



Just Kitchen Holdings Corp.

Management Discussion and Analysis

For the Nine Months Ended June 30, 2022

The following management discussion and analysis (the “**MD&A**”), prepared as of August 29, 2022 should be read together with the unaudited condensed consolidated interim financial statements for the nine months ended June 30, 2022 and related notes attached thereto (the “**Financial Statements**”), which are prepared in accordance with International Accounting Standards 34, Interim Financial Reporting (“**IAS 34**”).

All amounts are stated in Canadian dollars unless otherwise indicated.

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Readers are cautioned not to put undue reliance on forward-looking statements. These statements relate to future events or the Company’s future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- business objectives and milestones;
- adequacy of financial resources;
- growth of sales in Taiwan, Hong Kong, Singapore, the Philippines, India, Japan, and Malaysia;
- expansion of business to other jurisdictions.

Such forward-looking statements are based on a number of material factors and assumptions, including, but not limited in any manner to, those disclosed elsewhere herein and any other of the Company’s public filings, and include the availability and final receipt of required approvals, licenses and permits, sufficient working capital to develop the business, access to adequate services and supplies, economic conditions, foreign currency exchange rates, interest rates, access to equity and debt markets and associated costs of funds, availability of a qualified work force, that the Company is able to procure equipment and supplies in sufficient quantities and on a timely basis, and that the Company maintains its ongoing relations with its business partners and governmental authorities. While the Company considers these material factors and assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons.

Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on the Company’s forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.

Description of Business

Just Kitchen Holdings Corp. (the “**Company**” or “**Just Kitchen**”) is primarily an operator of ghost kitchens specializing in the development and marketing of proprietary and franchised delivery-only food brands for customers (“**B2C**”) and businesses (“**B2B**”). The Company currently operates in Taiwan, Hong Kong, the Philippines and Malaysia and has signed an agreement that will allow JustKitchen to sell several of its proprietary food brands in Japan via TGAL, Japan’s largest virtual restaurant operator. Additionally, the Company has signed a brand swap agreement with Kitchens Centre in India. Where appropriate, JustKitchen utilizes a hub-and-spoke operating model, which features advanced food preparation taking place at larger hub kitchens and final meal preparation taking place at smaller spoke kitchens located in areas with higher population densities. The Company combines this operating model with online and mobile application-based food ordering via its proprietary mobile food ordering app and other third-party ordering apps. Delivery is fulfilled by third-party delivery companies, to minimize capital investments and operating expenses and reach more customers in underserved markets. The Company’s other business, JustMarket, is an e-commerce grocery delivery platform that allows customers to purchase groceries for delivery or add select grocery items to meals ordered through JustKitchen.

Additionally, JustKitchen has developed a proprietary technology stack, JKOST™, an open-ended API platform which enables all external and internal operations to be seamlessly connected together. The JKOST™ technology stack comprises a lightweight POS system specifically designed to streamline cloud kitchen operations, an automated franchisee onboarding program, B2B web ordering module for JustKitchen's B2B clients, supply chain integration for optimized supply chain management, a data analysis tool for accurate tracking of variables such as brand performance, labor costs, and inventory turnaround time, and 'JK University', an online staff training and development tool which can be deployed at any of the Company's own locations or franchisee locations.

The Company's head office address is at Suite 1430 - 800 West Pender Street, Vancouver, British Columbia, V6C 2V6. The registered and records office address is at Suite 1500 - 1055 West Georgia Street, P.O. Box 11117, Vancouver, British Columbia, V6E 4N7. On April 7, 2021, the Company received final receipt from the British Columbia Securities Commission for its long-form non-offering prospectus. On April 15, 2021, the Company began trading on the TSX Venture Exchange (the "TSX-V") under the trading symbol JK.

As of June 30, 2022, the Company was holding 100% equity interest in the following wholly owned subsidiaries:

1. JustKitchen Co. Ltd. ("**JK Taiwan**"), a company incorporated on June 6, 2019 under the laws of Taiwan;
2. JustKitchen Hong Kong Corp. Limited ("**JKHK**") from the date of incorporation on November 24, 2020;
3. StarKitchen Co. Ltd ("**StarKitchen**") from the date of incorporation on January 17, 2021;
4. Just Kitchen (USA) Inc. ("**JK USA**") from the date of incorporation on February 18, 2021;
5. JustKitchen Concepts Pte Ltd. ("**JKSGD**") from the date of incorporation on January 28, 2022; and
6. JustKitchen Philippines Inc. ("JKP") from the date of incorporation on March 2, 2022.
7. Just Kitchen Malaysia SDN BHD, ("JKM") form the date of incorporation on January 27, 2022

As of June 30, 2022, the Company holds a 51% voting equity interest in JustKitchen TDG. Inc ("**JK TDG JV Co.**") as a joint venture pursuant to a Shareholders Agreement. JK TDG JV Co. was incorporated in the Philippines on August 20, 2021 and was inactive until the date of acquisition by the Company on November 4, 2021.

Overview of Cloud Kitchens

A cloud kitchen, ghost kitchen, or virtual kitchen is a kitchen that is used to provide meals for online delivery only and acts as the production center for meals ordered through delivery apps. Just Kitchen's business model is designed to increase the efficiency of the typical cloud kitchen infrastructure by having a main "**hub**" kitchen where the meals are pre-prepared, blast chilled and then sent to the "**spoke**" kitchens, which finish the meals for delivery. The smaller spokes complement the main hub and are located in high traffic areas extending the geographical reach of the Company's customer base, reducing preparation and delivery times, and thereby improving the quality and consistency of customer orders.

Cloud kitchens can be considered food manufacturing factories, where food and meals are manufactured and then shipped to the final consumer. Considering cloud kitchens as factories as opposed to restaurants shifts the paradigm to one in which the manufacturer is focused on providing quality consistent output at the lowest possible cost without worrying about how or where the product is consumed by the customer, and thus removing the key constraint posed by their physical location.

Cloud kitchens offer the following advantages over traditional restaurants:

1. **Low operational cost.** One of the expenses to consider for traditional restaurants is real estate, which generally accounts for approximately 10% of restaurant expenses. This cost can be decreased by cloud kitchens, as they can operate from locations with less expensive real estate, occupy less space as there is no restaurant associated with the kitchen, and save on front of house staff and marketing costs among other items. Cloud kitchens also manufacture standardized items, which further reduces cost and food spoilage.

