



Just Kitchen Holdings Corp.

Condensed Consolidated Interim Financial Statements

**For the Three and Nine Months Ended June 30, 2021 and for the Three Months and
217 Days Ended June 30, 2020**

(Unaudited)

(Expressed in Canadian Dollars)

Just Kitchen Holdings Corp.
Condensed Consolidated Interim Statement of Financial Position

(Unaudited)
(Expressed in Canadian Dollars)

| ASSETS | June 30, 2021 | September 30, 2020 |
|---|----------------------|---------------------------|
| Current | | |
| Cash | \$ 24,334,424 | \$ 530,022 |
| Accounts receivable (Note 4) | 439,707 | 154,777 |
| Inventory (Note 18) | 679,029 | 125,764 |
| Prepaid expenses and refundable deposits (Note 5) | 672,707 | 251,613 |
| | <u>26,125,867</u> | <u>1,062,176</u> |
| Non-current | | |
| Refundable Deposits (Note 5) | 180,068 | 139,939 |
| Property and Equipment (Note 6) | 1,709,337 | 357,681 |
| Right-of-use Assets (Note 7(a)) | 2,401,650 | 1,670,452 |
| | <u>2,401,650</u> | <u>1,670,452</u> |
| Total assets | \$ 30,416,922 | \$ 3,230,248 |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 2,835,558 | \$ 1,080,437 |
| Promissory Notes Payable (Note 8) | 467,963 | - |
| Current portion of lease liability (Note 7(b)) | 733,389 | 446,292 |
| | <u>4,036,910</u> | <u>1,526,729</u> |
| Non-current | | |
| Promissory Notes Payable (Note 8) | - | 460,127 |
| Lease Liability (Note 7(b)) | 1,728,280 | 1,222,078 |
| | <u>1,728,280</u> | <u>1,222,078</u> |
| Total liabilities | 5,765,190 | 3,208,934 |
| SHAREHOLDERS' EQUITY (DEFICIENCY) | | |
| Share Capital (Note 9(b)) | 33,329,531 | 3,043,736 |
| Reserves - (Note 9(f)) | 1,605,608 | (444,340) |
| Accumulated Other Comprehensive Income (Loss) | 34,079 | (57,402) |
| Deficit | (10,317,486) | (2,520,680) |
| | <u>24,651,732</u> | <u>21,314</u> |
| Total equity | 24,651,732 | 21,314 |
| Total equity and liabilities | \$ 30,416,922 | \$ 3,230,248 |

Nature of operations and reorganization (Note 1)

Commitments (Note 11(g))

Subsequent events (Note 9 and 19)

Approved on behalf of the Board of Directors on August 30, 2021 by:

"Jason Chen", Director

"Darryl Cardey", Director

Just Kitchen Holdings Corp.
Condensed Consolidated Interim Statement of Comprehensive Loss

(Unaudited)

(Expressed in Canadian Dollars)

| | For the Three Months Ended June 30, 2021 | For the Three Months Ended June 30, 2020 | For the Nine Months Ended June 30, 2021 | For the 217 Days Ended June 30, 2020 |
|---|--|--|---|--|
| Food and beverage sales (Note 17) | \$ 3,346,897 | \$ 479,664 | \$ 7,482,348 | \$ 712,801 |
| Operating expenses (Note 18) | (3,773,797) | (631,304) | (8,761,625) | (904,695) |
| General and administrative expenses (Note 18) | (2,108,664) | (549,038) | (5,569,442) | (927,935) |
| Research and development expenses (Note 18) | (93,403) | - | (154,995) | - |
| Depreciation expense (Note 18) | (259,208) | (99,989) | (652,121) | (212,459) |
| Loss from operations | (2,888,175) | (800,667) | (7,655,835) | (1,332,288) |
| Interest revenue | 328 | 276 | 600 | 611 |
| Interest expense (Note 7(b) and Note 8) | (28,400) | (17,796) | (78,654) | (46,945) |
| Foreign exchange gain (loss) | 73,278 | (14,099) | (69,039) | 43,490 |
| Other Income | 6,122 | - | 6,122 | - |
| Net loss for the period | (2,836,847) | (832,286) | (7,796,806) | (1,335,132) |
| Other comprehensive gain (loss) | | | | |
| Items that may be reclassified to net loss | | | | |
| Foreign currency translation gain (loss) | (79,112) | 10,965 | 91,481 | (46,432) |
| Comprehensive loss for the period | \$ (2,915,959) | \$ (821,321) | \$ (7,705,325) | \$ (1,381,564) |
| Loss per share - basic and diluted | \$ (0.05) | \$ (0.03) | \$ (0.17) | \$ (0.07) |
| Weighted average number of common shares outstanding – basic and diluted (Note 10) | 60,056,853 | 29,060,291 | 46,497,649 | 18,006,852 |

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

Just Kitchen Holdings Corp.
Condensed Consolidated Interim Statement of Cash Flows
For the Nine Months Ended June 30, 2021 and 217 Days Ended June 30, 2020

(Unaudited)

(Expressed in Canadian Dollars)

| | 2021 | 2020 |
|---|----------------------|--------------------|
| Operations: | | |
| Net loss for the period | \$ (7,796,806) | \$ (1,335,132) |
| Adjustments for: | | |
| Interest expense | 78,654 | 46,945 |
| Depreciation expense – property and equipment <i>(Note 6)</i> | 172,232 | 13,768 |
| Depreciation expense – right-of-use assets <i>(Note 7(a))</i> | 479,889 | 198,691 |
| Stock-based compensation on warrants, options and RSUs | 1,887,909 | 85,150 |
| Other income recognized from rent concessions <i>(Note 7(b))</i> | (1,670) | - |
| | <u>(5,179,792)</u> | <u>(990,578)</u> |
| Interest expense paid on leases <i>(Note 7(b))</i> | <u>(56,339)</u> | <u>(29,107)</u> |
| Change in non-cash working capital: | | |
| Accounts receivable | (284,930) | 773 |
| Inventory | (553,265) | (59,497) |
| Prepaid expenses and deposits | (485,111) | (47,272) |
| Accounts payable and accrued liabilities | 1,793,775 | (72,780) |
| | <u>470,469</u> | <u>(178,776)</u> |
| | <u>(4,765,662)</u> | <u>(1,198,461)</u> |
| Investing: | | |
| Purchase of property and equipment <i>(Note 6)</i> | <u>(1,561,701)</u> | <u>(266,765)</u> |
| Financing: | | |
| Proceeds from promissory notes payable <i>(Note 8(b))</i> | - | 850,000 |
| Repayment of promissory notes payable <i>(Note 8(a))</i> | - | (73,686) |
| Payment of lease liabilities <i>(Note 7(b))</i> | (415,626) | (182,039) |
| Acquisition from the Company's founder on February 28, 2020 <i>(Note 16(b))</i> | - | (58,751) |
| Issuance of share capital <i>(Note 9(b))</i> | 32,239,821 | 1,105,782 |
| Share issuance costs | (1,791,987) | - |
| | <u>30,032,208</u> | <u>1,641,306</u> |
| Increase in cash | 23,704,845 | 176,080 |
| Exchange impact on cash held in foreign currency | 99,557 | (27,245) |
| Cash - beginning of period <i>(Note 16(a))</i> | 530,022 | 140,674 |
| Cash - end of period | \$ 24,334,424 | \$ 289,509 |

