxes and fees (including any penalties and interest) incurred in connection with this Agreement and the other Transaction Documents, shall be borne and paid by Buyer when due. Buyer shall, at its own expense, timely file any Tax Return or other document with respect to such Taxes or fees (and Sellers shall cooperate with respect thereto as necessary).

**Section 5.02 Bulk Sales Laws.** The parties hereby waive compliance with the provisions of any bulk sales, bulk transfer or similar laws of any jurisdiction that may otherwise be applicable with respect to the sale of any or all of the Purchased Assets to Buyer.

**Section 5.03 Further Assurances.** Following the Closing, each of the parties hereto shall execute and deliver such additional documents, instruments, conveyances and assurances and take such further actions, without additional consideration or undue delay as may be reasonably required to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement and the other Transaction Documents.

**Section 5.04 Insurance.** Buyer acknowledges that Sellers' insurance policies will terminate as of Closing. Buyer has, and will continue to maintain post-Closing, insurance coverage as may be required to hold Sellers harmless from any and all Liabilities related to the Purchased Assets that are incurred by Buyer post-Closing.

## ARTICLE VI CONDITIONS PRECEDENT TO CLOSING

**Section 6.01 Conditions Precedent to Sellers' Obligations.** The obligations of Sellers at the Closing shall be subject to the satisfaction of the following conditions precedent at Closing (each of which may be waived by Sellers):

(a) **Representations.** All representations and warranties of Buyer contained herein shall be true and correct on the Closing Date in all material respects as if made on such date; all agreements of Buyer contained herein shall have been complied with; and Sellers shall have received a certification of Buyer, dated the Closing Date, to each such effect.

(b) **Satisfaction of Financial Review.** VBF shall have received and reviewed Buyer's Form S-1, including its most recent amendment, on file with the Securities and Exchange Commission and Buyer's balance sheet, dated as of the month end immediately preceding Closing, to its reasonable satisfaction, as determined by VBF in its sole discretion.

(c) **Funding Verification.** VBF shall have received written verification from a financial institution acceptable to VBF that Buyer is capable of paying First American Title Company, on Sellers' behalf, the Closing Payment on the Closing Date.

(d) **Closing Deliveries.** Buyer shall have executed and delivered the Transaction Documents required by Section 2.02(d).

(e) **Approval of the Board of Sellers.** Each board of directors of Sellers shall have approved the Agreement and the transactions contemplated hereby.

(f) **Shareholder Approval.** The sole shareholder of VBF, by written consent, shall have approved this Agreement and the transactions contemplated hereby.

(g) **Actions or Proceedings.** No preliminary or permanent injunction or other order by any federal or state court of competent jurisdiction that makes it illegal or otherwise prevents the consummation of the transactions contemplated hereby shall have been issued and shall remain in effect.

**Section 6.02 Conditions Precedent to the Buyer's Obligations.** The obligations of Buyer at the Closing shall be subject to the satisfaction of the following conditions precedent at Closing (each of which may be waived by the Buyer):

(a) **Representations.** All representations and warranties of Sellers contained herein shall be true and correct in all material respects on the Closing Date as if made on such date.

(b) **No Material Changes to Assets.** From the Effective Date until the Closing Date, there has not been any change, event, condition or development that has had a Material Adverse Effect on the Purchased Assets, in the aggregate.

(c) **VBF Closing Deliveries.** VBF shall have executed and delivered the Transaction Documents required by Section 2.02(a).

(d) **Transport Closing Deliveries.** Transport shall have executed and delivered the Transaction Documents required by Section 2.02(b).

(e) **Iowa's First Closing Deliveries.** Iowa's First shall have executed and delivered the Transaction Documents required by Section 2.02(c).

(f) **Board of Directors Approval.** The Board of Directors of Buyer shall have approved of the Agreement and the transactions contemplated hereby.

(g) **Actions or Proceedings.** No preliminary or permanent injunction or other order by any federal or state court of competent jurisdiction that makes it illegal or otherwise prevents the consummation of the transactions contemplated hereby shall have been issued and shall remain in effect.