2. **Low set up and introduction cost.** Cloud kitchens can be established, introduce new products and alter their menus at a considerably lower cost and can thus experiment with new ideas and menu items in a quick and cost-effective manner.
3. **Automation.** With a focus on limited menus and limited items, product manufacturing can be standardized in cloud kitchens as it would be in manufacturing.
4. **Increased efficiency.** Using custom built spaces and optimizing processes specifically for delivery allow cloud kitchens to run efficiently. Ingredients can be batch prepared for several different menu items and brands concurrently, and kitchens can be designed to prioritize the speed of preparation and the process of handing over meals to delivery drivers.
5. **Digital brand awareness without high marketing spend.** Cloud kitchen brands can gain quick exposure through delivery apps without incurring the high cost of marketing that typical restaurants incur.
6. **Access to user data and real-time adaptability.** Cloud kitchens are designed with a technological focus, which means that they are well-suited to optimize processes, ordering and staff scheduling based on consumer behavior. The menu can be changed, altered and adapted easily to suit demand and increase margins all based on the data collected from consumers.

The driving factors for the cloud kitchen market are the growing acceptance of online food distribution services, reducing the need for physical infrastructure and equipment, rising living and urbanization standards, and introductory low cost.

Business Highlights

1. On June 6, 2019 JK Taiwan acquired kitchen equipment and other assets that were used to create its first hub kitchen in Taipei, Taiwan.
2. On November 27, 2019, the Company's founder acquired 100% equity interest in JK Taiwan.
3. On January 1, 2020, the Company entered into an agreement with Uber Eats (the "**Uber Eats Agreement**") which governs Just Kitchen's participation on the proprietary mobile application made available by Uber Eats or its affiliates. The Uber Eats Agreement sets out the terms on which Uber Eats makes the food and beverages made by the Company available on the Uber Eats platform. In Q3 2021, the Company also started to deliver meals to its customers using Food Panda online ordering platform and delivery services.
4. On August 14, 2020, the Company launched "Just Market", an online sale and delivery of basic grocery items leveraging existing SKUs, spokes and brand recognition. To date, it is available in 16 satellite kitchens.
5. On December 31, 2020, the Company entered into a Memorandum of Understanding ("**Hub 2 MOU**") with Chi Mei Frozen Foods Co., Ltd. ("**Chi Mei**"). Under the terms of the Hub 2 MOU, (i) Chi Mei made available for use by Just Kitchen Taiwan a 15,000 sf kitchen space ("**Hub 2**") and gives Just Kitchen Taiwan priority in the processing and production of all its outsourced food items in order to meet Just Kitchen Taiwan's minimum order quantity; (ii) production equipment for Hub 2 will be purchased by Chi Mei Foods; (iii) Chi Mei will hold a right of first refusal for all out-sourced production by Just Kitchen Taiwan; and (iv) the Company and Chi Mei to jointly develop new menus and recipes.
6. In July 2021, the Company started operating its first ghost kitchen location in Hong Kong.
7. During the fiscal year ended September 30, 2021, the Company closed a number of prospectus financings and private placements by issuing 38,981,040 shares for gross proceeds of \$32,239,821.
8. In October 2021, the Company launched the JustKitchen Operating System ("**JKOS**"), software that integrates with third party devices and applications for ordering food. JKOS increases the number of the Company's sales channels and offers its expanding portfolio of delivery-only food brands and menus to the growing number of customers who are interacting with smart technologies that are different than mobile phones and computers, such as televisions and fashion accessories.
9. In November 2021, the Company entered into an agreement with TDG Ventures Inc. to form and operate ghost kitchens under the "JustKitchen" brand (and other related brands) (the "Brands") and distribute JustKitchen products and offerings in the Philippines. Under this agreement, the Company owns a 51% equity interest in JK TDG JV Co. operating in the Philippines.

10. In April 2022, JustKitchen opened the first two ghost kitchen locations in Singapore. The ghost kitchens are located in Telok Ayer and Tampines areas. The Company closed these two ghost kitchens in August 2022 as part of its focus on more profitable locations.
11. In April 2022, the Company's 51% owned JK TDG JV Co. has signed an agreement to open its first two ghost kitchen locations in the Philippines's capital city of Manila.
12. In June 2022, JustKitchen signed a Virtual Kitchen Services Agreement with India-based Cloud Retail Solutions Private Limited, making JustKitchen's portfolio of signature food brands available for delivery in India.
13. In June 2022, the Company announced the opening of two new ghost kitchen locations in Malaysia, in the high-density areas of Petaling Jaya and Bukit Bintang, which will utilize GrabFood, Foodpanda, and Shopee Food as delivery service partners.
14. As of the date of this MD&A, the Company was operating 27 ghost kitchen locations in Taiwan, Hong Kong, the Philippines and Malaysia.

Overall Performance

1. The Company's revenue for the nine months ended June 30, 2022 ("**current period**") was \$14,377,333 (nine months ended June 30, 2021 - \$7,482,348).
2. Net loss for the nine months ended June 30, 2022 was \$13,563,474 (Q3 2022 - \$7,796,806), or \$0.18 (nine months ended June 30, 2021 - \$0.17) per common share.
3. As at June 30, 2022, the Company had total assets of \$17,315,188 (September 30, 2021 - \$27,937,911) consisting of \$9,213,611 (September 30, 2021 - \$22,635,037) of current assets and \$8,101,577 (September 30, 2021 - \$5,302,874) of non-current assets.
4. As at June 30, 2022, the Company had total liabilities of \$7,146,935 (September 30, 2021 - \$6,352,757) consisting of \$4,673,877 (September 30, 2021 - \$4,373,799) of current liabilities and \$2,493,058 (September 30, 2021 - \$1,978,958) of non-current liabilities.
5. The Company expects to continue to expand its operations into new kitchen locations in Taiwan, Hong Kong, the Philippines, and Malaysia and to expand its business model into other countries.

Operating Outlook:

The Company has been focused on expanding rapidly within the Asian market since its inception and has incurred certain expenses in conjunction with these expansion efforts. This strategy has resulted in the Company building an efficient and sustainable ghost kitchen operational model which it is now applying to its expansion strategy within Southeast Asia. The Company believes Southeast Asia is the largest and most economically addressable market for a ghost kitchen operator, based on key factors including current and forecasted demand, higher population densities relative to alternative markets, and lower operating costs compared to alternative markets.