Supplementary cash flow information *(Note 13)*

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

Just Kitchen Holdings Corp.
Condensed Consolidated Interim Statement of Changes in Equity (Deficiency)
For the Nine Months Ended June 30, 2021

(Unaudited)
(Expressed in Canadian Dollars)

| | Share Capital <i>(Note 9(b))</i> | | Reserves <i>(Note 9(f))</i> | Accumulated Other | | Total Equity (Deficiency) |
|---|----------------------------------|-------------------|--------------------------------|--------------------------------|---------------------|------------------------------|
| | Shares | Amount \$ | | Comprehensive Income (loss) | Deficit | |
| | | | \$ | \$ | \$ | \$ |
| Balance – September 30, 2020 | 35,701,304 | 3,043,736 | (444,340) | (57,402) | (2,520,680) | 21,314 |
| Total comprehensive loss | | | | | | |
| Net loss for the period | - | - | - | - | (7,796,806) | (7,796,806) |
| Foreign currency translation | - | - | - | 91,481 | - | 91,481 |
| | - | - | - | 91,481 | (7,796,806) | (7,705,325) |
| Transactions with owners of the Company: | | | | | | |
| Issuance of shares for cash <i>(Note 9(b))</i> | 38,981,040 | 32,239,821 | - | - | - | 32,239,821 |
| Share issuance costs - cash and shares <i>(Note 9(b))</i> | 403,043 | (1,791,987) | - | - | - | (1,791,987) |
| Share issuance costs - warrants <i>(Note 9(b))</i> | - | (162,039) | 162,039 | - | - | - |
| Stock based compensation- Performance warrants <i>(Note 9(c))</i> | - | - | 970,114 | - | - | 970,114 |
| Stock based compensation – Stock Options <i>(Note 9(d))</i> | - | - | 443,019 | - | - | 443,019 |
| Stock based compensation – RSUs <i>(Note 9(e))</i> | - | - | 474,776 | - | - | 474,776 |
| | 39,384,083 | 30,285,795 | 2,049,948 | - | - | 32,335,743 |
| Balance – June 30, 2021 | 75,085,387 | 33,329,531 | 1,605,608 | 34,079 | (10,317,486) | 24,651,732 |

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

Just Kitchen Holdings Corp.
Condensed Consolidated Interim Statement of Changes in Equity (Deficiency)
For 217 Days Ended June 30, 2020
(Unaudited)
(Expressed in Canadian Dollars)

| | Shares | Amount \$ | Reserves (Note 9(f)) \$ | Comprehensive Loss \$ | Deficit \$ | Total Equity (Deficiency) \$ |
|---|-------------------|------------------|-------------------------------|-----------------------------|--------------------|------------------------------------|
| Balance – November 26, 2019 | - | - | - | - | - | - |
| Total comprehensive loss | | | | | | |
| Net loss for the period | - | - | - | - | (1,335,132) | (1,335,132) |
| Foreign currency translation | - | - | - | (46,432) | - | (46,432) |
| | - | - | - | (46,432) | (1,335,132) | (1,381,564) |
| Transactions with owners of the Company: | | | | | | |
| Issuance of shares for cash | 22,849,485 | 1,105,782 | - | - | - | 1,105,782 |
| Issuance of shares for debt | 8,500,000 | 850,000 | - | - | - | 850,000 |
| Stock based compensation- Performance warrants | - | - | 85,150 | - | - | 85,150 |
| Reserve – Reorganization on Nov 27, 2019 (Note 16(a)) | - | - | (649,716) | - | - | (649,716) |
| Reserve – Acquisition from the Company’s founder on Feb 28, 2020 (Note 16(b)) | - | - | (7,499) | - | - | (7,499) |
| | 31,349,485 | 1,955,782 | (572,065) | - | - | 1,383,717 |
| Balance – June 30, 2020 | 31,349,485 | 1,955,782 | (572,065) | (46,432) | (1,335,132) | 2,153 |

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

Just Kitchen Holdings Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended June 30, 2021 and 217 Days Ended June 30, 2020
(Expressed in Canadian Dollars unless otherwise stated)

1. Nature of Operations and Reorganization

Just Kitchen Holdings Corp. (the “**Company**” or “**Just Kitchen**”) is a cloud kitchen meal preparation company with operations in Taiwan. The Company combines advanced food preparation with underused real estate and leverages online mobile application-based food ordering and delivery companies reaching wider geographies, which includes under-served markets. Just Kitchen's business model combines strategically located cloud kitchens or “virtual kitchens” in a hub-and-spoke infrastructure throughout high-density urban areas.

Just Kitchen was incorporated under the Business Corporations Act (B.C.) on December 5, 2019.

On April 7, 2021, the Company received final approval from the TSX Venture Exchange (“**TSX.V**”). On April 15, 2021, the Company began trading on the TSX.V at market open under the trading symbol JK.

Reorganization

JustKitchen Co. Ltd (“**JK Taiwan**”) was incorporated in Taiwan on June 6, 2019.

On November 27, 2019, control of JK Taiwan was acquired (“**Acquisition of Control**”) by the founder and sole shareholder of Just Kitchen.

On February 28, 2020, the Company acquired a 100% equity interest in JK Taiwan (the “**Acquisition of JK Taiwan**”) (*Note 16(b)*).

Given both entities were under common control, the acquisition of JK Taiwan has been accounted for using the continuity of interest method from November 27, 2019. Under this method, assets and liabilities of JK Taiwan are presented based on carrying value at the date of the acquisition. Accordingly, these consolidated financial statements reflect the results of operations, cash flows, and financial position of Just Kitchen and JK Taiwan as though the companies had been combined on November 27, 2019. Operations of JK Taiwan from date of incorporation on June 6, 2019 to November 26, 2019 are excluded from consolidated results of operations of the Company (*Note 16(a)*) as they preceded the acquisition of control of JK Taiwan.

2. Basis of Presentation

a) Statement of Compliance

These condensed consolidated interim financial statements were prepared in accordance with International Accounting Standards 34, Interim Financial Reporting (“IAS 34”), using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The accounting policies and methods of application applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the Company's most recent annual consolidated financial statements as at and for the year ended September 30, 2020, except as described in Note 3(a) herein. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and therefore should be read in conjunction with most recent annual consolidated financial statements as at and for the period ended September 30, 2020.

b) Basis of Consolidation

These condensed consolidated interim financial statements have been prepared on a historical cost basis, as explained in the accounting policies set out in Note 3 of the annual consolidated financial statements.

Just Kitchen Holdings Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended June 30, 2021 and 217 Days Ended June 30, 2020
(Expressed in Canadian Dollars unless otherwise stated)

2. Basis of Presentation – Continued

b) Basis of Consolidation - Continued

All figures presented in these condensed consolidated interim financial statements are in Canadian dollars unless otherwise stated.

