

**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 **September 30, 2023**

☐ 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: **001-41228**

BARFRESH FOOD GROUP INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

27-1994406

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

**3600 Wilshire Blvd., Suite 1720,
Los Angeles, California**

(Address of principal executive offices)

90010

(Zip Code)

310-598-7113

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$0.000001 par value	BRFH	The Nasdaq Capital Market

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 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐
Non-accelerated filer ☐

Accelerated filer ☐
Smaller reporting company ☒
Emerging growth company ☒

If an emerging growth company, indicate by the 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 13(a) of the Exchange Act. ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 13,924,774 shares as of October 25, 2023.

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Item 1. Financial Statements.

Barfresh Food Group Inc. Condensed Consolidated Balance Sheets

	September 30, 2023 (unaudited)	December 31, 2022 (restated)
Assets		
Current assets:		
Cash	\$ 1,011,000	\$ 2,808,000
Restricted cash	-	211,000
Trade accounts receivable, net	1,159,000	126,000
Other receivables	116,000	101,000
Inventory, net	748,000	1,048,000
Prepaid expenses and other current assets	167,000	79,000
Total current assets	3,201,000	4,373,000
Property, plant and equipment, net of depreciation	487,000	801,000
Operating lease right-of-use assets, net	-	18,000
Intangible assets, net of amortization	258,000	306,000
Deposits	7,000	7,000
Total assets	\$ 3,953,000	\$ 5,505,000
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,692,000	\$ 1,534,000
Disputed co-manufacturer accounts payable (Note 5)	499,000	499,000
Accrued expenses	229,000	286,000
Accrued payroll and employee related	240,000	233,000
Lease liability	-	20,000
Total current liabilities	2,660,000	2,572,000
Total liabilities	2,660,000	2,572,000
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Preferred stock, \$0.000001 par value, 400,000 shares authorized, none issued or outstanding	-	-
Common stock, \$0.000001 par value; 23,000,000 shares authorized; 13,104,614 and 12,934,741 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	-	-
Additional paid in capital	61,388,000	60,905,000
Accumulated deficit	(60,095,000)	(57,972,000)
Total stockholders' equity	1,293,000	2,933,000
Total liabilities and stockholders' equity	\$ 3,953,000	\$ 5,505,000

See the accompanying notes to the consolidated financial statements

Barfresh Food Group Inc. Condensed Consolidated Statements of Operations For the three and nine months ended September 30, 2023 and 2022 (Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022 (restated)	2023	2022 (restated)
Revenue	\$ 2,603,000	\$ 2,406,000	\$ 6,205,000	\$ 7,731,000
Cost of revenue	1,690,000	3,129,000	3,963,000	6,807,000
Gross profit	913,000	(723,000)	2,242,000	924,000
Operating expenses:				
Selling, marketing and distribution	697,000	860,000	1,990,000	2,236,000
General and administrative	578,000	1,013,000	2,065,000	2,637,000
Depreciation and amortization	114,000	91,000	310,000	327,000
Total operating expenses	1,389,000	1,964,000	4,365,000	5,200,000
Net loss	\$ (476,000)	\$ (2,687,000)	\$ (2,123,000)	\$ (4,276,000)

Per share information - basic and fully diluted:

Weighted average shares outstanding	13,036,000	12,931,000	13,005,000	12,920,000
Net loss per share	<u>\$ (0.04)</u>	<u>\$ (0.21)</u>	<u>\$ (0.16)</u>	<u>\$ (0.33)</u>

See the accompanying notes to the consolidated financial statements

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Barfresh Food Group Inc.
Consolidated Statements of Cash Flows
For the nine months ended September 30, 2023 and 2022

	2023	2022 (restated)
Net loss	\$ (2,123,000)	\$ (4,276,000)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	325,000	344,000
Stock-based compensation	496,000	211,000
Stock and options issued for services	11,000	173,000
Changes in assets and liabilities		
Accounts receivable	(1,033,000)	81,000
Other receivables	(15,000)	(77,000)
Inventories	300,000	103,000
Prepaid expenses and other assets	(27,000)	(78,000)
Accounts payable	195,000	828,000
Accrued expenses	(137,000)	72,000
Net cash used in operating activities	(2,008,000)	(2,619,000)
Investing activities		
Purchase of property and equipment	-	(13,000)
Net cash used in investing activities	-	(13,000)
Financing activities		
Proceeds from issuance of stock	-	5,000
Net cash provided by financing activities	-	5,000
Net decrease in cash and restricted cash	(2,008,000)	(2,627,000)
Cash and restricted cash, beginning of period	3,019,000	5,675,000
Cash and restricted cash, end of period	<u>\$ 1,011,000</u>	<u>\$ 3,048,000</u>
Cash paid during the year for:		
Amounts included in the measurement of lease liabilities	\$ 20,000	\$ 60,000
Non-cash financing and investing activities:		
Value of shares relinquished in modification of stock-based compensation awards (Note 7)	\$ 24,000	\$ -

See the accompanying notes to the consolidated financial statements

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Barfresh Food Group Inc.
Notes to Condensed Consolidated Financial Statements
September 30, 2023
(Unaudited)

Note 1. Description of the Business, Basis of Presentation, and Summary of Significant Accounting Policies

Barfresh Food Group Inc., (“we,” “us,” “our,” and the “Company”) was incorporated on February 25, 2010 in the State of Delaware. The Company is engaged in the manufacturing and distribution of ready-to-drink and ready-to-blend beverages, particularly, smoothies, shakes and frappes.

Basis of Presentation

The accompanying condensed consolidated financial statements are unaudited. These unaudited interim condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and applicable rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the fiscal year ended December 31, 2022 included in the Company’s Annual Report on Form 10-K, as filed with the SEC on March 2, 2023. In management’s opinion, the unaudited interim condensed consolidated financial statements reflect all adjustments, which are of a normal and recurring nature, that are necessary for a fair presentation of financial results for the interim periods presented. Operating results for any quarter are not necessarily indicative of the results for the full fiscal year.

Principles of Consolidation

The consolidated financial statements include the financial statements of the Company and our wholly owned subsidiaries, Barfresh Inc. and Barfresh Corporation Inc. (formerly known as Smoothie, Inc.). All inter-company balances and transactions among the companies have been eliminated upon consolidation.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the balance sheets and revenues and expenses during the years reported. Actual results may differ from these estimates.

Vendor Concentrations

The Company is exposed to supply risk as a result of concentrations in its vendor base resulting from the use of a limited number of contract manufacturers. Purchases from the Company's significant contract manufacturers as a percentage of all finished goods purchased were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Manufacturer A	55%	0%	47%	0%
Manufacturer B	37%	31%	44%	28%
Manufacturer C	8%	6%	9%	6%
Manufacturer D	0%	54%	0%	58%
Manufacturer E	0%	9%	0%	8%

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Summary of Significant Accounting Policies

There have been no changes to our significant accounting policies described in our Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the SEC on March 2, 2023 that have had a material impact on our condensed consolidated financial statements and related notes.

Fair Value Measurement and Financial Instruments

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820"), requires the valuation of assets and liabilities permitted to be either recorded or disclosed at fair value based on a hierarchy of available inputs as follows:

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

Level 2 – Quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets and liabilities 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; and

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

The Company's financial instruments consist of cash, restricted cash, accounts receivable and accounts payable. The carrying value of the Company's financial instruments approximates their fair value.

Restricted Cash

At December 31, 2022, the Company had approximately \$ 211,000 in restricted cash related to a co-packing agreement. The restrictions were released in June 2023.

Accounts Receivable and Allowances

Accounts receivable are recorded and carried at the original invoiced amount less allowances for credits and for any potential uncollectible amounts due to credit losses. We make estimates of the expected credit and collectability trends for the allowance for credit losses based on our assessment of various factors, including historical experience, the age of the accounts receivable balances, credit quality of our customers, current economic conditions, and other factors that may affect our ability to collect from our customers. Expected credit losses are recorded as general and administrative expenses on our condensed consolidated statements of operations. As of September 30, 2023 and December 31, 2022, there was no allowance for expected credit losses.

Other Receivables

Other receivables consist of the Company's 2021 Employer Retention Tax Credit claim, amounts due from vendors for materials acquired on their behalf for use in manufacturing the Company's products, vendor rebates and freight claims.

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Revenue Recognition

In accordance with ASC 606, Revenue from Contracts with Customers, revenue is recognized when a customer obtains ownership of promised goods. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these goods. The Company applies the following five steps:

1) Identify the contract with a customer

A contract with a customer exists when (i) the Company enters into an enforceable contract with a customer that defines each party's rights, (ii) the contract has commercial substance and, (iii) the Company determines that collection of substantially all consideration for goods or services that are transferred is probable. For the Company, the contract is the approved sales order, which may also be supplemented by other agreements that formalize various terms and conditions with customers.

2) Identify the performance obligation in the contract

Performance obligations promised in a contract are identified based on the goods or services that will be transferred to the customer. For the Company, this consists of the delivery of frozen beverages, which provide immediate benefit to the customer.

3) Determine the transaction price

The transaction price is determined based on the consideration to which the Company will be entitled in exchange for transferring goods and is generally stated on the approved sales order. Variable consideration, which typically includes rebates or discounts, are estimated utilizing the most likely amount method. Provisions for refunds are generally provided for in the period the related sales are recorded, based on management's assessment of historical and projected trends.

4) *Allocate the transaction price to performance obligations in the contract*

Since the Company's contracts contain a single performance obligation, delivery of frozen beverages, the transaction price is allocated to that single performance obligation.

5) *Recognize revenue when or as the Company satisfies a performance obligation*

The Company recognizes revenue from the sale of frozen beverages when title and risk of loss passes and the customer accepts the goods, which generally occurs at the time of delivery to a customer warehouse. Customer sales incentives such as volume-based rebates or discounts are treated as a reduction of sales at the time the sale is recognized. Shipping and handling costs are treated as fulfillment costs and presented in distribution, selling and administrative costs.

Payments that are received before performance obligations are recorded are shown as current liabilities.

The Company evaluated the requirement to disaggregate revenue and concluded that substantially all of its revenue comes from a single product, frozen beverages.

Storage and Shipping Costs

Storage and outbound freight costs are included in selling, marketing and distribution expense. For the three months ending September 30, 2023 and 2022, storage and outbound freight totaled approximately \$370,000 and \$273,000, respectively. For the nine months ending September 30, 2023 and 2022, storage and outbound freight totaled approximately \$932,000 and \$1,040,000, respectively.

Research and Development

Expenditures for research activities relating to product development and improvement are charged to expense as incurred. The Company incurred approximately \$32,000 and \$220,000, in research and development expense for the three months ending September 30, 2023 and 2022, respectively. For the nine months ending September 30, 2023 and 2022, the Company incurred approximately \$88,000 and \$347,000, respectively.

Loss Per Share

For the three and nine months ended September 30, 2023 and 2022 common stock equivalents have not been included in the calculation of net loss per share as their effect is anti-dilutive as a result of losses incurred.

Reclassifications

Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 presentation, namely the presentation of selling, marketing and distribution expense apart from general and administrative expense in the consolidated statement of operations, the reclassification of materials shipping from selling, marketing and distribution to cost of revenue, and the presentation of the components of cash used in operations.

Recent Pronouncements

From time to time, new accounting pronouncements are issued that we adopt as of the specified effective date. We have not determined if the impact of recently issued standards that are not yet effective will have an impact on our results of operations and financial position.

Note 2. Restatement of Prior Financial Information

This Company's previously filed unaudited statement of operations and cash flow statement and audited balance sheets have been restated to correct errors in calculating depreciation. From a quantitative and qualitative perspective, the Company determined that correcting the previously filed financial statements would not require amendment to its previously filed reports on Form 10-Q and 10-K. The effect of the correction of previously issued financial statements is summarized below:

	December 31, 2022		
	As Previously Reported	Adjustment	Restated
Consolidated Balance Sheet			
Property, plant and equipment, net of depreciation	\$ 389,000	\$ 412,000	\$ 801,000
Total assets	\$ 5,093,000	\$ 412,000	\$ 5,505,000
Accumulated deficit	\$ (58,384,000)	\$ 412,000	\$ (57,972,000)
Total stockholders' equity	\$ 2,521,000	\$ 412,000	\$ 2,933,000
Total liabilities and stockholders' equity	\$ 5,093,000	\$ 412,000	\$ 5,505,000

	Three-months ended September 30, 2022		
	As Previously Reported	Adjustment	Restated
Consolidated Statement of Operations			
Depreciation and amortization	\$ 112,000	\$ (21,000)	\$ 91,000
Total operating expenses	\$ 1,985,000	\$ (21,000)	\$ 1,964,000
Net loss	\$ (2,708,000)	\$ 21,000	\$ (2,687,000)

	Nine-months ended September 30, 2022		
	As Previously Reported	Adjustment	Restated
Consolidated Statement of Operations			
Depreciation and amortization	\$ 390,000	\$ (63,000)	\$ 327,000
Total operating expenses	\$ 5,263,000	\$ (63,000)	\$ 5,200,000
Net loss	\$ (4,339,000)	\$ 63,000	\$ (4,276,000)

Consolidated Statement of Cash Flows

Net loss	\$ (4,339,000)	\$ 63,000	\$ (4,276,000)
Depreciation and amortization	\$ 407,000	\$ (63,000)	\$ 344,000
Net cash used in operating activities	\$ (2,619,000)	\$ -	\$ (2,619,000)

Note 3. Inventory

Inventory consists of the following:

	September 30, 2023	December 31, 2022
Raw materials	\$ 28,000	\$ 65,000
Finished goods	720,000	983,000
Inventory, net	<u>\$ 748,000</u>	<u>\$ 1,048,000</u>

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Note 4. Property Plant and Equipment

Property and equipment, net consist of the following:

	September 30, 2023	December 31, 2022
Manufacturing equipment	\$ 1,546,000	\$ 1,618,000
Customer equipment	1,410,000	1,417,000
	<u>2,956,000</u>	<u>3,035,000</u>
Less: accumulated depreciation	(2,469,000)	(2,234,000)
Property and equipment, net of depreciation	<u>\$ 487,000</u>	<u>\$ 801,000</u>

Depreciation expense related to these assets was approximately \$ 102,000 and \$85,000 each of the three months ended September 30, 2023 and 2022, respectively, and \$277,000 and \$297,000, respectively, for the nine months ended September 30, 2023 and 2022. Depreciation expense in cost of revenue was \$4,000 and \$10,000 for the three months ended September 30, 2023 and 2022, respectively, and \$ 13,000 and \$19,000 for the nine months ended September 30, 2023 and 2022, respectively.