Moving forward, JustKitchen is focused on sustainable growth. As such, the Company is aggressively reducing its expenditures while incrementally increasing revenue to reach profitability. The Company plans to implement several key strategies to reduce Capex and Opex and improve margins including:

Reducing COGS (Cost of Goods Sold):

- Consolidated purchasing – consolidating food purchasing to ensure supply chains are more streamlined and cost-effective
- Adjusting pricing in line with inflation – small price increases on menu items to be introduced gradually to ensure margins are not negatively impacted by rising inflation

Focusing on B2B clients that provide higher margins:

- The Company has secured several contracts with large corporate enterprises with 4,000+ employees (Hsinchu Science Park and the Taoyuan Environmental Science and Technology Park in Taiwan). These contracts provide ideal market conditions including:
 - Large, captive audiences – most employees stay on-site for meals which can include breakfast, lunch, dinner, and snacks

- No delivery commission – employees order from kiosks within the office building and eat on premises, eliminating the need for delivery via third party partners
- No rent or utilities costs for the Company
- Higher margins – average spends are considerably higher in these environments, delivery and operating fees are lower

Effective cost cutting:

- Analyzing performance of each location
 - Identifying and closing unprofitable or poorly performing locations
 - Optimizing each location to improve financial performance
 - Licensing signature brands to other ghost kitchens to reduce Capex / Opex
- HQ personnel reduction
 - 10% reduction thus far, expected to implement another 10% in near future
- Renegotiating existing occupancy contracts
 - Converting occupancy contracts from flat rate to a percentage of sales where possible

Focusing on driving store level profitability:

- Cutting down less efficient labour hours
- More part-time hires in comparison to full time employees, to drive store level labour margin down
- More sustainable growth, making sure each store is profitable before opening new locations

Focusing on high margin market(s):

- Strategic focus on development in locations where margins are high (i.e., 20+%)
- Concentrating on expanding operations at lower Capex/Opex locations including, but not limited to, the Philippines and Malaysia

Building alternative and recurring revenue streams:

- JustKitchen has developed a robust portfolio of signature brands that cover both Asian and Western cuisines, which it plans to license to other ghost kitchen operators. The Company expects to collect a percentage of each franchised brand's monthly sales
- The JKOS™ tech stack (full-scale F&B management platform designed specifically for ghost kitchens), is being deployed to new B2B partners and ghost kitchen operators wishing to sell JustKitchen's signature brands. JKOS™ is expected to allow the Company to rapidly and cost effectively scale up its operations and to take on more franchisee opportunities. JKOS™ uses data analysis to identify suitable locations in new markets, while its Virtual Training System ensures brand consistency and throughout each market. Real-time broadcasting and a robust data library allow for review and progress tracking by HQ, resulting in a more expeditious, real-time, cost-effective onboarding process.

Key Performance Indicators

Key performance indicators that the Company uses to manage its business and evaluate its financial results and operating performance include: revenue, revenue per kitchen location, expenses and net income (loss). The Company evaluates its performance on these metrics by comparing its actual results to management budgets and forecasts.

Summary of Quarterly Results

The table below summarizes selected financial data for the Company's last eight quarters:

	Quarter Ended June 30, 2022	Quarter Ended Mar 31, 2022	Quarter Ended Dec 31, 2021	Quarter Ended Sept 30, 2021	Quarter Ended June 30, 2021	Quarter Ended Mar 31, 2021	Quarter Ended Dec 31, 2020	Quarter Ended Sept 30, 2020
Number of kitchens	28	28	21	20	17	14	10	8
Revenue from retail customers	\$4,671,630	\$4,662,519	\$3,810,720	\$4,288,432	\$3,171,851	\$1,975,110	\$1,667,633	\$981,242
Revenue from business customers	\$499,682	\$376,819	\$355,963	\$155,314	\$175,046	\$249,171	\$243,537	\$139,879
Total Revenue	\$5,171,312	\$5,039,338	\$4,166,683	\$4,443,746	\$3,346,897	\$2,224,281	\$1,911,170	\$1,121,121
Number of retail deliveries	313,883	321,914	265,749	269,721	214,744	128,400	117,800	60,778
Average retail delivery size	\$14.88	\$14.48	\$14.34	\$15.90	\$14.77	\$15.38	\$14.16	\$16.14
Net loss	\$(4,549,714)	\$(5,442,157)	\$(3,571,603)	\$(3,440,775)	\$(2,836,847)	\$(2,530,157)	\$(2,429,802)	\$(1,185,548)
Comprehensive loss	\$(4,463,121)	\$(4,826,520)	\$(3,671,888)	\$(3,592,632)	\$(2,915,959)	\$(2,387,038)	\$(2,402,328)	\$(1,196,518)
Basic loss per share	\$(0.06)	\$(0.07)	\$(0.05)	\$(0.05)	\$(0.05)	\$(0.06)	\$(0.06)	\$(0.04)
Diluted loss per share	\$(0.06)	\$(0.07)	\$(0.05)	\$(0.05)	\$(0.05)	\$(0.06)	\$(0.06)	\$(0.04)

Non-IFRS Measures

Adjusted EBITDA is a financial measure that does not have a standardized meaning under IFRS. Adjusted EBITDA is defined as earnings before interest expense, depreciation, amortization, and stock-based compensation. As there is no standardized method of calculating Adjusted EBITDA, it may not be directly comparable with similarly titled measures used by other companies. The Company considers Adjusted EBITDA to be a relevant indicator for measuring trends in performance and its ability to generate funds to service its debt and to meet its future working capital and capital expenditure requirements. Adjusted EBITDA is not a generally accepted earnings measure and should not be considered in isolation or as an alternative to net income (loss), cash flows or other measures of performance prepared in accordance with IFRS.