These condensed consolidated interim financial statements include the accounts of the Company and the following wholly owned subsidiaries:

- (i) JK Taiwan from the date of Acquisition of Control on November 27, 2019 by the common shareholder of the Company;
- (ii) JustKitchen Hong Kong Corp. Limited (“JKHK”) from the date of incorporation on November 24, 2020;
- (iii) StarKitchen Co. Ltd (“StarKitchen”) from the date of incorporation on January 17, 2021; and
- (iv) Just Kitchen (USA) Inc. (“JK USA”) from the date of incorporation on February 18, 2021.

c) Functional Currency

These condensed consolidated interim financial statements are presented in Canadian dollars. The functional currency of Just Kitchen is the Canadian dollar, the functional currency of JK Taiwan and StarKitchen is the New Taiwanese dollar (“NTD”), and the functional currency of JKHK is the Hong Kong dollar (“HKD”).

The assets and liabilities of foreign operations are translated into Canadian dollars at period-end foreign currency rates. Revenues and expenses of foreign operations are translated into Canadian dollars at average rates for the period. Foreign currency translation gains and losses are recognized in other comprehensive loss.

Transactions in foreign currencies are translated into the functional currency at exchange rates at the date of the transaction. Period-end balances of monetary assets and liabilities in foreign currency are translated to the respective functional currencies using period-end foreign currency rates. Foreign currency gains and losses arising on settlement of foreign currency transactions are recognized in profit or loss.

3. Significant Accounting Policies

Significant accounting policies applied in these interim condensed consolidated financial statements are the same as those applied to the Company’s annual audited consolidated financial statements for the period ended September 30, 2020.

a) Recently Adopted Accounting Pronouncements

Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued *Definition of a Business (Amendments to IFRS 3)*. The amendments clarify the definition of a business with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment provides an assessment framework to determine when a series of integrated activities is not a business. The amendments are effective for business combinations occurring on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The Company’s adoption of this amendment on October 1, 2020 had no impact on the Company’s condensed consolidated interim financial statements.

Just Kitchen Holdings Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended June 30, 2021 and 217 Days Ended June 30, 2020
(Expressed in Canadian Dollars unless otherwise stated)

3. Significant Accounting Policies - Continued

b) New Accounting Pronouncements Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended June 30, 2021, and have not been applied in preparing these financial statements. Pronouncements that are irrelevant or not expected to have a significant impact have been excluded.

Amendments to IAS 1

This amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2022. The Company is currently evaluating the potential impact of these amendments on the Company's condensed consolidated interim financial statements.

4. Accounts Receivable

| | June 30, 2021 | September 30, 2020 |
|---|-------------------|--------------------|
| Taxes receivable from federal governments | \$ 36,649 | \$ 17,672 |
| Trade receivables | 403,058 | 137,105 |
| | \$ 439,707 | \$ 154,777 |

Trade receivables are receivables from clients and delivery partners. Trade receivable collection terms are ranging between 7 to 30 days. All amounts are short-term. The net carrying value of accounts receivables is considered a reasonable approximation of fair value. As at June 30, 2021, there were no overdue trade receivables.

5. Prepaid Expenses and Refundable Deposits

| | June 30, 2021 | September 30, 2020 |
|--|-------------------|--------------------|
| Prepaid equipment and construction | \$ 120,735 | \$ 144,623 |
| Prepaid sales tax | 104,412 | 45,335 |
| Refundable deposits | 203,222 | 149,121 |
| Prepaid insurance, legal and other expenses | 424,406 | 52,473 |
| Total prepaid expenses and refundable deposits | 852,775 | 391,552 |
| Less: current portion | (672,707) | (251,613) |
| Non-current portion of refundable deposits | \$ 180,068 | \$ 139,939 |

Just Kitchen Holdings Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended June 30, 2021 and 217 Days Ended June 30, 2020
(Expressed in Canadian Dollars unless otherwise stated)

6. Property and Equipment

The summary of the Company's property and equipment is as follows:

| | Kitchen Equipment \$ | Computer Equipment and Other Assets \$ | Leasehold Improvements \$ | Other Assets \$ | Total \$ |
|--|----------------------------|--|---------------------------------|-----------------------|------------------|
| Cost | | | | | |
| Beginning Balance | - | - | - | - | - |
| Addition on common control transaction on November 27, 2019 | 4,517 | 13,417 | - | - | 17,934 |
| Purchases | 101,725 | 57,313 | 204,684 | - | 363,722 |
| Foreign exchange translation | 1,696 | 1,559 | 2,905 | - | 6,160 |
| Balance – September 30, 2020 | 107,938 | 72,289 | 207,589 | - | 387,816 |
| Purchases | 908,695 | 39,464 | 527,709 | 71,067 | 1,546,935 |
| Foreign exchange translation | (10,771) | (1,286) | (11,014) | (615) | (23,686) |
| Balance – June 30, 2021 | 1,005,862 | 110,467 | 724,284 | 70,452 | 1,911,065 |
| Accumulated Amortization | | | | | |
| Beginning Balance | - | - | - | - | - |
| Depreciation | (8,637) | (7,397) | (13,679) | - | (29,713) |
| Foreign exchange translation | (122) | (105) | (195) | - | (422) |
| Balance – September 30, 2020 | (8,759) | (7,502) | (13,874) | - | (30,135) |
| Depreciation | (83,056) | (13,294) | (72,236) | (3,646) | (172,232) |
| Foreign exchange translation | 527 | (974) | 1,054 | 32 | 639 |
| Balance – June 30, 2021 | (91,288) | (21,770) | (85,056) | (3,614) | (201,728) |
| Carrying Value | | | | | |
| At September 30, 2020 | 99,179 | 64,787 | 193,715 | - | 357,681 |
| At June 30, 2021 | 914,574 | 88,697 | 639,228 | 66,838 | 1,709,337 |

Just Kitchen Holdings Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended June 30, 2021 and 217 Days Ended June 30, 2020
(Expressed in Canadian Dollars unless otherwise stated)

7. Right-Of-Use Assets and Lease Liability

a) Right-Of-Use Assets

As at June 30, 2021, the Company had lease arrangements for a number of kitchens and kitchen equipment located in Taipei, Taiwan. For the nine months ended June 30, 2021, the Company signed a number of new lease agreements for kitchen premises in Taipei and Hong Kong. The summary of the Company's right-of-use assets for nine months ended June 30, 2021 and for the period from November 27, 2019 to September 30, 2020 is as follows:

| | June 30, 2021 | September 30, 2020 |
|---|----------------------|---------------------------|
| Cost | | |
| Beginning Balance | \$ 1,982,546 | \$ - |
| Addition on common control transaction on November 27, 2019 | - | 1,231,178 |
| Additions | 1,271,579 | 673,346 |
| Foreign exchange translation | (79,077) | 78,022 |
| Ending Balance | \$ 3,175,048 | \$ 1,982,546 |
| Accumulated Depreciation | | |
| Beginning Balance | \$ (312,094) | \$ - |
| Depreciation | (479,889) | (307,726) |
| Foreign exchange translation | 18,585 | (4,368) |
| Ending Balance | \$ (773,398) | \$ (312,094) |
| Carrying Value | \$ 2,401,650 | \$ 1,670,452 |

