

Condensed Consolidated Interim Financial Statements of

Coho Collective Kitchens Inc.
(Unaudited)

For the three months ended June 30, 2022 and 2021

(Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, continuous disclosure obligations, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established for a review of interim financial statements by an entity's auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management team.

COHO COLLECTIVE KITCHENS INC.

Condensed Consolidated Interim Statements of Financial Position

(Unaudited – Expressed in Canadian Dollars)

	Note	As at June 30, 2022	As at March 31, 2022
ASSETS			
Current			
Cash		\$ 2,229,634	\$ 111,496
Trade receivables		212,389	123,058
Prepaid expenses – current portion		418,100	337,500
		<u>2,860,123</u>	<u>572,054</u>
Non-current			
Prepaid expenses		342,050	224,093
Property and equipment	4	3,361,507	2,888,052
Right-of-use assets	5	3,640,933	3,524,167
TOTAL ASSETS		\$ 10,204,613	\$ 7,208,366
LIABILITIES			
Current			
Trade payable		649,763	1,380,123
Deposits	13	184,990	172,198
Deferred revenue		15,000	10,018
Lease obligation - current portion	5	355,891	270,011
Loans from shareholders	12	87,197	88,982
Other loans - current	14	326,480	245,905
Credit facilities	8	-	646,043
		<u>1,619,321</u>	<u>2,813,280</u>
Non-current			
Lease obligation	5	3,898,808	3,853,836
Other loans	14	1,678,480	540,104
TOTAL LIABILITIES		7,196,609	7,207,220
SHAREHOLDERS' EQUITY			
Share capital	6	14,916,334	10,657,401
Other reserves	6,7	956,574	715,986
Deficit		(12,864,904)	(11,372,241)
TOTAL SHAREHOLDERS' EQUITY		3,008,004	1,146
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 10,204,613	\$ 7,208,366

Nature of operations and going concern
Subsequent events

(Note 1)
(Note 16)

Approved by the Directors:



Andrew Barnes, Director



Amrit Maharaj, Director

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

COHO COLLECTIVE KITCHENS INC.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited – Expressed in Canadian Dollars)

	Note	For the three months ended June 30, 2022	For the three months ended June 30, 2021
REVENUE			
Rental		\$ 435,154	\$ 415,955
Retail		108,158	77,123
TOTAL REVENUE		543,312	493,078
COST OF SALES (RETAIL)		59,036	38,573
GROSS PROFIT		484,276	454,505
OPERATING EXPENSES			
Advertising and promotion		32,482	31,323
Amortization	4,5	213,511	135,141
Accretion	14	12,067	-
Interest	5,8,14	183,792	117,399
Occupancy cost		175,044	126,075
Office and miscellaneous		59,646	44,078
Professional fees		553,950	174,816
Salaries and benefits	12	631,190	299,418
Subcontractor		18,174	6,425
Supplies		68,697	61,667
Share based compensation	6,12	28,386	25,028
TOTAL OPERATING EXPENSES		1,976,939	1,021,370
NET LOSS		\$ (1,492,663)	\$ (566,865)
NET LOSS PER SHARE	9	\$(0.02)	\$(0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	9	70,554,919	41,151,980

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

COHO COLLECTIVE KITCHENS INC.

Condensed Consolidated Statements of Changes in Shareholders' Equity

(Unaudited – Expressed in Canadian Dollars)

	Number of shares	Share Capital	Other Reserves	Deficit	Total Shareholders' Equity
Balance at March 31, 2021	41,151,980	\$ 3,321,614	\$ 238,804	\$ (934,155)	\$ 2,626,262
Share based compensation (Note 7)	-	-	25,028	-	25,028
Loss for the period	-	-	-	(566,865)	(566,865)
Balance at June 30, 2021	41,151,980	\$ 3,321,614	\$ 263,832	\$ (1,501,020)	\$ 2,084,425
Balance at March 31, 2022	67,351,224	\$ 10,657,401	\$ 715,986	\$ (11,372,241)	\$ 1,146
Shares issued on initial public offering net of share issuance costs (Note 6)	16,666,670	4,471,135	-	-	4,471,135
Shares issued as agent's commission on initial public offering (Note 6)	167,148	(50,144)	50,144	-	-
Shares issued as corporate finance fee (Note 6)	100,000	(30,000)	30,000	-	-
Compensation warrants issued as finder's fees on initial public offering (Note 6)	-	(132,058)	132,058	-	-
Share based compensation (Note 7)	-	-	28,386	-	28,386
Loss for the period	-	-	-	(1,492,663)	(1,492,663)
Balance at June 30, 2022	84,285,042	\$ 14,916,334	\$ 956,574	\$ (12,864,904)	\$ 3,008,004

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

COHO COLLECTIVE KITCHENS INC.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited – Expressed in Canadian Dollars)