The following is a reconciliation of Adjusted EBITDA to net loss:

	Quarter Ended June 30, 2022	Quarter Ended Mar 31, 2022	Quarter Ended Dec 31, 2021	Quarter Ended Sept 30, 2021	Quarter Ended June 30, 2021	Quarter Ended Mar 31, 2021	Quarter Ended Dec 31, 2020	Quarter Ended Sept 30, 2020
Loss for the period	(4,549,714)	(5,442,157)	(3,571,603)	(3,440,775)	(2,836,847)	(2,530,157)	(2,429,802)	(1,185,548)
Interest expense	30,945	30,760	33,102	23,315	28,400	26,581	23,673	20,967
Depreciation expense	502,149	454,612	366,509	312,177	259,208	223,735	169,178	124,980
Amortization expense	19,099	19,932	19,946	-	-	-	-	-
EBITDA Loss	(3,997,521)	(4,936,853)	(3,152,046)	(3,105,283)	(2,549,239)	(2,279,841)	(2,236,951)	(1,039,601)
Stock-based compensation	626,071	333,172	566,635	481,838	493,047	533,166	861,696	127,725
Adjusted EBITDA Loss	(3,371,450)	(4,603,681)	(2,585,411)	(2,623,445)	(2,056,192)	(1,746,675)	(1,375,255)	(911,876)

Results of Operations

Quarter ended June 30, 2022 (“Q3 2022”) compared with the quarter ended June 30, 2021 (“Q3 2021”)

Net loss for Q3 2022 was \$4,549,714 or \$0.06 loss per common share compared to \$2,836,847 or \$0.05 loss per common share in Q3 2021. The main reasons for the increase in net loss from Q3 2021 to Q3 2022 are (i) overall increase in business activities and (ii) increase in general and administrative costs from \$2,108,664 in Q3 2021 to \$2,795,667 in Q3 2022, mainly due to salaries increasing from \$394,632 in Q3 2021 to \$1,018,062 in Q3 2022 due primarily to an increase in the number of employees and consultants and mainly due to stock-based compensation increasing from \$493,047 to \$626,071 in Q3 2022

Significant differences between Q3 2022 and Q3 2021 results of operations are as follows:

Revenue

Revenue for the Q3 2022 was \$5,171,312 compared with \$3,346,897 in Q3 2021. Revenues continue to grow as the Company opens new kitchen locations, increases its brand relationships and grows its customer base. As of June 30, 2022, the Company was selling meals from 28 locations in Taiwan, Hong Kong, and Malaysia compared to 15 locations during Q3 2021.

Operating Expenses

Operating expenses for Q3 2022 were \$6,035,566 compared with \$3,773,797 in Q3 2021 due to increase in the number of kitchen locations and revenue. The Company anticipates operating costs will remain elevated in relation to revenues in the short term to support rapid expansion in Taiwan, Hong Kong, Singapore, Malaysia, Philippines and other countries in South-Eastern Asia. The Company has hired staff ahead of additional ghost kitchen openings and aggressively spent on sales and marketing. Operating costs consist of the following:

	Three months ended June 30, 2022	Three months ended June 30, 2021
Delivery and processing costs	\$ 1,061,207	\$ 726,121
Food and beverage costs	2,463,982	1,438,252
Rent and utilities	378,981	188,542
Repairs and maintenance	78,505	73,142
Salaries and benefits	1,552,514	782,020
Selling costs	500,377	565,720
	<u>\$ 6,035,566</u>	<u>\$ 3,773,797</u>

1. Delivery and processing costs were \$1,061,207 in Q3 2022 compared with \$726,121 in Q3 2021. The increase in costs is due to increase in revenue.
2. Food and beverage costs increased from \$1,438,252 in Q3 2021 to \$2,463,982 in Q3 2022 because of increased revenue. In Q3 2022, the Company's sales are mainly to retail customers.
3. Rent and utilities costs increased from \$188,542 in Q3 2021 to \$378,981 in Q3 2022 because of increase in number of kitchen locations from 15 in Q3 2021 to 28 in Q3 2022. The majority of the kitchen locations in 2021 were opened later in the fiscal year of 2021.
4. Repairs and maintenance costs increased from \$73,142 in Q3 2021 to \$78,505 in Q3 2022 because of increase in number of kitchen locations.
5. Salaries and benefits increased from \$782,020 in Q3 2021 to \$1,552,514 in Q3 2022 because of a significant ramp up in operations and associated staffing requirements for the increased number of kitchens.
6. Selling costs decreased from \$565,720 in Q3 2021 to \$500,377 in Q3 2022 because of classification of packaging cost to food and beverage costs from Q1 2022 for management inventory control.

General and Administrative Expenses

General and administrative expenses for Q3 2022 were \$2,795,667 (Q3 2021 - \$2,108,664) and consisted of the following costs:

	Three months ended June 30, 2022	Three months ended June 30, 2021
Advertising and marketing	\$ 412,970	\$ 476,729
Consulting	111,455	162,177
Insurance	17,875	14,896
Listing and filing	2,028	126,480
Office and administration	157,369	132,522
Professional fees	190,696	148,669
Rent and utilities	35,842	20,404
Repairs and maintenance	62,655	50,226
Salaries and benefits	1,018,062	394,632
Selling costs	160,644	88,882
Stock-based compensation	626,071	493,047
	<u>\$ 2,795,667</u>	<u>\$ 2,108,664</u>

1. Advertising and marketing decreased from \$476,729 in Q3 2021 to \$412,970 in Q3 2022 because of decreased marketing activities via social media systems.
2. Consulting decreased from \$162,177 in Q3 2021 to \$111,455 in Q3 2022 due to renegotiating agreements with various parties.
3. Insurance increased from \$14,896 in Q3 2021 to \$17,875 in Q3 2022, due to an increase in annual Directors and Officers insurance premiums.
4. Listing and filing expenses decreased from \$126,522 in Q3 2021 to \$2,028 in Q3 2022. The Company completed its public listing on the TSX-V in Q3 2021, therefore costs incurred subsequently are small and relate to the maintenance of its public listing status.
5. Office and administration increased from \$132,522 in Q3 2021 to \$157,369 in Q3 2022 due to an increase in overall business activities.
Professional fees increased from \$148,669 in Q3 2021 to \$190,696 in Q3 2022 because of increased audit and legal fees associated with international business expansions, regulatory compliance.
6. Salaries and benefits increased from \$394,632 in Q3 2021 to \$1,018,062 in Q3 2022 because of an increase in overall business activities and associated staffing requirements.
7. Selling costs increased from \$88,882 in Q3 2021 to \$160,644 in Q3 2022 because of increased revenue.
8. Stock based compensation increased from \$493,047 in Q3 2021 to \$626,071 in Q3 2022. Increase in the stock-based compensation is due to grant of stock options in Q3 2022. The stock-based compensation relates to fair value of performance warrants granted in May 2020 as well as stock options and restricted share units ("RSUs") granted during the three months ended June 30, 2022 and the year ended September 30, 2021.

Research & Development ("R&D") Expenses

R&D expenses for Q3 2022 were \$191,037 (Q3 2021 - \$93,403) and consisted of the following costs:

	Three months ended June 30, 2022	Three months ended June 30, 2021
Salaries and benefits	\$ 178,002	\$ 43,679
Office and administration	13,035	49,724
	<u>\$ 191,037</u>	<u>\$ 93,403</u>

R&D expenses relate to development of new menu items and consist of salaries and benefits, food costs, materials, supplies and office and administration. R&D expenses increased from \$93,403 in Q3

2021 to \$191,037 in Q3 2022, because of new full-time employees hired for development of JKOS and data analysis.