b) Lease Liability

The summary of the Company's lease liabilities as at June 30, 2021 and September 30, 2020, as well as for the nine months ended June 30, 2021 and for the period from November 27, 2019 to September 30, 2020 is as follows:

| | June 30, 2021 | September 30, 2020 |
|--|----------------------|---------------------------|
| Beginning Balance | \$ 1,668,370 | \$ - |
| Additions on common control transaction on November 27, 2019 | - | 1,202,499 |
| Additions | 1,271,579 | 673,346 |
| Other income recognized from rent concessions | (1,670) | - |
| Lease payments | (471,963) | (322,390) |
| Interest expense on lease liabilities | 56,339 | 42,463 |
| Foreign exchange translation | (60,986) | 72,452 |
| Total lease liability | 2,461,669 | 1,668,370 |
| Less: current portion | (733,389) | (446,292) |
| Non-current portion | \$ 1,728,280 | \$ 1,222,078 |

Just Kitchen Holdings Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended June 30, 2021 and 217 Days Ended June 30, 2020
(Expressed in Canadian Dollars unless otherwise stated)

7. Right-Of-Use Assets and Lease Liability – Continued

b) Lease Liability - Continued

For the three and nine months ended June 30, 2021 and the three months and 217 days ended June 30, 2020, variable lease payments, short term and low value lease expenses recognized in the Company's Condensed Consolidated Interim Statements of Loss and Comprehensive Loss were as follows:

| | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | Nine Months Ended June 30, 2021 | 217 Days Ended June 30, 2020 |
|----------------------------------|---|---|---------------------------------------|------------------------------------|
| Variable lease payments expensed | \$ 37,417 | \$ - | \$ 60,322 | \$ - |
| Short-term lease expense | 34,625 | - | 35,361 | - |
| Low-value lease expense | 2,773 | 469 | 6,037 | 912 |

The Company has elected not to recognize right-of-use assets for leases that have a term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term. For the nine months ended June 30, 2021 and 217 days ended June 30, 2020, the Company recognized \$101,720 and \$912 in rent and utilities expenses respectively relating to short-term leases, variable payments and low-value leases.

As at June 30, 2021, the future minimum lease payments under non-cancellable lease agreements were payable as follows:

| | |
|-----------------------|--------------|
| Less than 1 year | \$ 807,070 |
| Between 1 and 3 years | 1,356,159 |
| More than 3 years | 454,560 |
| | \$ 2,617,789 |

8. Promissory Notes Payable

a) Promissory Notes Due June 30, 2022

Promissory notes payable are unsecured and bear an annual interest rate ranging between 7% and 8%, with principal and interest maturing on June 30, 2022. For the nine months ended June 30, 2021 and 217 days ended June 30, 2020, the Company recorded \$22,315 and \$17,838 of interest expense respectively. For the three months ended June 30, 2021, and 2020, the Company recorded \$7,245 and \$4,636 of interest expense respectively.

Just Kitchen Holdings Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended June 30, 2021 and 217 Days Ended June 30, 2020
(Expressed in Canadian Dollars unless otherwise stated)

8. Promissory Notes Payable - Continued

The balance of promissory notes payable as follows:

| | June 30, 2021 | September 30, 2020 |
|--|---------------|-----------------------|
| Beginning Balance | \$ 460,127 | \$ - |
| Additions on common control transaction on November 27, 2019 | - | 482,331 |
| Repayments | - | (73,789) |
| Interest expense | 22,315 | 25,449 |
| Foreign exchange translation | (14,479) | 26,136 |
| Ending Balance | \$ 467,963 | \$ 460,127 |

b) Promissory Notes Settled on March 13, 2020

On February 24, 2020, JK Taiwan entered into a number of promissory notes payable agreements and raised \$850,000. These notes were unsecured and non-interest bearing. On February 28, 2020, as part of acquisition of JK Taiwan, the Company assumed these promissory notes and on March 13, 2020, these notes were settled by issuance of 8,500,000 common shares valued at \$0.10 per share for an aggregate value of \$850,000.

9. Shareholders' Equity

a) Authorized and Issued Share Capital

The Company's authorized share capital consists of an unlimited number of common shares without par value.

b) Share Capital Transactions

During the nine months ended June 30, 2021, the Company completed the following private placements:

- (i) On November 10, 2020, the Company closed a private placement of 2,960,000 shares at \$0.25 per share for gross proceeds of \$740,000; and
- (ii) On December 14, 2020, the Company closed a private placement of 2,700,000 shares at \$0.50 per share for gross proceeds of \$1,350,000; and
- (iii) On March 16, 2021, the Company closed a private placement of 1,652,480 shares at \$0.50 per share for gross proceeds of \$826,240.
- (iv) In December 2020, the Company completed two tranches of a private placement of subscription receipts at a price of \$0.50 per subscription receipt for aggregate gross proceeds of \$7,491,897 as follows:
 - On December 10, 2020, the Company completed the first tranche for aggregate gross proceeds of \$6,478,897 and issued 12,957,795 subscription receipts. Upon exercise of the first tranche of the subscription receipts, the Company shall issue 346,709 common shares and pay \$75,180 as finders' fees; and

Just Kitchen Holdings Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended June 30, 2021 and 217 Days Ended June 30, 2020
(Expressed in Canadian Dollars unless otherwise stated)

9. Shareholders' Equity- Continued

b) Share Capital Transactions- Continued

- On December 21, 2020, the Company completed the second tranche for aggregate gross proceeds of \$1,013,000 and issued 2,026,000 subscription receipts. Upon exercise of the second tranche of the subscription receipts, the Company shall issue 3,000 common shares as finders' fees.

On March 16, 2021, the Company completed the third tranche for aggregate gross proceeds of \$407,500 and issued 815,000 subscription receipts.

On April 7, 2021, upon the Company receiving final receipt from the British Columbia Securities Commission for its long-form non-offering prospectus and TSX-V approval for the listing of its common shares, 15,798,795 subscription receipts at \$0.50 per subscription receipt for aggregate gross proceeds of \$7,899,397 were converted into common shares of the Company without payment of any further consideration

(v) On June 15, 2021, the Company closed its supplemental prospectus offering of 12,963,000 shares at \$1.35 per share for gross proceeds of \$17,500,050. The Company issued 777,780 finder's warrants and paid \$1,050,003 in commissions (Note 9(c)). In addition, legal, regulatory and other cash costs associated with the supplemental prospectus offering totaled \$105,633.