Note 5. Commitments and Contingencies**Lease Commitments**

The Company leases office space under a non-cancellable operating lease which expired on March 31, 2023, and was extended in a series of amendments through March 31, 2024. The Company's periodic lease cost was approximately \$ 20,000 for each of the three months ended September 30, 2023 and 2022 and \$60,000 for each of the nine months ended September 30, 2023 and 2022.

Legal Proceedings*Schreiber Dispute*

The Company's products are produced to its specifications through several contract manufacturers. One of the Company's contract manufacturers (the "Manufacturer") provided approximately 52% and 42% of the Company's products in the years ended December 31, 2022 and 2021, respectively, under a Supply Agreement with an initial term through September 2025.

Over the course of 2022, the Company experienced numerous quality issues with the case packaging utilized by the Manufacturer. In addition, in July of 2022, the Company began receiving customer complaints about the texture of the Company's smoothie products produced by the Manufacturer. In response, the Company withdrew product from the market and destroyed on-hand inventory, withholding \$499,000 in payments due to the Manufacturer.

The Company attempted to resolve the issues based on the contractual procedures described in the Supply Agreement. However, on November 4, 2022, in response to a formal proposal of alternate resolutions, the Company received notification from the Manufacturer that it was denying any responsibility for the defective manufacture of the product. In response, on November 10, 2022, the Company filed a complaint in the United States District Court for the Central District of California, Western Division (the "Complaint"), claiming that the Manufacturer had not met its obligations under the Supply Agreement, and seeking economic damages. In response, the Manufacturer terminated the Supply Agreement. On January 20, 2023, the Company filed a voluntary dismissal of the Complaint which allowed the parties to reach a potential resolution outside of the court system. However, as the parties were once again unable to come to an agreement, the Company re-filed the Complaint in California State Court in August 2023.

Due to the uncertainties surrounding the claim, the Company is not able to predict either the outcome or a range of reasonably possible recoveries that could result from its actions against the Manufacturer, and no gain contingencies have been recorded. The disruption in its supply resulting from the dispute has and will continue to adversely impact the Company's results of operations and cash flow until a suitable resolution is reached or new sources of reliable supply at sufficient volume can be identified and developed, the timing of which is uncertain. The Company has mitigated the impact of the supply disruption with the introduction of its single-serve smoothie cartons; however the product format has not been accepted by some customers or as a substitute for the bottle product in all use cases.

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Other legal matters

From time to time, various lawsuits and legal proceedings may arise in the ordinary course of business. However, litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently the defendant in one legal proceeding for an amount less than \$100,000. Our legal counsel and management believe the probability of a material unfavorable outcome is remote.

Note 6. Convertible Debt Subscriptions

From July to October of 2023, the Company executed subscription agreements for \$ 1,880,000 of a \$2,000,000 privately placed convertible debt offering.

The debt may be drawn in 25% increments, matures on the anniversary of the draw, bears interest at 10% per annum for the term, regardless of earlier payment or conversion, and is mandatorily convertible as to principal and interest into shares of the Company's common stock at any time prior to maturity at the greater of \$1.20 or 85% of the volume-weighted average price of the common stock for the ten trading days immediately preceding the written notice of the conversion (the "Conversion Price"). If the Company has not exercised the mandatory conversion, the holder of the debt has the option after six months and on up to four occasions to convert all or any portion of the principal and interest into shares of the Company's common stock at the Conversion Price. The Company made its initial drawdown on the convertible debt on October 23, 2023, as described in Note 10.

Note 7. Stockholders' Equity

The following are changes in stockholders' equity for the nine months ended September 30, 2022 and 2023:

	Common Stock		Additional paid in	Accumulated	
	Shares	Amount	Capital	(Deficit)	Total
Balance December 31, 2021	12,905,112	\$ -	\$ 60,341,000	\$ (51,838,000)	\$ 8,503,000
Shares issued for warrant exercise	986	-	5,000	-	5,000
Equity-based compensation	5,000	-	211,000	-	211,000
Issuance of stock and options for services	23,643	-	173,000	-	173,000
Net loss	-	-	-	(4,276,000)	(4,276,000)
Balance September 30, 2022	12,934,741	\$ -	\$ 60,730,000	\$ (56,114,000)	\$ 4,616,000

	Common Stock		Additional paid in	Accumulated	
	Shares	Amount	Capital	(Deficit)	Total
Balance December 31, 2022	12,934,741	\$ -	\$ 60,905,000	\$ (57,972,000)	\$ 2,933,000
Equity-based compensation	165,779	-	496,000	-	496,000
Cash settlement of equity-based compensation	-	-	(24,000)	-	(24,000)
Issuance of stock and options for services	4,094	-	11,000	-	11,000
Net loss	-	-	-	(2,123,000)	(2,123,000)
Balance September 30, 2023	13,104,614	\$ -	\$ 61,388,000	\$ (60,095,000)	\$ 1,293,000

Warrants

During the nine months ended September 30, 2023, 936,375 warrants at a weighted average exercise price of \$ 6.00 per share expired.

Equity Incentive Plan

Through 2022, the Company issued equity awards under the 2015 Equity Incentive Plan (the "2015 Plan") and outside the Plan. In June 2023, the Company's stockholders adopted the 2023 Equity Incentive Plan (the "2023 Plan"), reserving 650,000 shares for future issuance. The Board of Directors discontinued further grants under the 2015 Plan.

As of September 30, 2023, the Company has \$ 153,000 of total unrecognized share-based compensation expense relative to unvested options, stock awards and stock units, which is expected to be recognized over the remaining weighted average period of 1.5 years.

Stock Options

The following is a summary of stock option activity for the nine months ended September 30, 2023:

	Number of Options	Weighted average exercise price per share	Remaining term in years
Outstanding on December 31, 2022	682,939	\$ 7.30	3.2
Issued	63,545	\$ 1.50	8.0
Cancelled/expired	(109,388)	\$ 8.48	
Outstanding on September 30, 2023	637,096	\$ 6.54	3.6
Exercisable, September 30, 2023	576,393	\$ 6.75	3.2

The fair value of the options issued was calculated using the Black-Scholes option pricing model, based on the following:

	2023
Expected term (in years)	8.0
Expected volatility	84.4%
Risk-free interest rate	3.6%
Expected dividends	\$ -
Weighted average grant date fair value per share	\$ 1.19

Restricted Stock

The following is a summary of restricted stock award and restricted stock unit activity for the nine months ended September 30, 2023:

	Number of shares	Weighted average grant date fair value
Unvested at January 1, 2023	41,923	\$ 4.92
Granted	5,000	\$ 1.25
Vested	(4,386)	\$ 5.06

Forfeited	(9,931)	\$	3.33
Unvested at September 30, 2023	32,606	\$	4.82

Performance Share Units

During 2022 and 2023, the Company issued performance share units ("PSUs") that represented shares potentially issuable based upon Company and individual performance in the years of issuance.

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The following table summarizes the activity for the Company's unvested PSUs for the nine months ended September 30, 2023:

	Number of shares	Weighted average grant date fair value
Unvested at January 1, 2023	17,678	\$ 4.50
Cash settled	(17,678)	\$ 4.50
Granted	357,689	\$ 1.64
Vested	(45,251)	\$ 1.36
Unvested at September 30, 2023	312,438	\$ 1.68

In February 2023, the unvested awards issued for individual performance and outstanding at January 1, 2023 were modified to cash-settle the original grant-date fair value of approximately \$80,000, resulting in incremental compensation of \$56,000 after considering the \$24,000 fair value of the vested shares at the date of the modification. Additionally, the Company performance targets were modified to allow approximately 71,000 PSUs to vest, with an additional time-based vesting requirement for approximately 26,000 of the PSUs. Because the awards did not vest based on the original terms, the modification was considered a new grant, resulting in \$64,000 in compensation expense in the nine-months ended September 30, 2023.

The Company adopted a 2023 PSU program in April 2023, granting approximately 211,000 PSUs at target performance against company-wide metrics. An additional 76,000 PSUs were granted in September 2023 for performance against individual goals, replacing the Company's cash bonus program. The results for the three and nine months ended September 30, 2023 include \$84,000 in expense for the 2023 PSU program. Estimates of expense associated with 2023 performance will be reassessed each quarter through the performance period.

Note 8. Income Taxes

ASC 740 requires a valuation allowance to reduce the deferred tax assets reported if, based on the weight of evidence, it is more than likely than not that some portion or all the deferred tax assets will not be recognized. Accordingly, at this time the Company has placed a valuation allowance on all tax assets. As of September 30, 2023, the estimated effective tax rate for 2023 was zero.

There are open statutes of limitations for taxing authorities in federal and state jurisdictions to audit our tax returns from 2018 through the current period. Our policy is to account for income tax related interest and penalties in income tax expense in the statement of operations.

For the three and nine months ended September 30, 2023 and 2022, the Company did not incur any interest and penalties associated with tax positions. As of September 30, 2023, the Company did not have any significant unrecognized uncertain tax positions.

Note 9. Liquidity

During the nine months ended September 30, 2023, the Company used cash for operations of \$2,008,000. The Company has a history of operating losses and negative cash flow, which were expected to improve with growth, offset by working capital required to achieve such growth. As described more fully in Note 5, the dispute and subsequent contract termination with the Manufacturer has resulted in limitations in our ability to procure certain products, which has and may continue to inhibit our ability to achieve positive cash flow until we are able to expand our manufacturing capacity. Additionally, management has considered that dispute resolution, including litigation, is costly and will require the outlay of cash.

However, as of September 30, 2023, the Company has \$1,011,000 of cash and funding commitments of approximately \$1,880,000, as more fully described in Note 6. As such, even though management has identified certain indicators, these indicators do not raise substantial doubt regarding the Company's ability to continue as a going concern. However, management cannot predict, with certainty, the outcome of its potential actions to generate liquidity, including the availability of additional financing, or whether such actions would generate the expected liquidity as planned.

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Note 10. Subsequent Event – Nasdaq Compliance

On May 5, 2023, the Company received a notice letter from the Listing Qualifications Staff of The Nasdaq Stock Market, LLC ("Nasdaq") notifying the Company that it was not in compliance with the Listing Rule 5550(b) (the "Rule"), which requires listed companies to maintain a minimum \$2,500,000 stockholders' equity, \$35,000,000 market value of listed securities, or \$500,000 net income from continuing operations. In its quarterly report for the period ended March 31, 2023, the Company reported stockholders' equity of \$1,845,000, and as a result, did not satisfy the Rule. On June 14, 2023, the Company received a letter from Nasdaq granting the Company an extension through October 30, 2023 to regain compliance with the Rule.

On October 23, 2023, the Company issued convertible notes in the amount of \$1,390,000 pursuant to the subscription agreements described in Note 6. Note balances of \$1,207,000 were immediately converted into approximately 820,000 shares of common stock. A pro-forma balance sheet giving effect to the transactions is presented below:

	September 30, 2023 (unaudited)	Convertible Debt Drawdown	Conversion of Debt to Equity	September 30, 2023 (proforma, unaudited)
Assets				
Current assets:				
Cash	\$ 1,011,000	\$ 1,390,000	\$	\$ 2,401,000
Trade accounts receivable, net	1,159,000			1,159,000
Other receivables	116,000			116,000
Inventory, net	748,000			748,000

Prepaid expenses and other current assets	167,000			167,000
Total current assets	3,201,000	1,390,000	-	4,591,000
Property, plant and equipment, net of depreciation	487,000			487,000
Intangible assets, net of amortization	258,000			258,000
Deposits	7,000			7,000
Total assets	<u>\$ 3,953,000</u>	<u>\$ 1,390,000</u>	<u>\$ -</u>	<u>\$ 5,343,000</u>
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable	\$ 1,692,000	\$	\$	1,692,000
Disputed co-manufacturer accounts payable	499,000			499,000
Accrued expenses	229,000			229,000
Accrued payroll and employee related	240,000			240,000
Convertible notes payable	-	1,390,000	(1,207,000)	183,000
Total current liabilities	<u>2,660,000</u>	<u>1,390,000</u>	<u>(1,207,000)</u>	<u>2,843,000</u>
Total liabilities	<u>2,660,000</u>	<u>1,390,000</u>	<u>(1,207,000)</u>	<u>2,843,000</u>
Stockholders' equity:				
Common stock	-			-
Additional paid in capital	61,388,000			61,388,000
Accumulated deficit	(60,095,000)		1,207,000	(58,888,000)
Total stockholders' equity	<u>1,293,000</u>	<u>-</u>	<u>1,207,000</u>	<u>2,500,000</u>
Total liabilities and stockholders' equity	<u>\$ 3,953,000</u>	<u>\$ 1,390,000</u>	<u>\$ -</u>	<u>\$ 5,343,000</u>

Management believes that taking into consideration the October 23, 2023 note issuance and conversion, the Company satisfies the stockholders' equity requirement on a pro-forma basis as of September 30, 2023 and as of October 26, 2023. Nasdaq will continue to monitor the Company's ongoing compliance with the Rule and, if at the time of its next periodic report the Company does not evidence compliance, it may be subject to delisting.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with the financial information included elsewhere in this Quarterly Report on Form 10-Q (this "Report"), including our unaudited condensed consolidated financial statements and the related notes and with our audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the SEC on March 2, 2023, and other reports that we file with the SEC from time to time.