Depreciation and Amortization Expenses

Depreciation expenses for Q3 2022 were \$521,248 (Q3 2021 - \$259,208) and consisted of the following costs:

	Three months ended June 30, 2022	Three months ended June 30, 2021
Depreciation of property and equipment	\$ 193,887	\$ 79,775
Amortization of intangible assets	19,099	-
Depreciation of right-of-use assets	308,262	179,433
	<u>\$ 521,248</u>	<u>\$ 259,208</u>

1. Depreciation of property and equipment increased from \$79,775 in Q3 2021 to \$193,047 in Q3 2022, because of additional kitchen equipment purchases.
2. Amortization of intangible assets increased from \$Nil in Q3 2021 to \$19,939 in Q3 2022 because of a software system purchase for the Company's online application in Q4 2021.
3. Depreciation of right-of-use assets increased from \$179,433 in Q3 2021 to \$308,262 in Q3 2022, because of acquisition of additional right-of-use kitchen leases.

Other Income and Expenses

Other income and expenses consisted of the following:

	Three months ended June 30, 2022	Three months ended June 30, 2021
Interest revenue	\$ 27,721	\$ 328
Interest expense	(30,945)	(28,400)
Foreign exchange gain (loss)	(139,213)	73,278
Share of loss of investment accounted for using equity method	(49,048)	-
Other income	13,977	6,122
Net other income (expenses)	<u>\$ (177,508)</u>	<u>\$ 51,328</u>

1. Interest revenue increased from \$328 in Q3 2021 to \$27,721 in Q3 2022 due to interest received from funds held in a high interest savings account.
2. Interest expense increased from \$28,400 in Q3 2021 to \$30,945 in Q3 2022 which consists of (\$87) (Q3 2021 - \$7,453) of interest expense accrued on promissory notes payable and \$31,012 (Q3 2021 - \$19,125) of interest expense recorded on leases and \$20 in Q3 2022 (Q3 2021 - \$Nil) of other interest expense.
3. Foreign exchange gain decreased from a \$73,278 in Q3 2021 to a loss of \$139,213 in Q3 2022 due to the fluctuation of foreign currencies to CAD.
4. Share of loss of investment accounted for using equity method increased from \$Nil in Q3 2021 to \$49,048 in Q3 2022 due to accounting for 51% of losses from JK TDG JV Co operations in the Philippines.
5. Other income increased from receiving \$6,122 in Q3 2021 to \$13,977 in Q3 2022 due to government subsidy in Hong Kong area because of Covid 19.

Nine months ended June 30, 2022 (“2022”) compared with June 30, 2021 (“2021”)

Net loss for 2022 was \$13,563,474 or \$0.18 loss per common share compared to \$7,796,806 or \$0.17 loss per common share in 2021. The main reasons for the increase in net loss from 2021 to 2022 are (i) overall increase in business activities and (ii) increase in general and administrative costs from \$5,569,442 in 2021 to \$8,314,909 in 2022, mainly due to salaries increasing from \$1,120,373 in 2021 to \$2,490,016 in 2022, professional fees increasing from \$349,888 in 2021 to \$920,085 in 2022 and advertising and marketing increasing from \$813,378 in 2021 to \$1,703,281 in 2022 due to overall increase in business activities.

Significant differences between 2022 and 2021 results of operations are as follows:

Revenue

Revenue for the 2022 was \$14,377,333 compared with \$7,382,348 in the same period in 2021. Revenues continue to grow as the Company opens new kitchen locations, increases its brand relationships and grows its customer base. As of June 30, 2022, the Company was selling meals from 28 locations in Taiwan, Hong Kong, and Malaysia compared to 15 locations during the same period in 2021.

Operating Expenses

Operating expenses for 2022 were \$17,060,709 compared with \$8,761,625 in 2021 due to increase in the number of kitchen locations and revenue. The Company’s operating costs have been elevated throughout 2021 and 2022 in relation to its rapid expansion in Taiwan, Hong Kong, Singapore, Malaysia, the Philippines, and other countries in S.E. Asia. However, the Company anticipates its operating costs will decrease in relation to revenue as it streamlines its portfolio of kitchens and focuses on entering and expanding into low-cost countries while increasing its high-margin B2B operations. Operating costs consist of the following:

	Nine months ended June 30, 2022	Nine months ended June 30, 2021
Delivery and processing costs	\$ 2,957,146	\$ 1,616,867
Food and beverage costs	6,874,734	3,436,051
Rent and utilities	963,052	359,506
Repairs and maintenance	257,584	197,781
Salaries and benefits	4,105,839	1,968,191
Selling costs	1,902,354	1,183,229
	\$ 17,060,709	\$ 8,761,625

1. Delivery and processing costs were \$2,957,146 in 2022 compared with \$1,616,867 in 2021. The increase in costs is due to increase in revenue.
2. Food and beverage costs increased from \$3,436,051 in 2021 to \$6,874,734 in 2022 because of increased revenue. In 2022, the Company’s sales are mainly to retail customers.
3. Rent and utilities costs increased from \$359,506 in 2021 to \$963,052 in 2022 because of increase in number of kitchen locations from 15 in 2021 to 28 in 2022. The majority of the kitchen locations in 2021 were opened later in the fiscal year of 2021.
4. Repairs and maintenance costs increased from \$197,781 in 2021 to \$257,584 in 2022 because of increase in number of kitchen locations.
5. Salaries and benefits increased from \$1,968,191 in 2021 to \$4,105,839 in 2022 because of a significant ramp up in operations and associated staffing requirements for the increased number of kitchens.
6. Selling costs increased from \$1,183,229 in 2021 to \$1,902,354 in 2022 because of increased revenues, increased marketing efforts and the increased number of kitchen locations which result in increased fixed and variable costs.