(vi) On June 30, 2021, the Company closed a private placement of 2,906,765 shares at \$1.35 per share for gross proceeds of \$3,924,133. The Company issued 53,334 finder's shares and paid \$153,725 in commissions. In addition, legal, regulatory and other cash costs associated with the private placement totaled \$108,173.

c) Warrants

Performance Warrants:

On May 1, 2020, the Company granted to the Company's founder, director and CEO 10,000,000 performance warrants ("**Performance Warrants**"). Vesting terms were as follows:

- (i) 5,000,000 Performance Warrants ("**Milestone I Warrants**") will vest upon the Company achieving gross revenue of \$15,000,000 (the "**Milestone I Revenue Target**") in the 12 months ending June 30, 2022 (the "**Milestone I Period**"). In the event that at the end of the Milestone I Period the Company has not met the Milestone I Revenue Target but has achieved gross revenue equivalent to seventy percent (70%) or more of the Milestone I Revenue Target, a pro rata portion of the Milestone I Warrants will vest with such number of Performance Warrants equal to the gross revenue achieved by the Company during the Milestone I Period divided by the Milestone I Revenue Target multiplied by 5,000,000; and
- (ii) 5,000,000 Performance Warrants ("**Milestone II Warrants**") will vest upon the Company achieving gross revenue of \$22,500,000 (the "**Milestone II Revenue Target**") in the 12 months ending June 30, 2023 (the "**Milestone II Period**"). In the event that at the end of the Milestone II Period the Company has not met the Milestone II Revenue Target but has achieved gross revenues equivalent to seventy percent (70%) or more of the Milestone II Revenue Target, a pro rata portion of Milestone II Warrants will vest with such number of Performance Warrants equal to the gross revenue achieved by the Company during the Milestone II Period divided by the Milestone II Revenue Target multiplied by 5,000,000.

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9. Shareholders' Equity - Continued

c) Warrants - Continued

Performance Warrants will expire five (5) business days from the date when the Company notifies the warrant holder confirming determination of the percentage of the Milestone I Revenue Target and the Milestone II Revenue Target (the "Expiry Date"). The Expiry Date is expected to be on or before October 31, 2022 for Milestone I Warrants and on or before October 31, 2023 for Milestone II Warrants.

Total fair value of the Performance Warrants on the date of grant was estimated to be \$1,490,118 using the Black-Scholes option pricing model with the following weighted average assumptions on the date of grant:

| | |
|--------------------------|-----------|
| Stock price | \$0.15 |
| Stock price volatility * | 41.94% |
| Risk-free interest rate | 0.30% |
| Expected life | 3.0 years |
| Expected dividend yield | 0.00% |

On October 5, 2020, the Company revised the Performance Warrants arrangement with the Company's CEO by cancelling 3,900,000 out of 10,000,000 previously issued Performance Warrants and issuing them to other directors, officers and employees. The vesting conditions were also amended by changing the Milestone I Period from 12 months ending June 30, 2022 to 12 months ending September 30, 2022 and by changing the Milestone II Period from 12 months ending June 30, 2023 to 12 months ending September 30, 2023. The Expiry Date is now expected to be on or before January 31, 2023 for Milestone I Warrants and on or before January 31, 2024 for Milestone II Warrants. Upon cancellation of 3,900,000 Performance Warrants, the Company accelerated recognition of stock-based compensation related to these warrants and recorded \$495,397 stock-based compensation.

Total amended fair value of the 3,900,000 Performance Warrants on the date of grant on October 5, 2020 was estimated to be \$971,130 using the Black-Scholes option pricing model with the following weighted average assumptions on the date of grant:

| | |
|--------------------------|------------|
| Stock price | \$0.25 |
| Stock price volatility * | 41.94% |
| Risk-free interest rate | 0.25% |
| Expected life | 2.83 years |
| Expected dividend yield | 0.00% |

* The Company does not have reliable and long enough history of its own stock prices, therefore stock price volatility was determined based on a selection of comparable companies.

For the three months ended June 30, 2021, the Company recognized \$158,816 (June 30, 2020 - \$85,150) of stock-based compensation expense related to the Performance Warrants. For the nine months ended June 30, 2021, the Company recognized \$970,114 (217 days ended June 30, 2020 - \$85,150) of stock-based compensation expense related to the Performance Warrants. As of June 30, 2021, none of the Performance Warrants have vested therefore they are not exercisable.

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9. Shareholders' Equity - Continued

c) Warrants - Continued

Warrants:

On June 15, 2021, the company issued 777,780 finder's warrants ("**Finder's Warrants**") in relation to the supplemental prospectus offering (Note 9(b)(v)). Each warrant entitles the holders to purchase one common share at \$1.35 per share for a period of 2 years. The warrants are fully vested and were valued at \$162,039 using the Black-Scholes option pricing model with the following weighted average assumptions on the date of grant:

| | |
|--------------------------|---------|
| Stock price | \$1.36 |
| Stock price volatility * | 37.47% |
| Risk-free interest rate | 0.33% |
| Expected life | 1 years |
| Expected dividend yield | 0.00% |

* The Company does not have reliable and long enough history of its own stock prices, therefore stock price volatility was determined based on a selection of comparable companies.

For the three and nine months ended June 30, 2021, the Company recognized \$162,039 (three months and 217 days ended June 30, 2020 - \$Nil) of stock-based compensation expense related to the Finder's Warrants.

The following is a summary of activity in the Warrants:

| September 30, 2020 | Granted | Exercised | Cancelled | June 30, 2021 | Exercise Price | Expiry Date |
|-----------------------|-----------|-----------|-------------|------------------|-------------------|---------------------------|
| 5,000,000 | 3,900,000 | - | (3,900,000) | 5,000,000 | \$0.001 | Jan 31, 2023 ¹ |
| 5,000,000 | - | - | - | 5,000,000 | \$0.001 | Jan 31, 2024 ² |
| - | 777,780 | - | - | 777,780 | \$1.35 | June 15, 2023 |
| 10,000,000 | 4,677,780 | - | (3,900,000) | 10,777,780 | | |

1) On October 5, 2020, the expiry date was amended from October 31, 2022 to January 31, 2023

2) On October 5, 2020, the expiry date was amended from October 31, 2023 to January 31, 2024

Subsequent to June 30, 2021, 21,000 Finder's Warrants were exercised at \$1.35 per share for total proceeds of \$28,350.

d) Stock Options

On October 5, 2020, the Company has adopted a "10% rolling" stock option plan (the "**Options**"), pursuant to which the Company can have at any point in time up to a maximum of 10% of the outstanding shares reserved for issuance. Options will be granted at the discretion of the Company's Board of Directors to eligible optionees under the Option Plan.

On November 24, 2020, the Company granted 4,265,000 stock options to directors, officers, employees and consultants exercisable at \$0.50 per share and vesting 25% on February 1, 2021 and 25% every 6 months thereafter. Total fair value of these stock options on the date of grant was estimated to be \$611,768, of which \$414,434 was recognized during the nine months ended June 30, 2021. For the three months ended June 30, 2021, the Company recognized \$109,334 (June 30, 2020 - \$Nil) of stock-based compensation expense related to the stock options.

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9. Shareholders' Equity – Continued

d) Stock Options - Continued

The following assumptions were used in determining the fair value of stock options on the date of grant using the Black-Scholes option pricing model:

| | |
|--------------------------|-----------|
| Stock price volatility * | 41.94% |
| Risk-free interest rate | 0.31% |
| Expected life | 3.0 years |
| Expected dividend yield | 0.00% |

* The Company does not have reliable and long enough history of its own stock prices, therefore stock price volatility was determined based on a selection of comparable companies.