	For the three months ended June 30, 2022	For the three months ended June 30, 2021
Operating Activities		
Net loss for the period	\$ (1,492,663)	\$ (566,865)
Items not involving cash:		
Amortization of property and equipment	119,956	65,373
Amortization of right-of-use assets	93,555	69,768
Accretion of non-interest bearing loans	12,067	-
Interest	95,024	63,905
Share based compensation	28,386	25,028
Changes in working capital and other items:		
Trade receivables	(89,331)	(23,483)
Prepaid expenses	(198,557)	(29,458)
Trade payable	(78,456)	131,842
Deferred revenue	4,983	-
Deposits	12,792	8,192
Net cash used in operating activities	<u>(1,492,244)</u>	<u>(255,698)</u>
Investing Activities		
Purchase of property and equipment	(591,398)	(73,741)
Payables related to capital expenditures	(651,904)	-
Net cash used in investing activities	<u>(1,243,302)</u>	<u>(73,741)</u>
Financing Activities		
Proceeds from share issuances	4,471,135	2,960,997
Loan advances/(repayment)	560,841	(44,325)
Lease obligation	(176,507)	(116,996)
Shareholder repayment	(1,785)	(232,176)
Net cash provided by financing activities	<u>4,853,684</u>	<u>2,567,499</u>
Increase in cash during the period	2,118,138	2,238,060
Cash, beginning of period	111,496	44,257
Cash, end of period	\$ 2,229,634	\$ 2,282,317

Supplemental Cash Flow Information

Non-Cash Transactions

Shares issued as commission on initial public offering	\$ (50,144)	\$ -
Shares issued as corporate finance fee	(30,000)	-

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

COHO COLLECTIVE KITCHENS INC.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited – Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Coho Collective Kitchens Inc. (the “Company” or “COHO”) was incorporated on June 7, 2019 under the Company Act of British Columbia. COHO’s principal business activities are the provision of Commercial Commissary Kitchen and rental of these kitchens to food based businesses in Canada. The Company’s registered office is at 2900-550 Burrard Street Vancouver, BC V6C 0A3.

Going Concern

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company is able to meet its commitments, realized its assets and discharge its liabilities through its normal course of business.

The Company’s ability to meet its financial obligations depends on a number of factors, some of which are beyond its control. These include general global economic, credit and capital market conditions, and the demand for and selling price of its services. There is no assurance that the expected cash flows from operations and the other steps being taken will allow the Company to meet its obligations as they become due.

The Company may not generate sufficient funds from operations to meet all of its financial obligations and may need to generate funds from other sources to do so. Rapidly changing global economic conditions make access to the credit and capital markets difficult for the Company, which may compromise its ability to obtain suitable financing. The Company may not generate sufficient funds from operations to meet all of its financial obligations and may need to generate funds from other sources to do so.

The Company’s existing financial obligations will constrain its capital spending and that may have an adverse effect on its operations. The Company’s debt levels will also limit its ability to expand its operations or make other investments that would enhance its competitiveness. At various times throughout the three months ended June 30, 2022, the Company was in violation of certain covenants.

Accordingly, there is a risk that the steps described above will not be successful in allowing the Company to meet its obligations, which may require the Company to sell core assets or raise debt or equity capital. However, these actions may have a material adverse effect on the Company’s business and on the market prices of its equity securities.

If the Company is unable to generate positive cash flow or obtain adequate financing, the Company would need to further slow operations. These factors indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. Failure to continue as a going concern would require that Company’s assets and liabilities be restated on a liquidation basis which could differ materially from the going concern basis.

On March 11, 2020, the outbreak of the novel strain of the coronavirus (“COVID-19”) was officially declared a pandemic by the World Health Organization and has resulted in emergency measures to contain the spread of the virus. As a result, global financial markets have expected significant volatility.

To date, the Company has not experienced a significant downturn in demand for its services in connection with the pandemic, nor has it experienced any failure to secure critical supplies or services. Due to the ongoing uncertainty around the pandemic, the Company cannot provide assurance that there will not be disruptions to its operations in the future.

COHO COLLECTIVE KITCHENS INC.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited – Expressed in Canadian Dollars)

2. BUSINESS COMBINATIONS

On September 21, 2021, Coho acquired 100% of the issued and outstanding shares of Phantom Kitchens Inc. (“Phantom”). Phantom is a party to a binding term sheet with the Toptable Group, pursuant to which, if during the initial three-year term of the agreement any of the Toptable Group restaurants or other businesses within the Toptable Group require the services of a ghost kitchen, then the Toptable Group shall first attempt to contract with a ghost kitchen owned or operated by Phantom, subject to availability. Phantom did not meet the definition of a business per IFRS 3, Business Combinations and therefore was accounted for under IFRS 2, and expensed as a share based payment. Prior to the Company completing a 2:1 share consolidation of its common shares on February 17, 2022, Coho issued a total of 52,398,478 common shares (pre-consolidation) to the shareholders of Phantom in connection with the acquisition of all of the issued and outstanding shares of Phantom.