General and Administrative Expenses

General and administrative expenses for 2022 were \$8,314,909 (2021 - \$5,569,442) and consisted of the following costs:

	Nine months ended June 30, 2022	Nine months ended June 30, 2021
Advertising and marketing	\$ 1,703,281	\$ 813,378
Consulting	441,177	507,978
Insurance	53,625	14,896
Listing and filing	86,316	156,357
Office and administration	433,338	302,045
Professional fees	920,085	349,888
Rent and utilities	108,923	54,775
Repairs and maintenance	187,769	106,138
Salaries and benefits	2,490,016	1,120,373
Selling costs	364,501	244,976
Stock-based compensation	1,525,878	1,887,909
Travel	-	10,729
	\$ 8,314,909	\$ 5,569,442

- Advertising and marketing increased from \$813,378 in 2021 to \$1,703,281 in 2022 because of increased efforts to promote a larger number of operating kitchens to a larger consumer base and an increase in overall business activities.
- Consulting decreased from \$507,978 in 2021 to \$441,177 in 2022 due to renegotiating agreements with various parties.
- Insurance increased from \$14,896 in 2021 to \$53,625 in 2022, due to an increase in annual Directors and Officers insurance premiums.
- Listing and filing expenses decreased from \$156,357 in 2021 to \$86,316 in 2022. The Company completed its public listing on the TSX-V in Q3 2021, therefore costs incurred subsequently are small and relate to the maintenance of its public listing status.
- Office and administration increased from \$302,045 in 2021 to \$433,338 in 2022 due to an increase in overall business activities.
- Professional fees increased from \$349,888 in 2021 to \$920,085 in 2022 because of increased audit and legal fees associated with international business expansions and regulatory compliance.
- Repairs and maintenance costs increased from \$106,138 in 2021 to \$187,769 in 2022 because of increase in number of kitchen locations.
- Salaries and benefits increased from \$1,120,373 in 2021 to \$2,490,016 in 2022 because of an increase in overall business activities.
- Selling costs increased from \$244,976 in 2021 to \$364,501 in 2022 because of increased revenue.
- Stock based compensation decreased from \$1,887,909 in 2021 to \$1,525,878 in 2022. Reduction in the stock based compensation is due to forfeiture of stock options, performance warrants and RSUs resulting in reversal of previously recorded stock based compensation on unvested stock options, performance warrants and RSUs. The stock-based compensation relates to fair value of performance warrants granted in May 2020 as well as stock options and restricted share units ("RSUs") granted during the nine months ended June 30, 2022, and the year ended September 30, 2021.

Research & Development (“R&D”) Expenses

R&D expenses for 2022 were \$393,649 (2021 - \$154,995) and consisted of the following costs:

	Nine months ended June 30, 2022		Nine months ended June 30, 2021
Salaries and benefits	\$ 339,183	\$	84,491
Office and administration	54,466		70,504
	\$ 393,649	\$	154,995

R&D expenses relate to development of new menu items and consist of salaries and benefits, food costs, materials, supplies and office and administration.

Depreciation and Amortization Expenses

Depreciation and amortization expenses for 2022 were \$1,382,247 (2021 - \$652,121) and consisted of the following costs:

	Nine months ended June 30, 2022		Nine months ended June 30, 2021
Depreciation of property and equipment	\$ 483,738	\$	172,232
Amortization of intangible assets	58,977		-
Depreciation of right-of-use assets	839,532		479,889
	\$ 1,382,247	\$	652,121

1. Depreciation of property and equipment increased from \$172,232 in 2021 to \$482,898 in 2022, because of additional kitchen equipment purchased in 2021 and 2022.
2. Amortization of intangible assets increased from \$Nil in 2021 to \$59,817 in 2022 because of a software system purchase for the Company’s online application in Q4 2021.
3. Depreciation of right-of-use assets increased from \$479,889 in 2021 to \$839,532 in 2022, because of additional right-of-use kitchen leases.

Other Income and Expenses

Other income and expenses consisted of the following:

	Nine months ended June 30, 2022		Nine months ended June 30, 2021
Interest revenue	\$ 78,320	\$	600
Interest expense	(94,807)		(78,654)
Foreign exchange gain (loss)	(756,171)		(69,039)
Share of loss of investment accounted for using equity method	(62,841)		-
Other income	46,206		6,122
Net other income (expenses)	\$ (789,293)	\$	(140,971)

1. Interest revenue increased from \$600 in 2021 to \$78,320 in 2022 due to interest received from funds held in a high interest savings account.
2. Interest expense increased from \$78,654 in 2021 to \$94,807 in 2022 which consists of (\$6,129 (2021 - \$22,315) of interest expense accrued on promissory notes payable and \$87,797 (2021 - \$56,339) of interest expense recorded on leases and \$881 in 2022 (2021 - \$Nil) of other interest expense.

3. Foreign exchange loss increased from a \$69,039 in 2021 to a \$756,171 in 2022 due to fluctuation of foreign currencies to CAD.
4. Share of loss of investment accounted for using equity method increased from \$Nil in 2021 to \$62,841 in 2022 due to accounting for 51% of losses from JK TDG JV Co operations in the Philippines commencing in Q2 2022.
5. Other income increased from \$6,122 in 2021 to \$46,206 in 2022 due to receiving government subsidy in Hong Kong area because of Covid 19.

Liquidity and Capital Resources

To date, the Company has financed its operations through private placements and internally generated cash flows from revenue.

Recent Financings

1. 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 raised on December 10, 2020, December 21, 2020 and March 16, 2021 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
2. 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. In addition, legal, regulatory and other cash costs associated with the supplemental prospectus offering totaled \$105,633.
3. 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.

Use of Proceeds

On April 7, 2021, the Company closed the prospectus financing for gross proceeds of \$7,899,397. As of December 31, 2021, the Company utilized all funds raised from this financing as intended.

As of June 30, 2022, the following is a reconciliation of intended use of proceeds and actual cash expenditures related to June 15, 2021 prospectus financing for gross proceeds of \$17,500,050.

June 15, 2021 prospectus financing for gross proceeds of \$17,500,050				
Use of Funds	Amount Intended to be Spent	Actual Amount Spent	Difference	Explanation
Build out of additional spoke kitchens in Taiwan	3,000,000	1,636,483	1,363,517	Not all funds were spent yet
Build out of additional virtual kitchens in Hong Kong	1,700,000	2,443,118	(743,118)	More funds were spent than budgeted
International expansion	4,900,000	1,683,509	3,216,491	Not all funds were spent yet
Software development	2,000,000	-	2,000,000	Not all funds were spent yet
Brand acquisition and development	2,000,000	354,109	1,645,891	Not all funds were spent yet
Financing costs	-	1,284,827	(1,284,827)	These costs were not budgeted for previously
Repayment of notes payable	-	139,773	(139,773)	These costs were not budgeted for previously

Sales and marketing	-	1,465,946	(1,465,946)	These costs were not budgeted for previously
General corporate purposes	3,900,050	5,377,324	(1,477,274)	More funds were spent than budgeted
TOTAL	17,500,050	14,385,089	3,114,961	Not all funds were spent from this financing

As of June 30, 2022, other than financing costs, the Company didn't spend any proceeds from the June 30, 2021 private placement for gross proceeds of \$3,924,133.