On June 28, 2021, the Company granted 330,000 stock options to employees and a consultant exercisable at \$1.35 per share and vesting 25% on June 28, 2021 and 25% every 6 months thereafter. Total fair value of these stock options on the date of grant was estimated to be \$112,093, of which \$28,585 was recognized during the three and nine months ended June 30, 2021.

The following assumptions were used in determining the fair value of stock options on the date of grant using the Black-Scholes option pricing model:

| | |
|--------------------------|------------|
| Stock price volatility * | 41.17% |
| Risk-free interest rate | 0.63% |
| Expected life | 2.88 years |
| Expected dividend yield | 0.00% |

* The Company does not have reliable and long enough history of its own stock prices, therefore stock price volatility was determined based on a selection of comparable companies.

During the nine months ended June 30, 2021, 37,500 stock options were forfeited.

Subsequent to June 30, 2021, the Company issued to a consultant 150,000 stock options exercised at \$1.38 per share for a period of 5 years from the date of grant.

Subsequent to June 30, 2021, 37,500 of stock options issued on November 24, 2020 were exercised for \$0.50 per share for total proceeds of \$18,750.

The following is a summary of activity in stock options:

| September 30, 2020 | Granted | Exercised | Forfeited | June 30, 2021 | Weighted Average Exercise Price | Expiry Date |
|-----------------------|-----------|-----------|-----------|------------------|--|-------------------|
| - | 4,265,000 | - | (37,500) | 4,227,500 | \$0.50 | November 24, 2025 |
| | 330,000 | | | 330,000 | \$1.35 | June 28, 2026 |
| - | 4,595,000 | - | (37,500) | 4,557,500 | | |

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9. Shareholders' Equity - Continued

e) Restricted Share Units

Effective October 5, 2020, the Company adopted a Restricted Share Units Plan (the "**RSU Plan**") pursuant to which the Company can have a maximum of 3,000,000 of the issued and outstanding common shares of the Company reserved for issuance as Restricted Share Units ("**RSUs**") and will be granted at the discretion of the Company's Board of Directors to eligible recipients under the RSU Plan.

| September 30, 2020 | Granted | Exercised | June 30, 2021 | RSUs Vested | Expiry Date |
|-----------------------|-----------|-----------|------------------|----------------|-------------------|
| - | 2,450,000 | - | 2,450,000 | - | November 24, 2025 |

On November 24, 2020, the Company granted 2,450,000 RSUs to its directors, officers, employees and consultants. On the date of grant, each RSU was valued at \$0.50, for a total value of \$1,225,000. Stock based compensation expense is recognized over the estimated vesting period commencing on the date of grant and ending on the date when vesting conditions are expected to be met. Stock based compensation is charged to profit and loss with a corresponding increase in RSU Reserve. 50% of the RSUs will vest on February 1, 2022 and the remaining 50% will vest on February 1, 2023. During the nine-month period ended June 30, 2021, the Company recorded \$474,776 (June 30, 2020 - \$Nil) share-based compensation expense related to the RSUs. During the three months ended June 30, 2021, the Company recorded \$198,186 (June 30, 2020 - \$Nil) share-based compensation expense related to the RSUs. As of June 30, 2021, 2,450,000 RSUs were outstanding and all unvested. The Company plans to issue shares upon vesting.

f) Reserves

| | Reserves (\$) | | | | |
|---|----------------|------------------|-------------------------|---------|-----------|
| | Reorganization | Stock Options | Performance Warrants | RSUs | Total |
| Balance – September 30, 2020 | (657,215) | - | 212,875 | - | (444,340) |
| Share-based payment – Stock Options <i>(Note 9(d))</i> | - | 443,019 | - | - | 443,019 |
| Share-based payment – Warrants <i>(Note 9(c))</i> | - | - | 1,132,153 | - | 1,132,153 |
| Share-based payment – RSUs <i>(Note 9(e))</i> | - | - | - | 474,776 | 474,776 |
| Balance - June 30, 2021 | (657,215) | 443,019 | 1,345,028 | 474,776 | 1,605,608 |

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10. Loss Per Share

The basic and diluted loss per share has been calculated based on the following weighted average number of common shares issued and outstanding during the periods ended June 30, 2021 and 2020:

| | Quarter Ended June 30, 2021 | Quarter Ended June 30, 2020 | Nine Months Ended June 30, 2021 | 217 Days Ended June 30, 2020 |
|--|--------------------------------------|--------------------------------------|--|---------------------------------------|
| Weighted average number of common shares – basic and diluted | 60,056,853 | 29,060,291 | 46,497,649 | 18,006,852 |

The Company's performance warrants (*Note 9(c)*) are considered to be contingently issuable shares and were excluded from the calculation of basic loss per share as the conditions for issuance were not satisfied at June 30, 2021. The Company's stock options (*Note 9(d)*) and restricted share units (*Note 9(e)*) are considered to be anti-dilutive shares and were excluded from the calculation of basic loss per share for the periods ended June 30, 2021 and June 30, 2020.

11. Related Party Transactions

Related party transactions and balances not disclosed elsewhere in these financial statements are as follows:

- (a) During the nine months ended June 30, 2021, the Company recorded \$348,427 (June 30, 2020 - \$60,754) of consulting fees to the Company's Directors, CFO, COO, and Corporate Secretary.
- (b) During the nine months ended June 30, 2021, the Company recorded \$271,543 (June 30, 2020 - \$90,000) of salaries to the Company's Director and CEO, CSO and CTO.
- (c) During the nine months ended June 30, 2021, the Company recorded \$Nil (June 30, 2020 - \$75,885) of revenue from companies with a Director in common, being the Company's CEO.
- (d) During the nine months ended June 30, 2021, the Company recorded \$1,680 (June 30, 2020 - \$Nil) of royalty expense on certain brand foods to a company with a Director in common, being the Company's CEO.
- (e) During the nine months ended June 30, 2021, the Company purchased \$2,285 (June 30, 2020 - \$Nil) of food products from a company with a Director in common, being the Company's CEO.
- (f) Compensation of Key Management Personnel

Key management personnel are those persons that have authority and responsibility for planning, directing and controlling the activities of the Company, directly and indirectly. As of June 30, 2021, the Company's key management personnel consisted of the Company's directors and senior management (Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Strategy Officer, Chief Technology Officer, Chief Marketing Officer and Corporate Secretary). The Company incurred fees and expenses in the normal course of operations in connection with the key management and directors.