References in this Quarterly Report on Form 10-Q to "us", "we", "our" and similar terms refer to Barfresh Food Group Inc.

Cautionary Note Regarding Forward-Looking Statements

This discussion includes forward-looking statements, as that term is defined in the federal securities laws, based upon current expectations that involve risks and uncertainties, such as plans, objectives, expectations, and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors. Words such as "anticipate", "estimate", "plan", "continuing", "ongoing", "expect", "believe", "intend", "may", "will", "should", "could" and similar expressions are used to identify forward-looking statements.

We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, which may influence the accuracy of the statements and the projections upon which the statements are based. Any one or more of these uncertainties, risks and other influences could materially affect our results of operations and whether forward-looking statements made by us ultimately prove to be accurate. Our actual results, performance and achievements could differ materially from those expressed or implied in these forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether from new information, future events or otherwise.

Critical Accounting Policies

Our consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Results of Operations

Results of Operation for the Three Months Ended September 30, 2023 as Compared to the Three Months Ended September 30, 2022

Revenue and cost of revenue

Revenue increased \$197,000, or 8%, from \$2,406,000 in 2022 to \$2,603,000 in 2023. Revenue in 2022 was negatively impacted by the \$630,000 claims estimate resulting from the market withdrawal of product purchased from the Manufacturer due to quality complaints. Excluding the refund claims estimate, revenue was \$3,036,000 in 2022 and therefore decreased by \$433,000 in 2023, or 14% based on product shipped. Our revenues have been adversely impacted as a result of lost customers and supply constraints resulting from the product issues and related dispute with the Manufacturer. While the introduction of our carton packaging format has mitigated the loss of supply, the product offering has not been accepted by some customers or as a substitute for the bottle product in all use cases. We have identified and are actively working to develop additional smoothie bottle manufacturing capacity. We expect expanded capacity to become available in early 2024, subject to the risks and uncertainties associated with contracting and pre-production activities.

Cost of revenue for 2023 was \$1,690,000 as compared to \$3,129,000 in 2022. Cost of revenue in 2022 was negatively impacted by the \$932,000 inventory write-off related to the product withdrawal. Excluding the inventory write-off, cost of revenue was \$2,197,000 in 2022, and therefore decreased by \$507,000 in 2023, or 23% based on product shipped. Excluding the impact of the product withdrawal, cost of revenue declined due to lower revenue, and lower product cost due to a shift in product mix resulting from the limited supply of smoothie bottles.

Our gross profit was \$913,000 (35%) and (\$723,000) (-30%) for 2023 and 2022, respectively. Adjusted for the product withdrawal, our 2022 gross profit was \$839,000 (28%). Adjusted comparative gross margin improvement is a result of favorable product mix, pricing actions, and a slight improvement in

the cost of supply chain components.

Selling, marketing and distribution expense

Our operations were primarily directed towards increasing sales and expanding our distribution network.

	Three months ended September 30, 2023	Three months ended September 30, 2022	Change	Percent
Sales and marketing	\$ 327,000	\$ 410,000	\$ (83,000)	-20%
Storage and outbound freight	370,000	450,000	(80,000)	-18%
Sales, marketing and distribution expense	<u>\$ 697,000</u>	<u>\$ 860,000</u>	<u>\$ (163,000)</u>	<u>-19%</u>

Selling, marketing and distribution expense decreased approximately \$163,000 (-19%) from approximately \$860,000 in 2022 to \$697,000 in 2023.

Sales and marketing expense decreased approximately \$83,000 (-20%) from approximately \$410,000 in 2022 to \$327,000 in 2023. The decrease is a result of headcount reductions and lower broker commissions due to lower revenue and product mix.

Storage and outbound freight expense decreased approximately \$80,000 (-18%) from approximately \$450,000 in 2022 to \$370,000 in 2023, primarily as a result of the 14% decrease in product shipped as described in the discussion of revenue for the comparative quarters. The volume-related decrease in expense was enhanced by freight efficiencies compared to 2022.

General and administrative expense

	Three months ended September 30, 2023	Three months ended September 30, 2022	Change	Percent
Personnel costs	\$ 196,000	\$ 336,000	\$ (140,000)	-42%
Stock-based compensation	240,000	156,000	84,000	54%
Legal, professional and consulting fees	61,000	98,000	(37,000)	-38%
Director fees paid in cash	(50,000)	25,000	(75,000)	-300%
Research and development	32,000	220,000	(188,000)	-85%
Other general and administrative expenses	99,000	178,000	(79,000)	-44%
General and administrative expense	<u>\$ 578,000</u>	<u>\$ 1,013,000</u>	<u>\$ (435,000)</u>	<u>-43%</u>

General and administrative expense decreased approximately \$435,000 (-43%) from approximately \$1,013,000 in 2022 to \$578,000 in 2023.

Personnel cost represents the cost of employees including salaries, bonuses, employee benefits and employment taxes. Personnel cost decreased by approximately \$140,000 (-42%) from approximately \$336,000 to \$196,000 and stock-based compensation increased by approximately \$84,000 (54%) from \$156,000 to \$240,000. The decrease in personnel cost resulted from a reduction in headcount and the decision to issue stock-based compensation in lieu of cash bonuses for a portion of the performance criteria in 2023, resulting in a year-to-date reduction of personnel costs of \$87,000, including a \$60,000 reclassification of expense incurred in the first two quarters of 2023. Additionally, unpaid directors' fees for 2023 that were expected to be paid in cash were also converted to stock-based compensation, resulting in a year-to-date reduction in cash expense of \$75,000, including a \$50,000 reclassification of expense incurred in the first two quarters of 2023. Excluding the impact of the compensation modifications for employees and directors, stock-based compensation decreased by \$26,000 due to headcount reductions and the non-recurrence of a one-time grant in 2022.

Legal, professional and consulting fees decreased by \$37,000 (-38%) as a result of a reduction in outside services in an effort to conserve working capital.

Research and development expense decreased approximately \$188,000 (-85%) from approximately \$220,000 in 2022 to \$32,000 in 2023. Expense was elevated in 2022 as we incurred pre-production expense related to the launch of our carton format, while 2023 expense was limited as activities were minimized to conserve working capital.

Other general and administrative expenses decreased by approximately \$79,000 (-44%) due to a reduction in local non-income based taxes and the timing of the Company's annual meeting.

Net loss

We had net losses of approximately \$476,000 and \$2,687,000 for the three-month periods ended September 30, 2023 and 2022, respectively. The decrease in net loss of approximately \$2,211,000, was the result of the non-recurrence of the estimated refund claims and inventory disposal costs associated with the product withdrawal, improved margins, and a reduction of approximately \$575,000 in operating expenses due to cost saving measures and to a lesser extent, reduced volume of product shipped.

Results of Operation for the Nine Months Ended September 30, 2023 as Compared to the Nine Months Ended September 30, 2022

Revenue and cost of revenue

Revenue was \$6,205,000 in 2023 compared to \$7,731,000 in 2022, a decrease of \$1,526,000, or 20%. Revenue in 2022 was negatively impacted by the \$630,000 claims estimate resulting from the market withdrawal of product purchased from the Manufacturer. Excluding the refund claims estimate, revenue was \$8,361,000 in 2022 and therefore decreased by \$2,156,000 in 2023, or 26% based on product shipped. Our revenues have been adversely impacted as a result of lost customers and supply constraints resulting from the product issues and related dispute with the Manufacturer. While the introduction of our carton packaging format has mitigated the loss of supply, the product offering has not been accepted by some customers or as a substitute for the bottle product in all use cases. We have identified and are actively working to develop additional smoothie bottle manufacturing capacity. We expect expanded capacity to become available in early 2024, subject to the risks and uncertainties associated with contracting and pre-production activities.

Cost of revenue was \$3,963,000 in 2023 compared to \$6,807,000 in 2022, a decrease of \$2,844,000, or 42%. Cost of revenue in 2022 was negatively impacted by the \$932,000 inventory write-off related to the product withdrawal. Excluding the inventory write-off, cost of revenue was \$5,875,000 in 2022, and therefore decreased by \$1,912,000 in 2023, or 33% based on product shipped. Excluding the impact of the product withdrawal, cost of revenue declined due to lower revenue, and lower product cost due to a shift in product mix resulting from the limited supply of smoothie bottles.

Our gross profit was \$2,242,000 (36%) and \$924,000 (12%) for 2023 and 2022, respectively. Adjusted for the product withdrawal, our 2022 gross profit was \$2,486,000 (30%). Adjusted comparative gross margin improvement is a result of favorable product mix, pricing actions, and a slight improvement in the cost of supply chain components.

Selling, marketing and distribution expense

Our operations were primarily directed towards increasing sales and expanding our distribution network.

	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Change	Percent
Sales and marketing	\$ 1,058,000	\$ 1,019,000	\$ 39,000	4%
Storage and outbound freight	932,000	1,217,000	(285,000)	-23%
Sales, marketing and distribution expense	\$ 1,990,000	\$ 2,236,000	\$ (246,000)	-11%

Selling, marketing and distribution expense decreased approximately \$246,000 (-11%) from approximately \$2,236,000 in 2022 to \$1,990,000 in 2023.

Sales and marketing expense increased approximately \$39,000 (4%) from approximately \$1,019,000 in 2022 to \$1,058,000 in 2023. We incurred additional expense for product sampling of smoothie carton products, equipment maintenance incurred to relaunch bulk product sales in locations that had been non-operational as a result of COVID shutdowns and subsequent labor shortages, and broker commissions as we engaged numerous regional K-12 specialists to expand our geographic reach in the third quarter of 2022. These increases were partially offset by a reduction in personnel costs.

Storage and outbound freight expense decreased approximately \$285,000 (-23%) from approximately \$1,217,000 in 2022 to \$932,000 in 2023 primarily as a result of the 26% decrease in product shipped as described in the discussion of revenue for the comparative year-to-date periods. The volume-related decrease in expense was partially offset by higher costs resulting from product mix and inefficiencies due to production transitions.

General and administrative expense

	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Change	Percent
Personnel costs	\$ 929,000	\$ 1,006,000	\$ (77,000)	-8%
Stock based compensation	431,000	355,000	76,000	21%
Legal, professional and consulting fees	236,000	311,000	(75,000)	-24%
Director fees paid in cash	-	75,000	(75,000)	-100%
Research and development	88,000	347,000	(259,000)	-75%
Other general and administrative expenses	381,000	543,000	(162,000)	-30%
General and administrative expense	\$ 2,065,000	\$ 2,637,000	\$ (572,000)	-22%

General and administrative expense decreased approximately \$572,000 (-22%) from approximately \$2,637,000 in 2022 to \$2,065,000 in 2023.

Personnel cost represents the cost of employees including salaries, bonuses, employee benefits and employment taxes and continues to be our largest cost. Personnel cost decreased by approximately \$77,000 (-8%) from approximately \$1,006,000 to \$929,000. The decrease in personnel cost resulted primarily from the confirmation and recognition of our 2021 COVID-related tax credit, partially offset by bonus expense from the 2023 decision to cash settle a portion of the 2022 performance stock units.

Stock-based compensation increased by approximately \$76,000 (21%) from \$355,000 to \$431,000 because 2023 directors' fees that were expected to be paid in cash were converted to stock-based compensation.

Legal, professional and consulting fees decreased by \$75,000 (-24%). We reduced outside services in an effort to conserve working capital.

Research and development expense decreased approximately \$259,000 (-75%) from approximately \$347,000 in 2022 to \$88,000 in 2023. Expense was elevated in 2022 as we incurred pre-production expense related to the launch of our carton format, while 2023 expense was limited as activities were minimized to conserve working capital.

Other general and administrative expenses decreased approximately \$162,000 (-30%) from approximately \$543,000 in 2022 to \$381,000 in 2023 primarily as a result of non-recurring costs related to our uplisting to the NASDAQ stock exchange in 2022, partially offset by legal costs related by our dispute with the Manufacturer.

Net loss

We had net losses of approximately \$2,123,000 and \$4,276,000 for the nine-month periods ended September 30, 2023 and 2022, respectively. The decrease in net loss of approximately \$2,153,000, was the result of the non-recurrence of the estimated refund claims and inventory disposal costs associated with the product withdrawal, improved margins, and a reduction of approximately \$835,000 in operating expenses due to cost saving measures, reduced volume of product shipped, and the recognition of our COVID-related tax credit.

Liquidity and Capital Resources

As of September 30, 2023, we had working capital of \$541,000 compared with \$1,801,000 at December 31, 2022. The decrease in working capital is primarily due to the operating loss for the nine months ended September 30, 2023 as adjusted for non-cash depreciation, amortization and stock-based compensation.