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## ARTICLE VII INDEMNIFICATION

**Section 7.01 Survival.** Except as it relates to Buyer's payment of the Purchase Price, including Buyer's payment of the Closing Payment and Buyer's obligations under Promissory Note A and Promissory Note B, and their respective mortgages, all representations, warranties, covenants and agreements contained herein and all related rights to indemnification shall survive the Closing for a period ending seven and one half (7.5) months following the Closing Date ("**Survival Period**"). Neither Sellers nor Buyer shall be liable to the other party with respect to any claim for the breach or inaccuracy of any representation or warranty pursuant to this Agreement unless written notice of a claim thereof is delivered to the other party prior to expiration of the Survival Period.

**Section 7.02 Indemnification by Sellers.** Sellers, jointly and severally, shall defend, indemnify and hold harmless Buyer, its affiliates and their respective stockholders, directors, officers and employees from and against all Losses arising from or relating to:

- (a) any inaccuracy in or breach of any of the representations or warranties of Sellers contained in this Agreement or any document to be delivered hereunder;
- (b) all Liabilities of Sellers including the Retained Liabilities;
- (c) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by Sellers pursuant to this Agreement or any document to be delivered hereunder; or
- (d) the costs and expenses directly related to defending title to any of the Purchased Assets during, after, related to or arising out of or as a result of the bankruptcy proceedings.

**Section 7.03 Indemnification by Buyer.** Buyer shall defend, indemnify and hold harmless VBF, its affiliates and their respective stockholders, directors, officers and employees from and against all Losses, arising from or relating to:

- (a) any inaccuracy in or breach of any of the representations or warranties of Buyer contained in this Agreement or any document to be delivered hereunder; or
- (b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by Buyer pursuant to this Agreement or any document to be delivered hereunder.

**Section 7.04 Indemnification Procedures.** Whenever any claim shall arise for indemnification within the Survival Period, the party entitled to indemnification (the "**Indemnified Party**") shall promptly provide written notice of such claim (a "Claim Notice") to the other party (the "**Indemnifying Party**"). In connection with any claim giving rise to indemnity hereunder resulting from or arising out of any Action by a person or entity who is not a party to this Agreement, the Indemnifying Party, at its sole cost and expense and upon written notice to the Indemnified Party, may assume the defense of any such Action with counsel reasonably satisfactory to the Indemnified Party. The Indemnified Party shall be entitled to participate in the defense of any such Action, with its counsel and at its own cost and expense. If the Indemnifying Party does not assume the defense of any such Action, the Indemnified Party may, but shall not be obligated to, defend against such Action in such manner as it may deem appropriate, including, but not limited to, settling such Action, after giving notice of it to the Indemnifying Party, on such terms as the Indemnified Party may deem appropriate and no action taken by the Indemnified Party in accordance with such defense and settlement shall relieve the Indemnifying Party of its indemnification obligations herein provided with respect to any damages resulting therefrom. The Indemnifying Party shall not settle any Action without the Indemnified Party's prior written consent (which consent shall not be unreasonably withheld or delayed).

**Section 7.05 Tax Treatment of Indemnification Payments.** All indemnification payments made by VBF under this Agreement shall be treated by the parties as an adjustment to the Purchase Price for tax purposes, unless otherwise required by law.

### **Section 7.06 Certain Limitations.**

(a) The aggregate amount of all Losses for which Sellers shall be liable under this Article VII shall not exceed Two Million Dollars (\$2,000,000), *provided however*, this limitation shall not apply to any Order or Judgment rendered by the US Bankruptcy Court or any appellate court having jurisdiction of the VBF Bankruptcy that sets aside or otherwise cancels or terminates this purchase transaction. In the event of such termination or cancellation, the limitation on losses shall be the entire Purchase Price or such portion of the Purchase Price as has actually been paid by Buyer.

(b) In no event shall any Indemnifying Party be liable to any Indemnified Party for any punitive, incidental, consequential, special or indirect damages, including loss of future revenue or income, loss of business reputation or opportunity relating to the breach or alleged breach of this Agreement, or diminution of value or any damages based on any type of multiple.