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11. Related Party Transactions- Continued

For the nine months ended June 30, 2021 and 217 days ended June 30, 2020, details are as follows:

| Nature of Transactions | Three months ended June 30, 2021 | Three months ended June 30, 2020 | Nine months ended June 30, 2021 | 217 days ended June 30, 2020 |
|---|----------------------------------|----------------------------------|---------------------------------|------------------------------|
| Consulting fees | \$ 114,000 | \$ 47,629 | \$ 348,427 | \$ 60,754 |
| Salaries and benefits | 109,982 | 90,000 | 271,543 | 90,000 |
| Stock based compensation – performance warrants | 158,816 | 85,150 | 970,114 | 85,150 |
| Stock based compensation – stock options | 84,101 | - | 318,022 | - |
| Stock based compensation – RSUs | 169,874 | - | 406,950 | - |
| | \$ 636,773 | \$ 222,779 | \$ 2,315,056 | \$ 235,904 |

(g) Commitments

- (i) As of June 30, 2021, the Company has an employment agreement with the Company's CEO for an indefinite term with basic annual compensation of \$180,000. As part of the compensation, the Company also granted to the employee 6,100,000 Performance Warrants (*Note 9(c)*). In case of termination of the employment agreement by the Company without cause, or by the employee for cause, the employee is entitled to receive a severance payment equal to twelve (12) months of basic salaries and immediate vesting of Performance Warrants. In case of change of control, the employee is entitled to receive a severance payment equal to twenty-four (24) months of basic salaries and immediate vesting of Performance Warrants. Effective May 1, 2021, the Company's CEO agreement was amended by increasing basic annual compensation from \$180,000 to \$216,000 and declaring a performance cash bonus of \$21,000;
- (ii) As of June 30, 2021, the Company has a consulting agreement with a company controlled by the Company's COO. The contract calls for monthly fees of \$18,000 and expires on October 5, 2023. In case of termination of the consulting agreement by the Company for reasons other than for an event of default, the consultant is entitled to receive early termination fees equal to six (6) months of fees. In case of change of control, a compensation equal to twelve (12) months of fees is payable upon termination;
- (iii) As of June 30, 2021, the Company has a consulting agreement with a company controlled by the Company's CFO. The contract calls for monthly fees of \$10,000 and expires on April 30, 2023. In case of termination of the consulting agreement by the Company for reasons other than for an event of default, the consultant is entitled to receive early termination fees equal to six (6) months of fees. In case of change of control, a compensation equal to twelve (12) months of fees is payable upon termination; and

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11. Related Party Transactions- Continued

- (iv) As of June 30, 2021, the Company has 2 consulting agreements with 2 companies controlled by the Company's 2 directors. Each contract calls for monthly fees of \$5,000 and expires on May 1, 2022. Unless terminated in writing, these contracts automatically renew for additional 12-month periods. In case of termination of the consulting agreement by the Company for reasons other than for an event of default, the consultant is entitled to receive early termination fees equal to six (6) months of fees. In case of change of control, a compensation equal to twelve (12) months of fees is payable upon termination.

The above transactions occurred in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

12. Segmented Information

The Company is a cloud kitchen meal preparation company with operations in Taiwan, Hong Kong and head office in Vancouver. Senior management reviews revenues on a project by project (hub and satellite kitchens) basis and operating expenses are reviewed on a consolidated basis. Financial information, including revenues and related expenses, are not reviewed on a business line basis by the Company's senior management. Hence, based on the Company's organizational structure and the manner in which the operations are managed and evaluated by senior management; the Company is considered to be operating in one reportable segment. All revenues to date are generated in Taiwan and the Company's assets are located as follows:

The Company's geographic information is as follows:

| | June 30, 2021 (\$) | September 30, 2020 (\$) |
|---------------------|-----------------------|----------------------------|
| Canada | 23,780,842 | 294,711 |
| Taiwan | 6,305,644 | 2,935,537 |
| Hong Kong | 330,436 | - |
| Total Assets | 30,416,922 | 3,230,248 |

13. Supplementary Cash Flow Information

- (a) Non-cash investing and financing activities for the nine months ended June 30, 2021 and 217 days ended June 30, 2020 are as follows:

| | 2021 | 2020 |
|--|--------------|------------|
| Reduction to property and equipment transferred from prepaid expenses | \$ 23,888 | \$ - |
| (Reduction) additions to property and equipment included in accounts payable | \$ (38,654) | \$ 32,361 |
| Additions to right-of-use assets and lease liability | \$ 1,271,579 | \$ 334,914 |
| Acquisition of non-cash assets and liabilities on common control transaction on November 27, 2019, net of cash | \$ - | \$ 739,138 |
| Increase in promissory note payable related to interest <i>(Note 8(a))</i> | \$ 22,315 | \$ 17,457 |
| Issuance of shares to settle promissory notes payable <i>(Note 8(b))</i> | \$ - | \$ 850,000 |

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13. Supplementary Cash Flow Information- Continued

(b) Investing activities with partial cash payments for the nine months ended June 30, 2021 and 217 days ended June 30, 2020 are as follows:

| | 2021 | 2020 |
|---|--------------|------------|
| Purchase of Property and Equipment | \$ 1,546,935 | \$ 299,126 |
| Add: Opening balance of Payable on acquisition of equipment | 72,931 | - |
| Ending balance of Prepayments for Construction | 120,735 | - |
| Less: Ending balance of Payable on acquisition of equipment | (34,277) | (32,361) |
| Opening balance of Prepayments for Construction | (144,623) | - |
| Cash Paid for Property and Equipment during the periods | \$ 1,561,701 | \$ 266,765 |

14. Capital Management

The Company depends on internally generated revenues and external financing to fund its activities. The capital structure of the Company currently consists of common shares and promissory notes payable. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions, performance of existing kitchen locations and opportunities to expand operations to other locations.

In order to maintain or adjust the capital structure, the Company may arrange more loans, issue new common shares, or sell assets to fund operations. Management reviews its capital management approach on regular basis. The Company is not subject to externally imposed capital requirements.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly-rated financial instruments, such as cash, all held with major financial institutions.

15. Financial Instruments

a) Categories of Financial Assets and Liabilities

As of June 30, 2021, the carrying values of the Company's financial instruments are classified into the following categories:

| | June 30, 2021 |
|--|---------------|
| Financial assets at amortized cost (i) | \$ 24,977,353 |
| Financial liabilities at amortized cost (ii) | \$ 3,303,521 |
| Financial liabilities at FVTPL (iii) | \$ - |

(i) Financial assets at amortized cost consist of cash, accounts receivable and refundable deposits.

(ii) Financial liabilities at amortized cost consist of accounts payable and accrued liabilities, and promissory note payable.

(iii) The Company does not have any financial liabilities measured at fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI).

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15. Financial Instruments – Continued

b) Fair Value of Financial Instruments

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuation based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates;

Level 3: Valuation based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The fair value of cash, accounts receivable, accounts payable and accrued liabilities approximate their respective carrying values due to their short-term maturities. The fair value of promissory notes payable and lease liabilities is equal to the carrying value because the underlying market rate has remained consistent since the inception of the contract.

There were no transfers of instruments between levels in the fair value hierarchy.

c) Management of Risks Arising from Financial Instruments

The Company's financial instruments are exposed to the following financial risks:

- (i) **Credit Risk** – Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's credit risk consists primarily of cash and accounts receivable. The credit risk is minimized by placing cash with large Canadian, Taiwanese and Hong Kong financial institutions. Credit risk is managed through dealing with financially strong counterparties and regular cash collections. The Company's maximum exposure to credit risk is limited to the accounts receivable recognized on the consolidated statement of financial position.