During the nine months ended September 30, 2023, we used \$2,008,000 in operations.

The impact of COVID-19 on the Company is constantly evolving. The direct impact to our operations had begun to take effect at the close of the first

quarter ended March 31, 2020. Specifically, our business was impacted by dining bans targeted at restaurants to reduce the size of public gatherings. Such bans precluded our single serve products from being served at those establishments for a number of weeks, and in some instances, resulted in abandoned product launches. Furthermore, many school districts closed regular attendance for a period of time thereby disrupting sales of product into that channel. More recently, we have experienced a disruption in the supply chain for manufacturing our products due to COVID-19. While further developments surrounding COVID-19 may arise, the business climate appears to have stabilized in 2023.

On June 1, 2021, the Company completed a private placement of 1,282,051 shares of its common stock at \$4.68 per share, resulting in gross proceeds of \$6,000,000. In addition, holders of debt converted a total of \$399,000 in principal and \$234,000 in interest into 133,991 shares of common stock and debt in the amount of \$840,000 was retired, leaving the Company with no debt.

From July to October 2023, the Company executed subscription agreements for \$1,880,000 of a \$2,000,000 privately placed convertible debt offering. The debt may be drawn in 25% increments, matures on the anniversary of the draw, bears interest at 10% per annum for the term, regardless of earlier payment or conversion, and is mandatorily convertible as to principal and interest into shares of the Company's common stock at any time prior to maturity at the greater of \$1.20 or 85% of the volume-weighted average price of the common stock for the ten trading days immediately preceding the written notice of the conversion (the "Conversion Price"). If the Company has not exercised the mandatory conversion, the holder of the debt has the option after six months and on up to four occasions to convert all or any portion of the principal and interest into shares of the Company's common stock at the Conversion Price. On October 23, 2023, the Company issued \$1,390,000 of convertible notes pursuant to the subscription agreements, and immediately converted \$1,207,000 of principal and interest into approximately 820,000 shares of common stock.

Our liquidity needs will depend on how quickly we are able to profitably ramp up sales, as well as our ability to control and reduce variable operating expenses, and to continue to control and reduce fixed overhead expense. Our current dispute with the Manufacturer and the resulting loss of product supply and legal expense continue to negatively impact our financial position, results of operations and cash flow. While the introduction of our carton packaging format has mitigated the loss of supply, the product offering has not been accepted by some customers or as a substitute for the bottle product in all use cases. We have identified and are actively working to develop additional smoothie bottle manufacturing capacity. We expect expanded capacity to become available in early 2024, subject to the risks and uncertainties associated with contracting and pre-production activities.

Our operations to date have been financed by the sale of securities, the issuance of convertible debt and the issuance of short-term debt, including related party advances. If we are unable to generate sufficient cash flow from operations with the capital raised we will be required to raise additional funds either in the form of equity or in the form of debt. There are no assurances that we will be able to generate the necessary capital to carry out our current plan of 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 expense, results of operations, liquidity, capital expenditures or capital resources that are material to stockholders.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not required because we are a smaller reporting company.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Securities and Exchange Act of 1934 Rule 13(a)-15(e). Disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed in the reports that we file or submit under the Exchange Act has been appropriately recorded, processed, summarized and reported on a timely basis and are effective in ensuring that such information is accumulated and communicated to the Company's management, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that as of September 30, 2023, our disclosure controls and procedures are not effective.

Management has identified the following material weaknesses in our internal control over financial reporting:

Management has concluded that there is a material weakness due to the control environment which led to a restatement in the second quarter of 2022. The control environment is impacted due to the company's inadequate segregation of duties, including information technology control activities.

Since the assessment of the effectiveness of our internal control over financial reporting did identify material weaknesses, management considers its internal control over financial reporting to be ineffective.

In an effort to remediate the identified material weakness and enhance our internal control over financial reporting, we have hired additional personnel to help ensure that we are able to properly implement internal control procedures.

Management believes that the material weakness set forth above did not have an effect on our financial results.

Changes in Internal Control over Financial Reporting

None

PART II- OTHER INFORMATION

Item 1. Legal Proceedings.

As described in Note 5, the Company has an on-going dispute with the Manufacturer, the outcome of which cannot be predicted at this time.

From time to time, various lawsuits and legal proceedings may arise in the ordinary course of business. However, litigation is subject to inherent

uncertainties and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently the defendant in one legal proceeding for an amount less than \$100,000. Our legal counsel and management believe a material unfavorable outcome to be remote.

Item 1A. Risk Factors.

Not required because we are a smaller reporting company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the quarter ended September 30, 2023, the Company issued 102,011 shares of common stock for services valued at \$178,000. The Company relied upon the exemption from registration contained in Rule 506(b) and Section 4(a)(2) of the Securities Act, and corresponding provisions of state securities laws, on the basis that (i) offers were made to a limited number of persons, (ii) each offer was made through direct communication with the offerees by the Company, (iii) each of the offerees, which included an officer and two directors of the Company, had the requisite sophistication and financial ability to bear risks of investing in the Company's common stock, (iv) the Company provided disclosure to the offerees, and (v) there was no general solicitation and no commission or remuneration was paid in connection with the offers.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

From July to October 2023, the Company executed subscription agreements for \$1,880,000 of a \$2,000,000 privately placed convertible debt offering. The debt may be drawn in 25% increments, matures on the anniversary of the draw, bears interest at 10% per annum for the term, regardless of earlier payment or conversion, and is mandatorily convertible as to principal and interest into shares of the Company's common stock at any time prior to maturity at the greater of \$1.20 or 85% of the volume-weighted average price of the common stock for the ten trading days immediately preceding the written notice of the conversion (the "Conversion Price"). If the Company has not exercised the mandatory conversion, the holder of the debt has the option after six months and on up to four occasions to convert all or any portion of the principal and interest into shares of the Company's common stock at the Conversion Price. On October 23, 2023, the Company issued \$1,390,000 of convertible notes pursuant to the subscription agreements, and immediately converted \$1,207,000 of principal and interest into approximately 820,000 shares of common stock.

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Item 6. Exhibits.

Exhibit No.	Description
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10.1	Form of Securities Purchase Agreement together with form of Convertible Promissory Note
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) (filed herewith)
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) (filed herewith)
32.1	Certification pursuant to 18 U.S.C. Section 1350 (furnished herewith)

101.INS	Inline XBRL Instance Document*
101.SCH	Inline XBRL Taxonomy Extension Schema Document*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document*
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

*XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

In accordance with SEC Release 33-8238, Exhibit 32.1 is furnished and not filed.

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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.

BARFRESH FOOD GROUP INC.

Date: October 26, 2023

By: /s/ Riccardo Delle Coste

Riccardo Delle Coste
Chief Executive Officer
(Principal Executive Officer)

Date: October 26, 2023

By: /s/ Lisa Roger

Chief Financial Officer
(Principal Financial Officer)

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SECURITIES PURCHASE AGREEMENT

This Securities Purchase Agreement (this “**Agreement**”) is entered into between Barfresh Food Group, Inc., a Delaware corporation (the “**Company**”), and each purchaser identified on the signature pages hereto (each, including its successors and assigns, a “**Purchaser**” and collectively the “**Purchasers**”).

WHEREAS, subject to the terms and conditions set forth in this Agreement and pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the “**Securities Act**”), and Rule 506 promulgated thereunder, the Company is offering up to \$2,000,000 of its securities to ‘accredited investors’ as defined in Rule 501 of the Securities Act; and

WHEREAS, the Company desires to issue and sell to Purchasers, and Purchasers desires to purchase from the Company, a convertible promissory note of the Company, in the form attached hereto as Exhibit A, in an aggregate funded amount of \$2,000,000, convertible into shares of common stock of the Company as more fully described in this Agreement.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and for other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, the Company and Purchaser agree as follows:

ARTICLE I.
DEFINITIONS

1.1 Definitions. In addition to the terms defined elsewhere in this Agreement, for all purposes of this Agreement, the following terms have the meanings set forth in this Section 1.1:

“**Affiliate**” means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person as such terms are used in and construed under Rule 405 under the Securities Act. With respect to Purchaser, any investment fund or managed account that is managed on a discretionary basis by the same investment manager as Purchaser will be deemed to be an Affiliate of Purchaser.

“**Business Day**” means any day except Saturday, Sunday, any day that is a federal legal holiday in the United States, a legal holiday in France or any day on which banking institutions in the State of California or France are authorized or required by law or other governmental action to close.

“**Closing**” shall have the meaning in Section 2.1(b).

“**Closing Date**” shall have the meaning in Section 2.1(b).

“**Commission**” means the Securities and Exchange Commission.

“**Common Stock**” means the common stock of the Company, par value \$0.000001 per share, and any other class of securities into which such securities may hereafter be reclassified or changed into.

“**Common Stock Equivalents**” means any securities of the Company which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

“**Conversion Shares**” means the shares of Common Stock issuable upon conversion of the Notes.

“**Note**” means the 2023 Convertible Debt Series A promissory note issuable upon each Closing in the Form attached hereto as Exhibit A.

“**Disclosure Schedules**” means the Disclosure Schedules of the attached hereto, and incorporated herein by reference.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“**Liens**” means a lien, charge, security interest, encumbrance, right of first refusal, preemptive right or other restriction.

“**Person**” means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

“**Proceeding**” means an action, claim, suit, investigation or proceeding (including, without limitation, an informal investigation or partial proceeding, such as a deposition), whether commenced or threatened.

“**Rule 144**” means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

“**Securities**” means the Notes and the Conversion Shares.

“**Securities Act**” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“**Short Sales**” means all “short sales” as defined in Rule 200 of Regulation SHO under the Exchange Act (but shall not be deemed to include the location and/or reservation of borrowable shares of Common Stock).

“**Subscription Amount**” means, as to each Purchaser, the aggregate amount to be paid for the Notes purchased hereunder as specified below such Purchaser’s name on the signature page of this Agreement and next to the heading “Subscription Amount,” in United States dollars and in immediately available funds.

“**Subsidiary**” means any subsidiary of the Company as set forth on Schedule 3.1(a), and shall, where applicable, include any subsidiary of the Company formed or acquired after the date hereof.

"Trading Day" means a day on which the New York Stock Exchange is open for trading.

"Trading Market" means the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: The OTC Markets, the NASDAQ Stock Market or the New York Stock Exchange, or any successor markets.

"Transaction Documents" means this Agreement, the Notes and any other documents or agreements executed in connection with the transactions contemplated hereunder.

"Transfer Agent" means Securities Transfer Corporation, with a mailing address of 2901 N. Dallas Parkway, Suite 380, Plano, TX 75093, or any successor transfer agent of the Company.

ARTICLE II. PURCHASE AND SALE

2.1 Closings.

(a) On each Closing Date, which may be at any time prior to one (1) year from the date of this Agreement, upon the terms and subject to the conditions set forth herein, the Company agrees to sell, and the Purchaser agrees to purchase and fund a Note in an amount equal to twenty-five percent (25%) of the Subscription Amount (the **"Drawdown Amount"**).

(b) The date and time of each closing (the **"Closing"**) shall be no later than ten (10) business days after the Company provides the Purchaser of the Drawdown Amount, (or such later date as is mutually agreed to by the Company and Purchaser) provided it is not a day that is a Saturday or Sunday or a legal holiday in France or the U.S. (the **"Closing Date"**).

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(c) Purchaser shall deliver to the Company, and the Company shall deliver to Purchaser, the items set forth in Section 2.2. Upon satisfaction of the covenants and conditions set forth in Sections 2.2 and 2.3, each Closing shall be deemed to have occurred at the Company's executive office or such other location as the parties shall mutually agree.

2.2 Deliveries.

(a) On or prior to each Closing Date, the Company shall deliver or cause to be delivered to Purchaser the following:

(i) a Note registered in the name of Purchaser in accordance with this Agreement in the principal amount equal to the Drawdown Amount; and

(ii) a certificate, dated the Closing Date, to the effect that the representations and warranties of the Company in this Agreement are true and correct, in all material respects, as if made at and as of such Closing Date, and the Company has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied under this Agreement at or prior to such Closing Date.

(b) On or prior to each Closing Date, Purchaser shall deliver or cause to be delivered to the Company the Drawdown Amount by wire transfer of immediately available funds, in accordance with the Company's written wiring instructions.

2.3 Closing Conditions.

(a) The obligations of the Company hereunder in connection with each Closing are subject to the following conditions being met:

(i) the accuracy in all material respects on each Closing Date of the representations and warranties of the Purchaser contained herein;

(ii) all obligations, covenants and agreements of Purchaser required to be performed at or prior to each Closing Date shall have been performed; and

(iii) the delivery by Purchaser of the items set forth in Section 2.2(b) of this Agreement.

(b) The obligations of the Purchaser hereunder in connection with each Closing are subject to the following conditions being met:

(i) the accuracy in all material respects on each Closing Date of the representations and warranties of the Company contained herein;

(ii) all obligations, covenants and agreements of the Company required to be performed at or prior to each Closing Date shall have been performed;

(iii) the delivery by the Company of the items set forth in Section 2.2(a) of this Agreement;

(iv) there shall have been no Material Adverse Effect (defined in Section 3.1(b) below) with respect to the Company since the date hereof; and

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(v) trading in the Common Stock shall not have been suspended by the Commission or the Company's principal Trading Market (except for any suspension of trading of limited duration agreed to by the Company, which suspension shall be terminated prior to each Closing), and, at any time prior to each Closing Date, trading in securities generally as reported by Bloomberg L.P. shall not have been suspended or limited, or minimum prices shall not have been established on securities whose trades are reported by such service, or on any Trading Market, nor shall a banking moratorium have been declared either by the United States or New York State authorities nor shall there have occurred any material outbreak or escalation of hostilities or other national or international calamity of such magnitude in its effect on, or any material adverse change in, any financial market which, in each case, in the reasonable judgment of Purchaser, makes it impracticable or inadvisable to purchase the Securities at the Closing.