Cash

As of June 30, 2022, the Company had cash of \$7,287,598 compared with \$20,796,767 of cash as of September 30, 2021.

Cash Used in Operating Activities

Cash used in operating activities during the nine months ended June 30, 2022 was \$10,855,067 compared with \$4,765,662 of cash used in operating activities during the nine months ended June 30, 2021 ("Q3 2021"), which consisted of (i) \$10,479,366 (Q3 2021- \$5,179,792) of decrease in cash operating expenses net of revenue, (ii) \$87,797 (Q3 2021- \$56,339) of interest expense paid on leases, \$21,015 (2021 - \$Nil) of interest expense paid on promissory note payable and (iii) \$266,889 (Q3 2021- \$470,469) of changes in non-cash working capital.

Cash Used in Investing Activities

Cash used in investing activities during the nine months ended June 30, 2022 was \$2,511,819 (Q3 2021- \$1,561,701), and consisted of: \$1,769,583 (Q3 2021- \$1,561,701) related to the kitchen equipment purchased for new spoke kitchens and \$742,236 (Q3 2021- \$Nil) cash investment under equity method.

Cash Used / Generated from Financing Activities

Cash used from financing activities during the nine months ended June 30, 2022 was \$886,090 compared with \$30,032,208 of cash generated during the nine months ended June 30, 2021 ("Q3 2021"), and consisted of: (i) payment of lease liabilities of \$788,044 (Q3 2021- \$415,626), (ii) \$116,796 repayment of promissory notes payable (Q3 2021: \$Nil), (iii) \$18,750 (Q3 2021- \$32,239,821) of cash raised from issuance of common shares and (iv) \$Nil (Q3 2021-\$1,791,987) of cash paid for share issuance costs.

Working Capital

As at June 30, 2022, the Company had working capital of \$4,559,734 compared with a working capital of \$18,261,238 as of September 30, 2021. Decrease in working capital is due to increase in overall business activities.

Liquidity Outlook

The Company's cash position varies based on the amount of capital raised via private placements, the amount of capital invested and reinvested into the growth of the business by financing kitchen leasehold improvements and kitchen equipment for new service kitchen locations. The Company continues to open new kitchen locations in Taiwan, Hong Kong, Philippines and Malaysia, and it is also planning expanding operations into other countries. These new capital investments are expected to positively impact the Company's revenue and operating cash flow in future periods.

The Company's objective when managing capital is to maximize returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is not subject to externally imposed capital requirements. In managing the Company's capital structure, the Company's management reviews monthly and quarterly financial information and provides regular reports to the board of directors.

Going Concern

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its commitments, realize its assets and discharge its liabilities in the normal course of business. As at June 30, 2022, the Company is still in the process of building its business, opening new virtual kitchens, and building its brand and customer base. The Company's continuation as a going concern is dependent upon its ability to achieve profitable operations and raise additional financing through issuing equity or debt to meet current and future obligations. In assessing whether the going concern assumption is appropriate and whether there are material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern, management considers all available information about the future which is at least, but not limited to, twelve months from the end of the reporting period.

As at June 30, 2022, the Company had a working capital of \$4,559,734, an accumulated deficit of \$27,321,735 and for the nine months ended June 30, 2022, the Company incurred a net loss of \$13,563,474, and net cash outflows from operations of \$10,855,067. Although the Company has previously been successful in obtaining financing in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These conditions indicate a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its condensed consolidated interim statement of financial position.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Related Party Transactions

As of June 30, 2022, the Company's related parties and key management personnel consists of the Company's directors and executive officers.

Name/Personal Corporation	Relationship	Nature of Transaction
Jason Chen	CEO/Director	Management salaries, RSUs, Stock based compensation.
ArkOrion Enterprises Inc. (Adam Kniec)	CFO and Corporate Secretary since November 25, 2020	Consulting fees, RSUs and stock-based compensation
The Wuster Inc. (Kent Wu)	Director. Former COO (ceased January 22, 2022)	Consulting fees, RSUs and stock-based compensation
Yang Liu	Chief of Staff since November 24, 2020	Management salaries, RSUs and stock-based compensation
Mark Lin	Chief Technology Officer since November 15, 2021	Management salaries, RSUs and stock-based compensation
Ken Chang	Chief Technology Officer since November 15, 2021	Management salaries and stock-based compensation
John Yu	Chief Marketing Officer since November 24, 2020	RSUs and stock-based compensation
Chelmer Consulting Corp (Darren Devine)	Director since November 24, 2020	Consulting fees and stock-based compensation

JR Management Corp. (Darryl Cardey)	Director since November 24, 2020	Consulting fees and stock-based compensation
Kai Huang	Director since November 24, 2020	RSUs and stock-based compensation
Freddie Liu	Director since November 24, 2020	RSUs and stock-based compensation
Edward Wright	Director since November 8, 2021	Director's fees and stock-based compensation

As of June 30, 2022, the Company's related parties and key management personnel consists of the Company's director, executive officers and companies with which they are involved as directors and officers. 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, 2022, the Company's key management personnel consisted of the Company's directors and senior management (Chief Executive Officer, Chief Financial Officer, Chief of Staff, 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.

Details are as follows:

Nature of Transactions	June 30, 2022	June 30, 2021
Consulting fees	\$ 335,500	\$ 348,427
Salaries and benefits	394,479	271,543
Stock based compensation – performance warrants	406,283	970,114
Stock based compensation – stock options	49,190	318,022
Stock based compensation – RSUs	428,538	406,950
	\$ 1,613,990	\$ 2,315,056

- (a) During the nine months ended June 30, 2022, the Company recorded \$335,500 (June 30, 2021 - \$348,427) of consulting fees to the Company's Directors, CFO, COO, and Corporate Secretary.
- (b) During the nine months ended June 30, 2022, the Company recorded \$394,479 (June 30, 2021 - \$271,543) of salaries to the Company's Director and CEO, CSO, CIO and CTO.
- (c) During the nine months ended June 30, 2022, the Company recorded \$12,593 (June 30, 2021 - \$1,680) of royalty expense on certain brand foods to a company with a Director in common, being the Company's CEO.
- (d) During the nine months ended June 30, 2022, the Company purchased \$Nil (June 30, 2021 - \$2,285) of food products from a company with a Director in common, being the Company's CEO. As at June 30, 2022, balance of \$38,960 is included in accounts payable and accrued liabilities.
- (e) Commitments
- (i) As of June 30 2022, the Company has an employment agreement with the Company's CEO for an indefinite term with basic annual compensation of \$216,000. As part of the compensation, the Company also granted to the employee 7,100,000 Performance Warrants (*note 10(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.