As of June 30, 2021, the Company had receivables of \$328,153 from two customers representing 75% of total trade receivables.

- (ii) **Currency Risk** – The operating results and financial position of the Company are reported in Canadian dollars. As the Company's main operations are conducted in Taiwan through JK Taiwan using its functional currency, the New Taiwanese dollar ("NTD"), the Company is exposed to foreign currency transaction and translation risks. Assets and liabilities are translated based on the Company's foreign currency translation policy.

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15. Financial Instruments – Continued

c) Management of Risks Arising from Financial Instruments - Continued

As at June 30, 2021 and for the period then ended, a 10% decrease in the value of the Taiwanese dollar in relation to the Canadian dollar would have decreased net assets by approximately \$127,570 and would have decreased net loss of the Company by approximately \$405,096. A 10% decrease in the value of the Hong Kong dollar in relation to the Canadian dollar would have decreased net assets by approximately \$17,235 and would have decreased net loss of the Company by approximately \$6,124. The Company has not entered into any hedging agreements to mitigate currency risks with respect to foreign exchange rates.

- (iii) **Liquidity Risk** – Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due if additional capital is not available to the Company when required. To mitigate this risk, the Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations, lease and promissory notes payable, and capital expenditures. The Company ensures that sufficient funds are raised from debt or equity financings to meet its operating requirements, after taking into account its existing working capital and expected future revenues. The Company's cash is held with major financial institutions. The Company's cash is not invested in any asset backed deposits or investments.

The following table summarizes amounts and maturity dates of the Company's contractual obligations as of June 30, 2021:

| | 2022 \$ | 2023 \$ | 2024 \$ | 2025 \$ | 2026 \$ | Total \$ |
|--|------------|------------|------------|------------|------------|-------------|
| Accounts payable and accrued liabilities | 2,835,558 | - | - | - | - | 2,835,558 |
| Lease liability | 807,070 | 762,090 | 594,069 | 281,079 | 173,481 | 2,617,789 |
| Low-value leases | 12,793 | 8,060 | 7,104 | 6,039 | 2,042 | 36,038 |
| Promissory notes payable | 467,963 | - | - | - | - | 467,963 |
| | 4,123,384 | 770,150 | 601,173 | 287,118 | 175,523 | 5,957,348 |

As at June 30, 2021, the Company had no kitchen renovation contracts in progress.

16. Corporate Reorganizations

a) Acquisition of Control on November 27, 2019 (Note 1)

On November 27, 2019, the Company's founder and initial sole shareholder acquired 100% equity interest in JK Taiwan by purchasing the remaining 83.33% of common shares of JK Taiwan from other third-party shareholders. On November 27, 2019, the Company's founder and initial sole shareholder effectively controlled 100% of JK Taiwan. Pursuant to the November 27, 2019 reorganization, the Company recognized a \$649,716 charge to the reorganization reserve account. This amount represents cumulative results of operations of the predecessor company and consists of a deficit of \$638,113 and accumulated other comprehensive loss of \$11,603 based on the recognition of assets and liabilities at their book value at that date.

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16. Corporate Reorganizations - Continued

b) Acquisition of JK Taiwan on February 28, 2020 (Note 1)

On February 28, 2020, the Company acquired 100% of the issued and outstanding shares of JK Taiwan from the Company's founder. Total consideration for the acquisition was \$58,751 (NTD\$1,200,000) in cash and the assumption of \$850,000 in promissory notes payable. The Company recognized a \$7,499 charge to the reorganization reserve account representing the difference between (i) \$58,751 cash consideration paid as part of the purchase price and (ii) JK Taiwan's share capital of \$51,252. This accounting reflects the transfer of ownership to the Company through a common control transaction. Promissory notes payable in the amount of \$850,000 that were assumed by the Company as part of the purchase price were eliminated against investment in JK Taiwan, therefore did not have any impact on the reorganization reserve. As of June 30, 2020, JK Taiwan share capital of \$51,252 has been eliminated.

17. Revenue

Revenue is generated from preparation and sale of meals and beverages to retail and business customers in Taipei, Taiwan. Retail orders are received via mobile app and business orders are received via phone or email. Retail orders are delivered using a 3rd party delivery services, and business orders are delivered directly by the Company. The Company is increasing its sales to retail customers compared with sales to businesses.

| | Nine Months Ended June 30, 2021 | 217 Days Ended June 30, 2020 |
|---------------------------|---------------------------------------|------------------------------------|
| Sales to retail customers | \$ 6,814,594 | \$ 538,913 |
| Sales to businesses | 667,754 | 173,888 |
| | <u>\$ 7,482,348</u> | <u>\$ 712,801</u> |

Just Kitchen Holdings Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended June 30, 2021 and 217 Days Ended June 30, 2020
(Expressed in Canadian Dollars unless otherwise stated)

18. Nature of Expenses

The following schedule presents additional information on the Company's expenses for the period ended June 30, 2021 and June 30, 2020.

| | Nine Months Ended June 30, 2021 \$ | 217 Days Ended June 30, 2020 \$ |
|---|--|---------------------------------------|
| Operating expenses: | | |
| Delivery and processing costs | 1,616,867 | 118,484 |
| Food and beverage costs * | 3,436,051 | 285,246 |
| Rent and utilities | 359,506 | 35,844 |
| Repairs and maintenance | 197,781 | 35,429 |
| Salaries and benefits | 1,968,191 | 352,839 |
| Selling costs | 1,183,229 | 76,853 |
| | 8,761,625 | 904,695 |
| General and administrative expenses: | | |
| Advertising and marketing | 813,378 | 53,506 |
| Consulting | 507,978 | 128,782 |
| Listing and filing | 156,357 | 10,125 |
| Insurance | 14,896 | - |
| Office and administration | 302,045 | 94,210 |
| Professional fees | 349,888 | 296,938 |
| Rent and utilities | 54,775 | 20,634 |
| Repairs and maintenance | 106,138 | 16,536 |
| Salaries and benefits | 1,120,373 | 172,704 |
| Selling costs | 244,976 | 30,943 |
| Stock-based compensation | 1,887,909 | 85,150 |
| Travel | 10,729 | 18,407 |
| | 5,569,442 | 927,935 |
| Research and Development: | | |
| Salaries and benefits | 84,491 | - |
| Office and administration | 70,504 | - |
| | 154,995 | - |
| Depreciation: | | |
| Depreciation of property and equipment | 172,232 | 13,768 |
| Depreciation of right-of-use assets | 479,889 | 198,691 |
| | 652,121 | 212,459 |

* During the period ended June 30, 2021, inventory expensed to food and beverage costs was \$3,436,051 (June 30, 2020 - \$285,246).

19. Subsequent Events

- a) On August 12, 2021, the Company repaid part of promissory notes in the principal amount of \$133,904 plus accrued interest of \$19,120 for a total of \$153,024 (*Note 8(a)*).
- b) On August 17, 2021, the Company repaid part of promissory notes in the principal amount of \$80,075 plus accrued interest of \$12,355 for a total of \$92,430 (*Note 8(a)*).