ARTICLE III. REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Company. Except as set forth in the Disclosure Schedules, which Disclosure Schedules shall be deemed a part hereof and shall qualify any representation or otherwise made herein to the extent of the disclosure contained in the corresponding section of the Disclosure Schedules, the Company hereby makes the following representations and warranties to Purchaser:

(a) Subsidiaries. All of the direct and indirect subsidiaries of the Company are set forth in the Company's SEC Reports (hereinafter defined in Section 3.1(h)). The Company owns, directly or indirectly, the capital stock or other equity interests of each Subsidiary free and clear of any Liens, and all of the issued and outstanding shares of capital stock of each Subsidiary are validly issued and are fully paid, non-assessable and free of preemptive and similar rights to subscribe for or purchase securities.

(b) Organization and Qualification. The Company and each of the Subsidiaries is an entity duly incorporated or otherwise organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization (as applicable) (subject to the payment of estimated franchise taxes for the current fiscal year), with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. Neither the Company nor any Subsidiary is in violation or default of any of the provisions of its respective certificate or articles of incorporation, bylaws or other organizational or charter documents. Each of the Company and the Subsidiaries is duly qualified to conduct business and is in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, could not have or reasonably be expected to result in (i) a material adverse effect on the legality, validity or enforceability of any Transaction Document, (ii) a material adverse effect on the results of operations, assets, business, prospects or condition (financial or otherwise) of the Company and the Subsidiaries, taken as a whole, or (iii) a material adverse effect on the Company's ability to perform in any material respect on a timely basis its obligations under any Transaction Document (any of (i), (ii) or (iii), a "**Material Adverse Effect**"), and no Proceeding has been instituted in any such jurisdiction revoking, limiting or curtailing or seeking to revoke, limit or curtail such power and authority or qualification.

(c) Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by each of the Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of each of the Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Company and no further action is required by the Company, its board of directors or its stockholders in connection therewith other than in connection with the Required Approvals. Each Transaction Document has been (or upon delivery will have been) duly executed by the Company and, when delivered in accordance with the terms hereof and thereof, will constitute the valid and binding obligation of the Company enforceable against the Company in accordance with its terms except (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law. The Company's board of directors, in the exercise of its fiduciary duty, has approved the Company's execution of the Notes and consummation of the transactions contemplated hereby based upon a reasonable belief that the principal provided thereunder is appropriate for the Company after reasonable inquiry concerning the Company's financing objectives and financial situation and that the funding will not be used for any personal, family or household purpose.

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(d) No Conflicts. The execution, delivery and performance of the Transaction Documents by the Company, the issuance and sale of the Securities and the consummation by the Company of the other transactions contemplated hereby and thereby do not and will not (i) conflict with or violate any provision of the Company's or any Subsidiary's certificate or articles of incorporation, bylaws or other organizational or charter documents, or (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the creation of any Lien upon any of the properties or assets of the Company or any Subsidiary, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing a Company or Subsidiary debt or otherwise) or other understanding to which the Company or any Subsidiary is a party or by which any property or asset of the Company or any Subsidiary is bound or affected, or (iii) subject to the Required Approvals, conflict with or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Company or a Subsidiary is subject (including federal and state securities laws and regulations), or by which any property or asset of the Company or a Subsidiary is bound or affected; except in the case of each of clauses (ii) and (iii), such as could not have or reasonably be expected to result in a Material Adverse Effect.

(e) Filings, Consents and Approvals. The Company is not required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by the Company of the Transaction Documents, other than (i) filings required pursuant to Section 4.4 of this Agreement and (ii) the filing of Form D with the Commission and such filings as are required to be made under applicable state securities laws (collectively, the "**Required Approvals**").

(f) Issuance of the Securities. The Securities are duly authorized and, when issued and paid for in accordance with the applicable Transaction Documents, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company other than restrictions on transfer provided for in the Transaction Documents. The Conversion Shares, when issued in accordance with the terms of the Transaction Documents, will be validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company other than restrictions on transfer provided for in the Transaction Documents. The Company has reserved from its duly authorized capital stock the maximum number of shares of Common Stock issuable pursuant to this Agreement.

(g) Capitalization. Except as set forth on Schedule 3.1(g), the Company has not issued any capital stock since its most recently filed periodic report under the Exchange Act, other than pursuant to the exercise of employee stock options under the Company's stock option plans, the issuance of shares of Common Stock to employees pursuant to the Company's employee stock purchase plans and pursuant to the conversion or exercise of Common Stock Equivalents outstanding as of the date of the most recently filed periodic report under the Exchange Act. No Person has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by the Transaction Documents. Except as set forth in the Company's SEC Reports and as a result of the purchase and sale of the Securities, there are no outstanding options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire, any shares of Common Stock, or contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to issue additional shares of Common Stock or Common Stock Equivalents. The issuance and sale of the Securities will not obligate the Company to issue shares of Common Stock or other securities to any Person (other than the Purchaser) and will not result in a right of any holder of Company securities to adjust the exercise, conversion, exchange or reset price under any of such securities. All of the outstanding shares of capital stock of the Company are validly issued, fully paid and nonassessable, have been issued in compliance with all federal and state securities laws, and none of such outstanding shares was issued in violation of any preemptive rights or similar rights to subscribe for or purchase securities. No further approval or authorization of any stockholder, the board of directors of the Company or others is required for the issuance and sale of the Securities. Other than with Unibel, there are no stockholder agreements, voting agreements or other similar agreements with respect to the Company's capital stock to which the Company is a party or, to the knowledge of the Company, between or among any of the Company's stockholders. Each Note issued to a Purchaser will have identical terms and be on the same form as set forth herein (except that the holder, principal amount and date of issuance may differ in each note) and there are no side letters or other agreements with any Purchaser except disclosed in the SEC Reports prior to the date hereof.

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(h) SEC Reports; Financial Statements. The Company has filed all reports, schedules, forms, statements and other documents required to be filed by the Company under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the two years preceding the date hereof (or such shorter period as the Company was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the "**SEC Reports**") on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved ("**GAAP**"), except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Company and its consolidated subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal year-end audit adjustments.

(i) Material Changes; Undisclosed Events, Liabilities or Developments. Except as specifically disclosed in the Company's SEC Reports filed prior to the date hereof, (i) there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect, (ii) the Company has not incurred any liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Company's financial statements pursuant to GAAP or disclosed in filings made with the Commission, (iii) the Company has not altered its method of accounting, (iv) the Company has not declared or made any dividend or distribution of cash or other property to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock and (v) the Company has not issued any equity securities to any officer, director or Affiliate, except pursuant to existing Company stock option plans or pursuant to conversion of outstanding debt. The Company does not have pending before the Commission any request for confidential treatment of information. Except for the issuance of the Securities contemplated by this Agreement or as set forth on Schedule 3.1(i), no event, liability or development has occurred or exists with respect to the Company or its Subsidiaries or their respective business, properties, operations or financial condition, that would be required to be disclosed by the Company under applicable securities laws at the time this representation is made or deemed made that has not been publicly disclosed at least one (1) Trading Day prior to the date that this representation is made.

(j) Litigation. Except as set forth in the SEC Reports, there is no action, suit, inquiry, notice of violation, Proceeding or investigation pending or, to the knowledge of the Company, threatened against or affecting the Company, any Subsidiary or any of their respective properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) (collectively, an "**Action**") which (i) adversely affects or challenges the legality, validity or enforceability of any of the Transaction Documents or the Securities or (ii) could, if there were an unfavorable decision, have or reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any Subsidiary, nor to the knowledge of the Company, any director or officer thereof, is or has been the subject of any Action involving a claim of violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty. There has not been, and to the knowledge of the Company, there is not pending or contemplated, any investigation by the Commission involving the Company or any current or former director or officer of the Company. The Commission has not issued any stop order or other order suspending the effectiveness of any registration statement filed by the Company or any Subsidiary under the Exchange Act or the Securities Act.

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(k) Labor Relations. No material labor dispute exists or, to the knowledge of the Company, is imminent with respect to any of the employees of the Company that could reasonably be expected to result in a Material Adverse Effect. None of the Company's or its Subsidiaries' employees is a member of a union that relates to such employee's relationship with the Company or such Subsidiary, and neither the Company nor any of its Subsidiaries is a party to a collective bargaining agreement, and the Company and its Subsidiaries believe that their relationships with their employees are good. No executive officer, to the knowledge of the Company, is, or is now expected to be, in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement or non-competition agreement, or any other contract or agreement or any restrictive covenant in favor of any third party, and the continued employment of each such executive officer does not subject the Company or any of its Subsidiaries to any liability with respect to any of the foregoing matters. The Company and its Subsidiaries are in compliance with all U.S. federal, state, local and foreign laws and regulations relating to employment and employment practices, terms and conditions of employment and wages and hours, except where the failure to be in compliance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(l) Compliance. Neither the Company nor any Subsidiary (i) is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Company or any Subsidiary under), nor has the Company or any Subsidiary received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) is in violation of any order of any court, arbitrator or governmental body, or (iii) is or has been in violation of any statute, rule or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws applicable to its business and all such laws that affect the environment, except in each case as could not have or reasonably be expected to result in a Material Adverse Effect.

(m) Regulatory Permits. The Company and the Subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses as described in the SEC Reports, except where the failure to possess such permits could not reasonably be expected to result in a Material Adverse Effect ("**Material Permits**"), and neither the Company nor any Subsidiary has received any notice of Proceedings relating to the revocation or modification of any Material Permit.

(n) Title to Assets. The Company and the Subsidiaries have good and marketable title in fee simple to all real property owned by them and good and marketable title in all personal property owned by them that is material to the business of the Company and the Subsidiaries, in each case free and clear of all Liens, except for Liens as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and the Subsidiaries and Liens for the payment of federal, state or other taxes, the payment of which is neither delinquent nor subject to penalties. Any real property and facilities held under lease by the Company and the Subsidiaries are held by them under valid, subsisting and enforceable leases with which the Company and the Subsidiaries are in compliance.

(o) Patents and Trademarks. The Company and the Subsidiaries have, or have rights to use, all patents, patent applications, trademarks, trademark applications, service marks, trade names, trade secrets, inventions, copyrights, licenses and other intellectual property rights and similar rights necessary or material for use in connection with their respective businesses as described in the SEC Reports and which the failure to so have could have a Material Adverse Effect (collectively, the "**Intellectual Property Rights**"). Neither the Company nor any Subsidiary has received a notice (written or otherwise) that any of the Intellectual Property Rights used by the Company or any Subsidiary violates or infringes upon the rights of any Person. To the knowledge of the Company, all such Intellectual Property Rights are enforceable and there is no existing infringement by another Person of any of the Intellectual Property Rights. The Company and its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of all of their intellectual properties, except where failure to do so could not, individually or in the aggregate, reasonably be

expected to have a Material Adverse Effect.

(p) Insurance. The Company and the Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which the Company and the Subsidiaries are engaged. Neither the Company nor any Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business without a significant increase in cost.

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(q) Transactions With Affiliates and Employees. Except as set forth in the SEC Reports or as otherwise set forth on Schedule 3.1(q), none of the officers or directors of the Company and, to the knowledge of the Company, none of the employees of the Company is presently a party to any transaction with the Company or any Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner, in each case in excess of the amount permitted under Item 404 of Regulation S-K other than for (i) payment of salary or consulting fees for services rendered, (ii) reimbursement for expenses incurred on behalf of the Company and (iii) other employee benefits, including stock option agreements under any stock option plan of the Company.

(r) Private Placement. Assuming the accuracy of the Purchaser representations and warranties set forth in Section 3.2, no registration under the Securities Act is required for the offer and sale of the Securities by the Company to the Purchaser as contemplated hereby. The issuance and sale of the Securities hereunder does not contravene the rules and regulations of the Trading Market.

(s) Investment Company. The Company is not, and is not an Affiliate of, and immediately after receipt of payment for the Securities, will not be or be an Affiliate of, an "investment company" within the meaning of the Investment Company Act of 1940, as amended. The Company shall conduct its business in a manner so that it will not become subject to the Investment Company Act of 1940, as amended.

(t) Listing and Maintenance Requirements. The Company's Common Stock is registered pursuant to Section 12(g) of the Exchange Act, and the Company has taken no action designed to, or which to its knowledge is likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act nor has the Company received any notification that the Commission is contemplating terminating such registration. The Company has not, in the 12 months preceding the date hereof, received notice from any Trading Market on which the Common Stock is or has been listed or quoted to the effect that the Company is not in compliance with the listing or maintenance requirements of such Trading Market, which has not been addressed, contested or appealed and/or for which an extension of time to come into compliance has been granted.

(u) Disclosure. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, the Company confirms that neither it nor any other Person acting on its behalf has provided Purchaser or their agents or counsel with any information that it believes constitutes or might constitute material, non-public information, unless prior thereto Purchaser shall have executed a written agreement regarding the confidentiality and use of such information. The Company understands and confirms that the Purchaser will rely on the foregoing representation in effecting transactions in securities of the Company. All disclosure furnished by or on behalf of the Company to the Purchaser regarding the Company, its business and the transactions contemplated hereby, including the Disclosure Schedules to this Agreement, is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. The press releases disseminated by the Company during the twelve months preceding the date of this Agreement taken as a whole do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made and when made, not misleading. The Company acknowledges and agrees that no Purchaser makes or has made any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in Section 3.2 hereof.