(c) VBF shall not be liable under this Article VII for Losses based upon or arising out of any inaccuracy in or breach of any of the representations, warranties or covenants of VBF contained in this Agreement if to the best of Buyer's knowledge, it was aware of such inaccuracy or breach prior to the Closing.

**Section 7.07 Exclusive Remedies.** Except as otherwise set forth herein, Sellers and Buyer acknowledge and agree that their sole and exclusive remedy with respect to any and all claims (other than claims arising from fraud on the part of a party hereto in connection with the transactions contemplated by this Agreement) for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or otherwise relating to the subject matter of this Agreement shall be pursuant to the indemnification provisions set forth in this Article VII.

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**ARTICLE VIII MISCELLANEOUS**

**Section 8.01 Expenses.** All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses.

**Section 8.02 Notices.** All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by facsimile or e-mail of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next business day if sent after normal business hours of the recipient; or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given their principal office as reflected in the records of the Secretary of State of the State in which they are incorporated).

**If to Sellers:** Davis, Brown, Koehn, Shors & Roberts,  
P.C.  
215 10th Street, Suite 1300  
Des Moines, Iowa 50309  
Phone: (515) 288-2500  
Email: mattlaughlin@davisbrownlaw.com  
Attention: Matt Laughlin

**If to Buyer:** NaturalShrimp  
Incorporated  
15150 Preston Road, Suite 300  
Dallas, TX  
75248  
Phone: (972) 951-8035  
Email: geasterling@sbcglobal.net  
Attention: Gerald  
Easterling

with a copy to:  
(which shall not constitute notice)

Law Offices of W. Steven  
Walker  
6443 Las Colinas  
Blvd  
Irving, Texas.  
75039  
Phone: (972) 773-9713  
Email: swalker@wswalkerlaw.com  
Attention: W. Steven  
Walker

**Section 8.03 Headings.** The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

**Section 8.04 Severability.** If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

**Section 8.05 Entire Agreement.** This Agreement and the documents to be delivered hereunder constitute the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein, and supersede all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. In the event of any inconsistency between the statements in the body of this Agreement and the documents to be delivered hereunder, the Exhibits and Schedules, the statements in the body of this Agreement will control.

**Section 8.06 Successors and Assigns.** This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. No party may assign its rights or obligations hereunder without the prior written consent of the other parties, which consent shall not be unreasonably withheld or delayed. No assignment shall relieve the assigning party of any of its obligations hereunder.

**Section 8.07 No Third-party Beneficiaries.** Except as provided in Article VII, this Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

**Section 8.08 Amendment and Modification.** This Agreement may only be amended, modified or supplemented by an agreement in writing signed by all parties hereto.

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**Section 8.09 Waiver.** No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

**Section 8.10 Governing Law.** This Agreement shall be governed by and construed in accordance with the internal laws of the State of Iowa without giving effect to any choice or conflict of law provision or rule (whether of the State of Iowa or any other jurisdiction).

**Section 8.11 Waiver of Jury Trial.** Each party acknowledges and agrees that any controversy which may arise under this Agreement is likely to involve complicated and difficult issues and, therefore, each such party irrevocably and unconditionally waives any right it may have to a trial by jury in respect of any legal action arising out of or relating to this Agreement or the transactions contemplated hereby.

**Section 8.12 Specific Performance.** The parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which they are entitled at law or in equity.

**Section 8.13 Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

#### ARTICLE IX DEFINITIONS

**Section 9.01 Definitions.** For the purpose of this Agreement, certain capitalized terms have the meaning given to them within the provisions of this Agreement and other capitalized terms have the meaning given them in Exhibit "A" which is incorporated herein by this reference.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

#### VEROBLUE FARMS USA, INC.

Date: February 16, 2021

By: /s/ Norman McCowan  
Norman McCowan  
President

#### VPF TRANSPORT, INC.

Date: February 16, 2021

By: /s/ Norman McCowan  
Norman McCowan  
President

#### IOWA'S FIRST, INC.

Date: February 16, 2021

By: /s/ Norman McCowan  
Norman McCowan  
President

#### NATURALSHRIMP, INC.

Date: February 16, 2021

By: /s/ Gerald Easterling  
Gerald Easterling  
President

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