- (ii) As of June 30, 2022, the Company has a consulting agreement with a company controlled by the Company's former COO. The contract calls for monthly fees of \$18,000 and expires on July 28, 2022. 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, 2022, the Company has a consulting agreement with a company controlled by the Company's CFO. The contract calls for monthly fees of \$10,000 until January 2022 and \$13,500 thereafter 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.
- (iv) As of June 30, 2022, 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.

Critical Accounting Estimates and Use of Judgment

The preparation of financial statements requires management to make estimates, assumptions and judgments that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues, and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Significant estimates and judgments made by management that have a significant effect on the amounts recognized in these consolidated financial statements are as follows:

Impairment of non-financial assets

Management is required to use judgment in determining the grouping of assets to identify their cash generating units ("CGUs") for the purposes of testing fixed assets for impairment. In addition, judgment is used to determine whether a triggering event has occurred requiring an impairment test to be completed for fixed asset and definite life intangible assets.

The recoverable amounts of CGUs and individual assets is required to be determined based on the higher of fair value less costs to sell or value-in-use calculations. The key assumptions the Company uses in estimating future cash flows for recoverable amounts are anticipated residual value of equipment, expected financing revenue from leasing of the equipment and future operating and financing costs. Changes to these assumptions will affect the recoverable amounts of CGUs and individual assets and may then require a material adjustment to their related carrying value.

Leases

The Company has to make certain assumptions in estimating the present value of future lease payments and the estimated useful lives of the related assets. Key assumption includes the determination of discount rates.

In determining the carrying amount of the right-of-use asset and corresponding lease liabilities, the Company is required to estimate the incremental borrowing rate specific to each portfolio of leased assets with similar characteristics if the interest rate in the lease is not readily determined. Management determines the incremental borrowing rate using comparable interest rates that would be obtained if a financing was obtained from an independent financial institution to finance acquisition of a similar type of assets.

Stock-based compensation

The accounting for stock-based compensation requires management to make an estimate of the fair value of the stock-based compensation when granted based on the share price of the Company at the time of the grant as well as estimate around volatility, risk-free interest rates, and the probability of achieving certain vesting conditions.

Recent Accounting Pronouncements

Interests in Equity-Accounted Investees

Interests in equity-accounted investees comprise of interests in joint ventures. A joint venture is an arrangement in which the Company has joint control, whereby the Company has the right to the net assets of the joint venture arrangement, rather than rights to its assets and obligations for its liabilities. Interests in the joint ventures are accounted for using the equity method. They are initially recognized at cost. Subsequent to initial recognition, the Company records its share of profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

Recently Adopted Accounting Pronouncements

There were no new accounting pronouncements adopted since September 30, 2021 that would have a material impact on the Company's consolidated financial statements.

New Accounting Pronouncements Not Yet Effective

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

Financial Instruments and Other Instruments

As June 30, 2022, the Company's financial instruments consist of cash, accounts receivable, refundable deposits, accounts payable and promissory notes payable. The fair value of cash, accounts receivable, refundable deposits, accounts payable and accrued liabilities approximate their respective carrying values due to their short-term maturities. The fair value of promissory notes payable is equal to the carrying value because the underlying market rate did not change.

The Company's risk exposures and the impact on its financial instruments are summarized below:

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, 2022, the Company had a receivable of \$371,960 from three customers representing 61% of total trade receivables. As of September 30, 2021, the Company had a receivable of \$314,022 from three customers representing 66% of total trade receivables.

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”), in Hong Kong through JKHK using its functional currency, Hong Kong dollar (“HKD”), in Singapore through JKSG using its functional currency, Singapore dollar (“SGD”), in the Philippines through JKP using its functional currency, Philippine peso (“PHP”) and in Malaysia through JKM using its functional currency, Malaysian ringgit (“MYR”), 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.

As at June 30, 2022 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 \$264,763 and would have decreased net loss of the Company by approximately \$863,676. A 10% decrease in the value of the Hong Kong dollar in relation to the Canadian dollar would have increased net assets by approximately \$91,939 and would have decreased net loss of the Company by approximately \$92,863. A 10% decrease in the value of the Singapore dollar in relation to the Canadian dollar would have increased net assets by approximately \$2,781 and would have decreased net loss of the Company by approximately \$26,223. A 10% decrease in the value of the Philippine peso in relation to the Canadian dollar would have decreased net assets by approximately \$68,838 and would have decreased net loss of the Company by approximately \$6,187. A 10% decrease in the value of the Malaysian ringgit in relation to the Canadian dollar would have decreased net assets by approximately \$17,053 and would have decreased net loss of the Company by approximately \$6,229. The Company has not entered into any hedging agreements to mitigate currency risks with respect to foreign exchange rates.

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, 2022:

	2022	2023	2024	2025	2026	Total
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	3,371,590	-	-	-	-	3,371,590
Lease liability *	1,420,141	1,243,835	789,713	376,262	106,529	3,936,480
Low-value leases	6,804	6,479	5,876	1,987	-	21,146
Promissory notes payable **	91,375	-	-	-	-	91,375
	4,889,910	1,250,314	795,589	378,249	106,529	7,420,591

* Including interest

** Excluding interest

Outstanding Share Data

The following table summarizes the maximum number of common shares potentially outstanding as at June 30, 2022 and as of the date of this MD&A if all share purchase options, restricted share units and performance warrants were converted to common shares:

	As of June 30, 2022	As of the date of this MD&A
Common shares	75,181,387	75,181,387
Warrants	756,780	756,780
Performance warrants	10,000,000	10,000,000
Share purchase options	4,937,500	5,222,500
Restricted share units	2,600,000	3,100,000
Fully diluted	93,475,667	94,260,667

Risks and Uncertainties

Details of the risks and uncertainties related to the Company's business are set out in the Company's Prospectus dated March 26, 2021 and the Company's Shelf Prospectus dated May 21, 2021 under the heading "Risk Factors" which is available under the Company's profile at www.SEDAR.com.