(v) No Integrated Offering. Assuming the accuracy of the Purchaser's representations and warranties set forth in Section 3.2, neither the Company, nor any of its Affiliates, nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause this offering of the Securities to be integrated with prior offerings by the Company for purposes of (i) the Securities Act which would require the registration of any such securities under the Securities Act, or (ii) any applicable shareholder approval provisions of any Trading Market on which any of the securities of the Company are listed or designated.

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(w) Tax Status. Except for matters that would not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect, the Company and each Subsidiary has filed all necessary tax returns and has paid or accrued all taxes shown as due thereon, and the Company has no knowledge of a tax deficiency which has been asserted or threatened against the Company or any Subsidiary.

(x) No General Solicitation. Neither the Company nor any person acting on behalf of the Company has offered or sold any of the Securities by any form of general solicitation or general advertising. The Company has offered the Securities for sale only to the Purchaser and certain other "accredited investors" within the meaning of Rule 501 under the Securities Act.

(y) Foreign Corrupt Practices. Neither the Company, nor to the knowledge of the Company, any agent or other person acting on behalf of the Company, has (i) directly or indirectly, used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (iii) failed to disclose fully any contribution made by the Company (or made by any person acting on its behalf of which the Company is aware) which is in violation of law, or (iv) violated in any material respect any provision of the Foreign Corrupt Practices Act of 1977, as amended.

(z) Accountants. The Company's accounting firm is Eide Bailly LLP. To the knowledge and belief of the Company, such accounting firm (i) is a registered public accounting firm as required by the Exchange Act and (ii) has expressed its opinion with respect to the financial statements included in the Company's Annual Report on Form 10-K for the year ending December 31, 2022.

(aa) No Disagreements with Accountants and Lawyers. There are no disagreements of any kind presently existing, or reasonably anticipated by the Company to arise, between the Company and the accountants and lawyers formerly or presently employed by the Company which could affect the Company's ability to perform any of its obligations under any of the Transaction Documents, and the Company is current with respect to any fees owed to its accountants.

(bb) Acknowledgment Regarding Purchaser's Purchase of Securities. The Company acknowledges and agrees that Purchaser is acting solely in the capacity of an arm's length purchaser with respect to the Transaction Documents and the transactions contemplated thereby. The Company further acknowledges that no Purchaser is acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to the Transaction Documents and the transactions contemplated thereby and any advice given by any Purchaser or any of their respective representatives or agents in connection with the Transaction Documents and the transactions contemplated thereby is merely incidental to the Purchaser's purchase of the

Securities. The Company further represents to Purchaser that the Company's decision to enter into this Agreement and the other Transaction Documents has been based solely on the independent evaluation of the transactions contemplated hereby by the Company and its representatives.

(cc) Regulation M Compliance. The Company has not, and to its knowledge no one acting on its behalf has taken, directly or indirectly, any action designed to cause or to result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Securities.

(dd) Certain Fees. No brokerage or finder's fees or commissions are or will be payable by the Company to any unlicensed broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by the Transaction Documents.

(ee) No Disqualification Events. With respect to Securities to be offered and sold hereunder in reliance on Rule 506(b) under the Securities Act ("Regulation D Securities"), none of the Company, any of its predecessors, any affiliated issuer, any director, executive officer, other officer of the Company participating in the offering contemplated hereby, any beneficial owner of 20% or more of the Company's outstanding voting equity securities nor any promoter (as that term is defined in Rule 405 under the Securities Act) connected with the Company in any capacity at the time of sale (each, an "Issuer Covered Person" and, together, "Issuer Covered Persons") is subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act (a "Disqualification Event"), except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3). The Company has exercised reasonable care to determine whether any Issuer Covered Person is subject to a Disqualification Event. The Company has complied, to the extent applicable, with its disclosure obligations under Rule 506(e), and has furnished to the Purchaser a copy of any disclosures provided thereunder.

(ff) Application of Takeover Protections. The Company and the board of directors of the Company have taken all necessary action, if any, in order to render inapplicable any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or other similar anti-takeover provision under the Company's certificate of incorporation (or similar charter documents) or the laws of its state of incorporation that is or could become applicable to Purchaser as a result of Purchaser and the Company fulfilling their obligations or exercising their rights under the Transaction Documents, including without limitation as a result of the Company's issuance of the Securities and the Purchasers' ownership of the Securities.

3.2 Representations and Warranties of the Purchaser. Purchaser hereby represents and warrants (severally and not jointly or jointly and severally; and only as to itself and not as to any other Purchaser) as of the date hereof, and as of each Closing Date to the Company as follows:

(a) Organization; Authority. Purchaser is an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization with full right, corporate or partnership power and authority to enter into and to consummate the transactions contemplated by the Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of the Transaction Documents and performance by Purchaser of the transactions contemplated by the Transaction Documents have been duly authorized by all necessary corporate or similar action on the part of Purchaser. Each Transaction Document to which it is a party has been duly executed by Purchaser, and when delivered by Purchaser in accordance with the terms hereof, will constitute the valid and legally binding obligation of Purchaser, enforceable against it in accordance with its terms, except (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(b) Own Account. Purchaser understands that the Securities are "restricted securities" and have not been registered under the Securities Act or any applicable state securities law and is acquiring the Securities as principal for its own account and not with a view to or for distributing or reselling such Securities or any part thereof in violation of the Securities Act or any applicable state securities law, has no present intention of distributing any of such Securities in violation of the Securities Act or any applicable state securities law and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Securities in violation of the Securities Act or any applicable state securities law. Purchaser is acquiring the Securities hereunder in the ordinary course of its business.

(c) Purchaser Status. At the time Purchaser was offered the Securities, it was, and at the date hereof it is, and on each date on which it converts any portion of the Note, it will be either: (i) an "accredited investor" as defined in Rule 501 under the Securities Act or (ii) a "qualified institutional buyer" as defined in Rule 144A(a) under the Securities Act. Purchaser is not required to be registered as a broker-dealer under Section 15 of the Exchange Act.

(d) Investment Risks. Purchaser acknowledges and understands that an investment in the Securities involves a high degree of risk, including the potential for the entire loss of Purchaser's investment.

(e) Experience of Purchaser. Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Securities and has so evaluated the merits and risks of such investment. Purchaser is able to bear the economic risk of an investment in the Securities and, at the present time, is able to afford a complete loss of such investment.

(f) General Solicitation. Purchaser is not purchasing the Securities as a result of any advertisement, article, notice or other communication regarding the Securities published in any newspaper, magazine or similar media or broadcast over television or radio or presented at any seminar or any other general solicitation or general advertisement.

(g) Short Sales and Confidentiality Prior To The Date Hereof. Other than consummating the transactions contemplated hereunder, Purchaser has not, nor has any Person acting on behalf of or pursuant to any understanding with Purchaser, directly or indirectly executed any purchases or sales, including Short Sales, of the securities of the Company during the period commencing from the time that Purchaser first received a term sheet (written or oral) from the Company or any other Person representing the Company setting forth the material terms of the transactions contemplated hereunder until the date hereof ("Discussion Time"). Notwithstanding the foregoing, in the case of a Purchaser that is a multi-managed investment vehicle whereby separate portfolio managers manage separate portions of Purchaser's assets and the portfolio managers have no knowledge of the investment decisions made by the portfolio managers managing other portions of Purchaser's assets, the representation set forth above shall only apply with respect to the portion of assets managed by the portfolio manager that made the investment decision to purchase the Securities covered by this Agreement. Other than to other Persons party to this Agreement, Purchaser has maintained the confidentiality of all disclosures made to it in connection with this transaction (including the existence and terms of this transaction).

(h) Non-Reliance on Statements of Agents. Purchaser represents and warrants that Purchaser has not relied on statements of any officer, director, employee or agent, or any of their agents, counsel or affiliates, of the Company not contained in this Agreement, the Company's website (<http://barfresh.com/presentations>) or the Company's SEC Filings in evaluating the merits of an investment in the Securities or in making its investment

decision hereunder, and confirms that none of such persons has made any representations or warranties to Purchaser in connection with the transactions contemplated by the Transaction Documents.

(i) Certain Fees. Purchaser has not entered into any agreement or arrangement entitling any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person to brokerage or finder's fees or commissions with respect to the transactions contemplated by the Transaction Documents. The Company shall have no obligation with respect to any fees or with respect to any claims made by or on behalf of any Person other than as disclosed herein in Schedule 3.1(dd), if any, for fees of a type contemplated in this Section that may be due in connection with the transactions contemplated by the Transaction Documents.

ARTICLE IV. OTHER AGREEMENTS OF THE PARTIES

4.1 Transfer Restrictions.

(a) The Securities may only be disposed of in compliance with state and federal securities laws. In connection with any transfer of Securities other than pursuant to an effective registration statement or Rule 144, to the Company or to an Affiliate of Purchaser or in connection with a pledge as contemplated in Section 4.1(b), the Company may require the transferor thereof to provide to the Company an opinion of counsel selected by the transferor and reasonably acceptable to the Company, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred Securities under the Securities Act. As a condition of transfer, any such transferee shall agree in writing to be bound by the terms of this Agreement and shall have the rights of Purchaser under this Agreement.

(b) Purchaser agrees to the imprinting, so long as is required by this Section 4.1, of a legend on any of the Securities in the following form:

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER-DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES.

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(c) The Company acknowledges and agrees that Purchaser may from time to time pledge pursuant to a bona fide margin agreement with a registered broker-dealer or grant a security interest in some or all of the Securities to a financial institution that is an "accredited investor" as defined in Rule 501(a) under the Securities Act and who agrees to be bound by the provisions of this Agreement and, if required under the terms of such arrangement, Purchaser may transfer pledged or secured Securities to the pledgees or secured parties. Such a pledge or transfer would not be subject to approval of the Company and no legal opinion of legal counsel of the pledgee, secured party or pledgor shall be required in connection therewith. Further, no notice shall be required of such pledge. At the appropriate Purchaser's expense, the Company will execute and deliver such reasonable documentation as a pledgee or secured party of Securities may reasonably request in connection with a pledge or transfer of the Securities. Certificates evidencing the Conversion Shares shall not contain any legend (including the legend set forth in Section 4.1(b)), (i) following any sale of such Conversion Shares pursuant to Rule 144 or (ii) if such Conversion Shares are eligible for sale under Rule 144, (provided that Purchaser provides the Company with an assurance letter, which shall not include an opinion of Purchaser's counsel, in the form reasonably satisfactory to Company's legal counsel, that such Conversion Shares are eligible for sale, assignment or transfer under Rule 144) or (iii) if such legend is not required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission). The Company may not make any notation on its records or give instructions to the Transfer Agent that enlarge the restrictions on transfer set forth in this Section, except in accordance with applicable law. Certificates for Securities subject to legend removal hereunder shall be transmitted by the Transfer Agent to the Purchaser by crediting the account of the Purchaser's prime broker with the Depository Trust Company System as directed by Purchaser.

4.2 Furnishing of Information. Until the earliest of the time that (i) no Purchaser owns Securities or (ii) the Securities may be sold without restriction, the Company covenants to file in a timely manner (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the date hereof pursuant to the Exchange Act. As long as any Purchaser owns Securities, if the Company is not required to file reports pursuant to the Exchange Act, it will prepare and furnish to the Purchaser and make publicly available in accordance with Rule 144 such information as is required for the Purchaser to sell the Securities under Rule 144. The Company further covenants that it will take such further action as any holder of Securities may reasonably request, to the extent required from time to time to enable such Person to sell such Securities without registration under the Securities Act within the requirements of the exemption provided by Rule 144.

4.3 Integration. The Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the Securities Act) that would be integrated with the offer or sale of the Securities in a manner that would require the registration under the Securities Act of the sale of the Securities to the Purchaser or that would be integrated with the offer or sale of the Securities to the Purchaser for purposes of the rules and regulations of any Trading Market such that it would require shareholder approval prior to the closing of such other transaction unless shareholder approval is obtained before the closing of such subsequent transaction.

4.4 Securities Laws Disclosure; Publicity. The Company shall issue a press release and Current Report on Form 8-K disclosing the material terms of the transactions contemplated hereby. No Purchaser shall issue any press release or otherwise make any public statement without the prior consent of the Company, which consent shall not unreasonably be withheld or delayed, except if such disclosure is required by law, in which case the disclosing party shall promptly provide the other party with prior notice of such public statement or communication. Notwithstanding the foregoing, the Company shall not publicly disclose the name of any Purchaser, or include the name of any Purchaser in any filing with the Commission or any regulatory agency or Trading Market, without the prior consent of Purchaser, except (i) the filing of final Transaction Documents (including signature pages thereto) with the Commission and (ii) to the extent such disclosure is required by law or Trading Market regulations.

4.5 Non-Public Information. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, the Company covenants and agrees that neither it nor any other Person acting on its behalf will provide any Purchaser (not including its agents or counsel) with any information that the Company believes constitutes material non-public information, unless prior thereto Purchaser shall have executed a written agreement regarding the confidentiality and use of such information. The Company understands and confirms that Purchaser shall be relying on the foregoing covenant in effecting transactions in securities of the Company.

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4.6 Use of Proceeds. The Company shall use the net proceeds from the sale of the Securities hereunder for capital expenditures, working capital and general operating expenses of the business.

4.7 Indemnification.

(a) Indemnification of Purchaser. Subject to the provisions of this Section 4.7, the Company will indemnify and hold Purchaser and its directors, officers, shareholders, members, partners, employees and agents (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title), each Person who controls Purchaser (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, shareholders, agents, members, partners or employees (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title) of such controlling persons (each, a "**Purchaser Party**") harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation that any such Purchaser Party may suffer or incur as a result of or relating to (a) any breach of any of the representations, warranties, covenants or agreements made by the Company in this Agreement or in the other Transaction Documents or (b) any action instituted against a Purchaser in any capacity, or any of them or their respective Affiliates, by any stockholder of the Company who is not an Affiliate of Purchaser, with respect to any of the transactions contemplated by the Transaction Documents (unless such action is based upon a breach of Purchaser's representations, warranties or covenants under the Transaction Documents or any agreements or understandings Purchaser may have with any such stockholder or any violations by the Purchaser of state or federal securities laws or any conduct by Purchaser which constitutes fraud, gross negligence, willful misconduct or malfeasance). If any action shall be brought against any Purchaser Party in respect of which indemnity may be sought pursuant to this Agreement, such Purchaser Party shall promptly notify the Company in writing, and the Company shall have the right to assume the defense thereof with counsel of its own choosing reasonably acceptable to the Purchaser Party. Any Purchaser Party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Purchaser Party except to the extent that (i) the employment thereof has been specifically authorized by the Company in writing, (ii) the Company has failed after a reasonable period of time to assume such defense and to employ counsel or (iii) in such action there is, in the reasonable opinion of such separate counsel, a material conflict on any material issue between the position of the Company and the position of such Purchaser Party, in which case the Company shall be responsible for the reasonable fees and expenses of no more than one such separate counsel. The Company will not be liable to any Purchaser Party under this Agreement (i) for any settlement by a Purchaser Party effected without the Company's prior written consent, which shall not be unreasonably withheld or delayed; or (ii) to the extent, but only to the extent that a loss, claim, damage or liability is attributable to any Purchaser Party's breach of any of the representations, warranties, covenants or agreements made by such Purchaser Party in this Agreement or in the other Transaction Documents.

(b) Indemnification of Company. Subject to the provisions of this Section 4.7, Purchaser will indemnify and hold the Company and its directors, officers, shareholders, members, partners, employees and agents harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation that the Company may suffer or incur as a result of or relating to any breach of any of the representations, warranties, covenants or agreements made by the Purchaser in this Agreement. If any action shall be brought against the Company in respect of which indemnity may be sought pursuant to this Agreement, the Company shall promptly notify Purchaser in writing, and the Purchaser shall have the right to assume the defense thereof with counsel of its own choosing reasonably acceptable to the Company. The Company shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Company except to the extent that (i) the employment thereof has been specifically authorized by the Purchaser in writing, (ii) the Purchaser has failed after a reasonable period of time to assume such defense and to employ counsel or (iii) in such action there is, in the reasonable opinion of such separate counsel, a material conflict on any material issue between the position of the Company and the position of Purchaser, in which case the Purchaser shall be responsible for the reasonable fees and expenses of no more than one such separate counsel. Purchaser will not be liable to the Company under this Agreement (i) for any settlement by the Company effected without the Purchaser's prior written consent, which shall not be unreasonably withheld or delayed; (ii) to the extent, but only to the extent that a loss, claim, damage or liability is attributable to any of the Company's breach of any of the representations, warranties, covenants or agreements made by the Company in this Agreement, or (iii) in an amount in excess of Purchaser's gain upon Purchaser's sale of the Conversion Shares acquired pursuant to this Agreement.

4.8 Reservation of Common Stock. As of the date hereof, the Company has reserved and the Company shall continue to reserve and keep available at all times, free of preemptive rights, a sufficient number of shares of Common Stock for the purpose of enabling the Company to issue Conversion Shares pursuant to conversion of the Notes.

4.9 Listing of Common Stock; Certificates. The Company hereby agrees to use best efforts to maintain the listing or quotation of the Common Stock on a Trading Market. The Company will take all action reasonably necessary to continue the listing or quotation and trading of its Common Stock on a Trading Market and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the Trading Market. As promptly as practicable after the conversion of any Note and the issuance of the Conversion Shares, the Company (at its expense) will issue and deliver a certificate or certificates evidencing such shares (if certificated) to Purchaser, or if such shares are not certificated, will deliver a true and correct copy of the Company's share register reflecting the shares held by Purchaser.

4.10 Short Sales and Confidentiality After The Date Hereof. Purchaser covenants that neither it nor any Affiliate acting on its behalf or pursuant to any understanding with it will execute any Short Sales during the period commencing at the Discussion Time and ending at the time that the transactions contemplated by this Agreement are first publicly announced as described in Section 4.4. Purchaser covenants that until such time as the transactions contemplated by this Agreement are publicly disclosed by the Company as described in Section 4.4, Purchaser will maintain the confidentiality of the existence and terms of this transaction and the information included in the Disclosure Schedules. Notwithstanding the foregoing, no Purchaser makes any representation, warranty or covenant hereby that it will not engage in Short Sales in the securities of the Company after the time that the transactions contemplated by this Agreement are first publicly announced as described in Section 4.4. Notwithstanding the foregoing, in the case of a Purchaser that is a multi-managed investment vehicle whereby separate portfolio managers manage separate portions of Purchaser's assets and the portfolio managers have no knowledge of the investment decisions made by the portfolio managers managing other portions of Purchaser's assets, the covenant set forth above shall only apply with respect to the portion of assets managed by the portfolio manager that made the investment decision to purchase the Securities covered by this Agreement.

4.11 Form D; Blue Sky Filings. The Company agrees to file in a timely manner a Form D with respect to the Securities as required under Regulation D and to provide a copy thereof, promptly upon request of any Purchaser. The Company shall take such action as the Company shall reasonably determine is necessary in order to obtain an exemption for, or to qualify the Securities for, sale to the Purchaser at the Closing under applicable securities or "Blue Sky" laws of the states of the United States, and shall provide evidence of such actions promptly upon request of any Purchaser.

ARTICLE V.
MISCELLANEOUS

5.1 Fees and Expenses. Each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement. The Company shall further be responsible for the payment of its transfer agent fees and the fees and expenses of DTC. The Company shall pay all Transfer Agent fees,

stamp taxes and other taxes and duties levied in connection with the delivery of any Securities to the Purchaser.

5.2 Entire Agreement. The Transaction Documents, together with the exhibits and schedules thereto, contain the entire understanding of the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits and schedules.

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5.3 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of (a) the date of transmission, if such notice or communication is delivered via facsimile or email at the facsimile number set forth on the signature pages attached hereto or the email address set forth on the signature pages attached hereto prior to 5:30 p.m. (PST) on a Business Day, (b) the next Business Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 5:30 p.m. (PST) on any Business Day, (c) the 3rd Business Day following the date of mailing, if sent by internationally recognized overnight courier service, or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as set forth on the signature pages attached hereto.

5.4 Amendments; Waivers. No provision of this Agreement may be waived or amended except in a written instrument signed, in the case of an amendment, by the Company and the Purchaser, in the case of a waiver, by the party against whom enforcement of any such waived provision is sought. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right.

5.5 Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

5.6 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and each of their successors and permitted assigns.

5.7 Assignment. Purchaser acknowledges that it may not assign any of its rights to or interest in or under this Agreement without the prior written consent of the Company, and any attempted assignment without such consent shall be void and without force or effect.

5.8 No Third-Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person, except as otherwise set forth in Section 4.7.

5.9 Governing Law. All questions concerning the construction, validity, enforcement and interpretation of the Transaction Documents shall be governed by and construed and enforced in accordance with the internal laws of the State of Delaware, without regard to the principles of conflicts of law thereof. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement and any other Transaction Documents (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, employees or agents) shall be commenced exclusively in the state and federal courts sitting in Los Angeles, California. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the Los Angeles, California for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

5.10 Survival. The representations and warranties and obligations contained in this Agreement (including, without limitation, the obligations under Section 2.4 of this Agreement) shall survive each Closing and the delivery of the Notes and Conversion Shares.

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5.11 Execution. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

5.12 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

5.13 Replacement of Securities. If any certificate or instrument evidencing any Securities is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation thereof (in the case of mutilation), or in lieu of and substitution therefor, a new certificate or instrument, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction. The applicant for a new certificate or instrument under such circumstances shall also pay any reasonable third-party costs (including customary indemnity) associated with the issuance of such replacement Securities.

5.14 Construction. The parties agree that each of them and/or their respective counsel has reviewed and had an opportunity to revise the Transaction Documents and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of the Transaction Documents or any amendments hereto. Notwithstanding anything in this Agreement to the contrary, each representation, warranty and covenant contained in this Agreement will have independent significance, even if any conduct or state of facts may be within the scope of two or more representations, warranties or covenants; provided, however, that in no event shall any party be entitled to any duplicative recovery hereunder for the same loss.

5.15 Effect of Investigation. The right to indemnification under Section 4.7 shall not be affected by any investigation or audit conducted prior to or after Closing or the knowledge of any party of any breach of a representation or warranty or covenant by any other party at any time. Each party shall have the right, irrespective of any knowledge or investigation, to rely fully on the representations and warranties and covenants of the other parties herein

IN WITNESS WHEREOF, the parties hereto have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date indicated below.

BARFRESH FOOD GROUP INC.

Address for Notice:

BARFRESH FOOD GROUP, INC.
3600 Wilshire Boulevard, Suite 1720
Los Angeles, CA 90010
Attention: Riccardo Delle Coste,
Chief Executive Officer
Email: riccardo@barfresh.com

By: _____
Name: Lisa Roger
Title: Chief Financial Officer
Date: _____

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK
SIGNATURE PAGE FOR PURCHASER FOLLOWS]

[Company signature page]

**[PURCHASER SIGNATURE PAGES TO BARFRESH FOOD GROUP INC.
SECURITIES PURCHASE AGREEMENT]**

IN WITNESS WHEREOF, the undersigned have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

ENTITY, TRUST, ETC. PURCHASERS

INDIVIDUAL PURCHASERS

Entity Name: _____
Signature: _____
Name: _____
Title: _____
Date: _____
Email: _____
Fax: _____

Signature: _____
Name: _____
Date: _____

Address for Notice of Purchaser:

Address for Delivery of Securities for Purchaser (if not same as address for notice):

Subscription Amount:

EIN Number: _____

DISCLOSURE SCHEDULES

Any disclosure made by the Company in this Disclosure Schedule shall constitute an exception or responsive information, as the context requires, to the representation and warranties, covenants or agreements of the Company contained in the Agreement. Inclusion of any item in this Disclosure Schedule shall not constitute an admission that a violation, right of termination, default, liability, or other obligation of any kind exists with respect to such item, but rather is intended only to qualify the representations and warranties, covenants or agreements of the Company contained in the Agreement. The inclusion of any item in this Disclosure Schedule shall not be deemed an admission that such item is a material fact, event, or circumstance or that such item has had or would be reasonably likely to have a material adverse effect on the Company. Any matter disclosed in one schedule shall also be deemed to constitute an exception to all other representations and warranties, covenants or agreements of the Company in the Agreement to which such disclosure reasonably relates. Any appendices or exhibits attached to this Disclosure Schedule form an integral part of the sections or subsections of this Disclosure Schedule into which they are incorporated by reference for all purposes as if fully set forth in this Disclosure Schedule, including for purposes of cross-application to other sections or subsections of this Disclosure Schedule to the extent that it is reasonably apparent such appendices or exhibits apply to such other sections or subsections of this Disclosure Schedule.

Matters set forth in this Disclosure Schedule are not necessarily limited to matters required by the Agreement to be reflected in this Disclosure Schedule. Such additional matters are set forth for informational purposes, and this Disclosure Schedule does not necessarily include other matters of a similar nature. In no event shall the listing of such matters in this Disclosure Schedule be deemed or interpreted to broaden or otherwise amplify the Company representations and warranties, covenants or agreements contained in the Agreement, and nothing in this Disclosure Schedule shall influence the construction or interpretation of any of the representations and warranties, covenants or agreements contained in the Agreement. The captions contained in this Disclosure Schedule are for reference purposes only and do not form a part of this Disclosure Schedule.

Schedule 3.1(g)

As of September 26, 2023, the Company's capitalization includes 14,366,681 shares of Common Stock, on a fully diluted basis, including 13,104,614 shares of Common Stock, 357,089 shares of Common Stock issuable upon exercise of warrants, 635,689 shares of Common Stock issuable upon exercise of options, 236,683 shares issuable upon settlement of performance share units and 32,606 shares of restricted Common Stock.

Schedule 3.1(q)

Riccardo Delle Coste, the Chief Executive Officer, a director, and a significant shareholder of the Company, (either individually or through one or more affiliated entities) intends to subscribe for Securities in an amount not to exceed US\$300,000.

EXHIBIT A

See attached Form of Convertible Promissory Note

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THIS NOTE MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE NOTE UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR AN EXEMPTION THEREFROM, INCLUDING PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE NOTE MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE NOTE.

\$ _____

Issuance Date: _____, 2023

BARFRESH FOOD GROUP INC.

PROMISSORY NOTE

No. _____

FOR VALUE RECEIVED, Barfresh Food Group Inc., a Delaware corporation (" **Company**"), promises to pay to the order of _____ (" **Holder**"), or its permitted assigns, in lawful money of the United States of America the principal sum of [amount] (\$ _____), or such lesser amount as shall equal the outstanding principal amount hereof, together with simple interest from the date of this Promissory Note (this "**Note**") on the unpaid principal balance at a rate equal to ten percent (10.0%) per annum (the "**Interest Rate**"), computed on the basis of the actual number of days elapsed and a year of 365 days (collectively, together with the Other Fees (as defined below), the "**Obligations**"). To the extent this Note has not been repaid, all unpaid principal, together with any then unpaid and accrued interest and other amounts payable hereunder, shall be due and payable on the earlier of (i) twelve (12) months after the issuance date (the "**Maturity Date**"), or (ii) when, upon or after the occurrence of an Event of Default (as defined below), such amounts are declared due and payable by Holder or made automatically due and payable in accordance with the terms hereof. This Note is one of a series of Promissory Notes called the 2023 Convertible Debt Series A (the "**Series A Notes**") issued by the Company to investors with identical terms and on the same form as set forth herein (except that the holder, principal amount and date of issuance may differ in each note). Each capitalized term used herein, and not otherwise defined, shall have the meaning ascribed thereto in that certain Securities Purchase Agreement dated _____, 2023, pursuant to which this Note was originally issued (as amended and/or restated from time to time, the "**Purchase Agreement**").

1. Interest. Unless provided otherwise hereunder, interest will accrue from the Issuance Date of this Note on the original principal amount at the Interest Rate for twelve (12) months, regardless of the earlier payment or conversion of this Note.

2. Payments. All payments hereunder shall be made in lawful money of the United States of America at such place or to such account as Holder may from time to time designate in writing to the Company, without set-off of any kind. Payments will be credited first to Other Fees, then to accrued but unpaid interest and the remainder applied to principal. The Company agrees it will offer all pre-payments on this Note on a pro rata basis with its pre-payments on the other Series A Notes so that the pre-payment on each Series A Note is the same percentage of the total payments made on all Series A Notes as the indebtedness under each Series A Note is of the total indebtedness under all Series A Notes. In the event the Holder of this Note receives a payment in excess of its pro rata share, the Holder agrees that the excess will be paid to the holders of the other Series A Notes.

3. Conversion.

(a) Conversion by Holder. At any time after six (6) months from the date of issuance of this Note, but prior to the Maturity Date, and on no more than four (4) occasions Holder shall have the right, but not the obligation, to convert all or any portion of the then aggregate outstanding principal amount under the Note and accrued but unpaid interest thereon, into shares of Common Stock, at the per share price (the "**Per Share Conversion Price**"), which is the greater of (i) \$1.20 or (ii) 85% of the volume-weighted average price of the shares of Common Stock traded on the Trading Market, for the ten (10) trading days ending on the first trading day immediately preceding the written notice of conversion. Holder shall exercise such conversion right by delivery to the Company of a written notice of conversion (a "**Notice of Conversion by Holder**"), substantially in the form annexed hereto as Exhibit A.

(b) Conversion by the Company. At any time prior to the Maturity Date, and on no more than four (4) occasions, the Company shall have the right, but not the obligation, to convert all or any portion of the then aggregate outstanding principal amount under the Note and accrued but unpaid interest thereon, into shares of Common Stock, at the Per Share Conversion Price. The Company shall exercise such conversion right by delivery to the Holders of a written notice of conversion (a "**Notice of Conversion by Company**"), substantially in the form annexed hereto as Exhibit B. The Company

agrees that it will convert this Note on a pro rata basis with its conversion on the other Series A Notes, so that the amount converted is the same percentage of the total amount converted on all Series A Notes as the indebtedness under each Series A Notes is of the total indebtedness under all Series A Notes.

(c) Certificates. As promptly as practicable after the conversion of this Note and the issuance of the shares of Common Stock, the Company (at its expense) will issue and deliver a certificate or certificates evidencing such shares (if certificated) to Holder, or if such shares are not certificated, will deliver a true and correct copy of the Company's share register reflecting the shares held by the Holder.

(d) Adjustments. For the avoidance of doubt, it is acknowledged that Holder will be entitled to the benefit of all adjustments in the number of shares of the Company's capital stock as a result of any splits, recapitalizations, combinations or other similar transactions affecting the Company's capital stock that occur prior to the conversion of this Note.

4. Events of Default. If any of the events specified in this Paragraph 4 shall occur (herein individually referred to as an "**Event of Default**"), the Holder may, so long as such condition exists, declare all Obligations hereunder immediately due and payable, by notice in writing to the Company:

(a) Default in the payment of the principal or unpaid accrued interest of this Note when due and payable;

(b) The institution by the Company of proceedings to be adjudicated as bankrupt or insolvent, or the consent by it to institution of bankruptcy or insolvency proceedings against it or the filing by it of a petition or answer or consent seeking reorganization or release under the federal Bankruptcy Code, or any other applicable federal or state law, or the consent by it to the filing of any such petition or the appointment of a receiver, liquidator, assignee, trustee or other similar official of the Company, or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the taking of corporate action by the Company in furtherance of any such action;

(c) If, within sixty (60) days after the commencement of an action against the Company (and service of process in connection therewith on the Company) seeking any bankruptcy, insolvency, reorganization, liquidation, dissolution or similar relief under any present or future statute, law or regulation, such action shall not have been resolved in favor of the Company or all orders or proceedings thereunder affecting the operations or the business of the Company stayed, or if the stay of any such order or proceeding shall thereafter be set aside, or if, within sixty (60) days after the appointment without the consent or acquiescence of the Company of any trustee, receiver or liquidator of the Company or of all or any substantial part of the properties of the Company, such appointment shall not have been vacated;

(d) A material breach by the Company of any of its representations or covenants contained herein; or

(e) Any declared default of the Company under any other material indebtedness that gives the holder thereof the right to accelerate such other indebtedness.

5. Subordination.

(a) This Note is a general unsecured obligation of the Company.

(b) This Note is subordinated in right of payment to all current asset backed loan indebtedness of the Company for borrowed money (whether or not such indebtedness is secured) to persons or entities regularly engaged in the business of lending money (the "**Senior Debt**"). No other Senior Debt shall be contracted before total payment or conversion of this Note. The Company hereby agrees, and by accepting this Note, the Holder hereby acknowledges and agrees, that so long as any Senior Debt is outstanding, upon notice from the holders of such Senior Debt (the "**Senior Creditors**") to the Company that an event of default, or any event which with the giving of notice or the passage of time or both would constitute an event of default, has occurred under the terms of the Senior Debt (a "**Default Notice**"), the Company will not make, and the Holder will not receive or retain, any payment under this Note. Nothing in this paragraph will preclude or prohibit the Holder from receiving and retaining any payment hereunder unless and until the Holder has received a Default Notice (which will be effective until waived in writing by the Senior Creditors or until the Senior Debt is paid in full). The Company will not issue any other unsecured debt (outside of these Series A Notes) while any Series A Notes remain outstanding.

6. Transfer; Successors and Assigns. The terms and conditions of this Note will inure to the benefit of and be binding upon the respective successors and permitted assigns of the parties; provided, however, that the Company may not assign its obligations under this Note without the prior written consent of the Holder; provided, further, that Holder may assign its rights under this Note upon written notice to the Company. This Note may not be offered for sale, sold, transferred or assigned in the absence of an effective registration statement for the Note under the Securities Act of 1933, as amended ("**1933 Act**"), or an exemption therefrom, including pursuant to Rule 144 or Rule 144A under the 1933 Act. Notwithstanding the foregoing, this Note may be pledged in connection with a bona fide margin account or other loan or financing arrangement secured by this Note. In addition, this Note may not be transferred unless the transferee enters into a written agreement in form and substance reasonably acceptable to the Company pursuant to which the transferee agrees to be bound by all of the provisions of this Note. Thereupon, a new note for the same principal amount and interest will be issued to, and registered in the name of, the transferee. The Company's Obligations are due only to the registered Holder of this Note.

7. Notices. Any notices or other communications required or permitted to be given under the terms of this Note that must be in writing will be deemed to have been delivered (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile (provided a confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); (iii) one day after deposit with a nationally recognized overnight delivery service, in each case properly addressed to the party to receive the same; (iv) upon receipt, when sent by email, provided a confirmation of receipt is emailed to sender from recipient.

8. Amendments and Waivers. Any terms of this Note may be amended, modified or waived only with the written consent of the Company and Holder.

9. Governing Law. This Note and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto will be governed, construed, and interpreted in accordance with the laws of the State of Delaware without giving effect to principles of conflicts of law.

10. Enforcement Costs. If any action be commenced to enforce this Note, or to protect the interest of Holder, there shall be added to the amount due by the Company hereunder, the amount of any and all costs and expenses incurred by Holder in connection with such action, including but not limited to attorney's fees (collectively, "**Other Fees**"), together with interest thereon, which shall be payable upon demand.

11. Reporting and Other Matters. The Company has filed all reports, schedules, forms, statements and other documents required to be filed by it with the Securities and Exchange Commission ("**SEC**"), pursuant to the Securities Exchange Act of 1934, as amended, for the two years preceding the date hereof and all information Holder can reasonably be expected to require to make a decision to enter into this Note is disclosed in such filings. The Company is, and has no reason to believe that it will not in the foreseeable future continue to be, in compliance with the listing and maintenance requirements for continued listing or quotation of the Company Common Stock on the trading market on which the Company Common Stock is currently listed or quoted. The Company's entering into this Note does not contravene the rules and regulations of the trading market on which the Company Common Stock is currently listed or quoted, and no approval of the stockholders of the Company is required for the Company to enter into this Note. The Company shall use its best efforts to maintain the Common Stock's listing or authorization for quotation (as the case may be) on the trading market on

which the Company Common Stock is currently listed or quoted, so long as any amounts are due to Holder under this Note. Neither the Company nor any of its subsidiaries shall take any action which could be reasonably expected to result in the delisting or suspension of the Common Stock on its listed market. In the event that the Company is no longer current in its reporting obligations under the Exchange Act, then the Company, upon request by Holder, shall provide to Holder financial statements, corporate updates, and other information that will allow Holder to evaluate its investment in the Note and determine the accounting value thereof ("Valuation Information"), on a basis no less frequent than quarterly.

IN WITNESS WHEREOF, the Company has caused this Note to be issued as of the Issuance Date and Holder agrees to the terms and conditions of this Note.

COMPANY:
BARFRESH FOOD GROUP INC.,
a Delaware corporation

By: _____
Name: Lisa Roger
Its: Chief Financial Officer

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Exhibit A

FORM OF NOTICE OF CONVERSION BY HOLDER

[Date]

Barfresh Food Group, Inc.

Attn. Chief Financial Officer

Dear _____:

The undersigned hereby elects to purchase the number of shares ("Shares") of common stock of Barfresh Food Group Inc. a Delaware corporation ("Company"), and tenders herewith payment for the Shares in full, together with all applicable transfer taxes, if any, as follows:

Series __ Note
Date of Conversion
Principal being Converted
Interest being Converted
Conversion Rate
Number of Shares to be Delivered

\$[] per Share

Payment for the Shares shall take the form of the cancellation of \$ [] of the outstanding principal and interest, as indicated above, due under the Series A Convertible Promissory Note issued by the Company to the undersigned indicated above, as evidence of the cancellation of the amounts indicated above due under the Promissory Note.

Please issue a certificate and record such issuance in the books and records of the Company, representing said shares in the name and at the address listed above.

The undersigned represents and warrants that it is an "accredited investor" as defined in Regulation D promulgated under the Securities Act of 1933, as amended.

[HOLDER]

By: _____
Name: _____
Title: _____

EXHIBIT B

FORM OF NOTICE OF CONVERSION BY COMPANY

[Date]

[NAME AND ADDRESS OF HOLDER]

Dear _____:

Notice is hereby given that Barfresh Food Group Inc. a Delaware corporation ("Company"), elects to convert the principal and interest due under the Series A Convertible Promissory Note indicated below into the number of shares ("Shares") of common stock of the Company, as follows:

Series A Note
Date of Conversion
Principal being Converted
Interest being Converted

Conversion Rate
Number of Shares to be Delivered

\$[] per Share

The issuance of the Shares to Holder shall be as evidence of the cancellation of the outstanding interest, as indicated above, due under the Convertible Promissory Note.

COMPANY:
BARFRESH FOOD GROUP INC.,
a Delaware corporation

By: _____
Name: Lisa Roger
Its: Chief Financial Officer

RULE 13a-14(a) CERTIFICATION

I, Riccardo Delle Coste, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Barfresh Food Group Inc., a Delaware corporation;
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(s) 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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.

October 26, 2023

By: /s/ Riccardo Delle Coste

Name: Riccardo Delle Coste

Title: Principal Executive Officer

RULE 13a-14(a) CERTIFICATION

I, Lisa Roger, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Barfresh Food Group Inc., a Delaware corporation;
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(s) 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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.

October 26, 2023

By: /s/ Lisa Roger

Name: Lisa Roger

Title: Principal Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

The undersigned hereby certify, pursuant to the requirements set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in their capacities as officers of Barfresh Food Group Inc. (the "Company"), that, to their knowledge, the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such report fairly represents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the financial statements included in such report.

Date: October 26, 2023

By: /s/ Riccardo Delle Coste

Name: Riccardo Delle Coste

Title: Chief Executive Officer
(Principal Executive Officer)

By: /s/ Lisa Roger

Name: Lisa Roger

Title: Chief Financial Officer
(Principal Financial Officer)