Total shares issued	52,398,478
Fair value per share	\$ 0.14
Total fair value of shares issued	7,335,787
Fair value of assets acquired	(605,000)
Share based payment	\$ 6,730,787

Assets acquired in the Phantom transaction consists purely of cash.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These unaudited condensed consolidated interim financial statements as at and for the three months ended June 30, 2022 and 2021 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with IAS 34, Interim Financial Reporting (“IAS 34”). The accounting policies, methods of computation and presentation applied in these unaudited condensed consolidated interim financial statements are consistent with those of the previous fiscal year. These unaudited condensed consolidated interim financial statements reflect the accounting policies and disclosures described in Note 2 of the Company’s audited consolidated financial statements for the year ended March 31, 2022, and accordingly, should be read in conjunction with those audited consolidated financial statements and the notes thereto.

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value. The condensed consolidated interim financial statements are presented in Canadian dollars and all financial amounts, other than per-share amounts, are rounded to the nearest dollar. The functional currency of the Company and its subsidiaries is the Canadian dollar.

The Company changed the end of its fiscal year from December 31, 2021 to March 31, 2022.

The Company’s board of directors approved the release of these condensed consolidated interim financial statements on August 25, 2022.

COHO COLLECTIVE KITCHENS INC.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited – Expressed in Canadian Dollars)

Basis of consolidation

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

ENTITY	REGISTERED	HOLDING
Coho Commissary Inc.	British Columbia	100%
Coho Creekside Commissary Inc.	British Columbia	100%
The Block at Coho Collective Kitchens Inc.	British Columbia	100%
Café Coho Inc	British Columbia	100%
Sunshine by Coho Collective Kitchens Inc.	British Columbia	100%
Richmond by Coho Collective Kitchens Inc.	British Columbia	100%
Phantom Kitchen Inc.	British Columbia	100%
Victoria by Coho Collective Kitchens Inc.	British Columbia	100%

The subsidiaries are controlled by the Company. Control exists when the Company is exposed, or has rights, to the variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are included in the condensed consolidated interim financial statements from the date that control commences. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the condensed consolidated interim financial statements.

4. PROPERTY AND EQUIPMENT

	Software	Furniture and Equipment	Leasehold Improvements	Total
Cost				
Balance as at January 1, 2021	\$ -	\$ 529,700	\$ 1,366,850	\$ 1,896,550
Additions	86,598	95,311	1,508,436	1,690,345
Balance as at March 31, 2022	86,598	625,011	2,875,286	3,586,895
Additions	-	8,443	584,968	593,411
Balance as at June 30, 2022	86,598	633,454	3,460,254	4,180,306
Accumulated Amortization				
Balance as at January 1, 2021	-	130,847	178,960	309,807
Depreciation expense	9,346	141,712	237,978	389,036
Balance as at March 31, 2022	9,346	272,559	416,938	698,843
Depreciation expense	7,217	33,252	79,487	119,956
Balance as at June 30, 2022	16,563	305,811	496,425	818,799
Net Book Value as at June 30, 2022	\$ 70,035	\$ 327,643	\$ 2,963,829	\$ 3,361,507
Net Book Value as at March 31, 2022	\$ 77,252	\$ 352,452	\$ 2,458,348	\$ 2,888,052

COHO COLLECTIVE KITCHENS INC.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited – Expressed in Canadian Dollars)

5. LEASES

As at June 30, 2022 the Company had lease arrangements with various lease agreements for its commercial kitchens. Fair value of the right of use assets and lease obligations were determined by discounting future lease payments at incremental borrowing rates which averaged 9%, applicable on date of acquisition.

The summary of the Company's right-of-use asset and lease liabilities are as follows:

Right-of-use assets

Cost	
Balance as at January 1, 2021	\$ 2,457,353
Additions	1,821,125
Balance as at March 31, 2022	4,278,478
Additions	210,322
Balance as at June 30, 2022	\$ 4,488,800
Accumulated Amortization	
Balance as at January 1, 2021	\$ 390,028
Amortization for the year	364,284
Balance as at March 31, 2022	754,312
Amortization for the period	93,555
Balance as at June 30, 2022	847,867
Net Book Value as at June 30, 2022	\$ 3,640,933
Net Book Value as at March 31, 2022	\$ 3,524,167

Lease Obligation

Balance as at January 1, 2021	\$ 2,561,239
Additions – premises	1,819,113
Interest expense	466,077
Lease payments	(722,582)
Balance as at March 31, 2022	4,123,847
Additions – premises	212,334
Interest expense	95,024
Lease payments	(176,506)
Balance as at June 30, 2022	4,254,699
Current portion of lease liabilities	(355,891)
Non-current portion of lease liabilities	\$ 3,898,808

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 with these leases as an expense on a straight-line basis over the lease term.

COHO COLLECTIVE KITCHENS INC.

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(Unaudited – Expressed in Canadian Dollars)

As at June 30, 2022, the future minimum lease payments under non-cancellable lease agreements were payable as follows:

	June 30, 2022
Less than 1 year	\$ 663,384
Between 1 and 3 years	1,675,298
More than 3 years	5,044,887
Total	\$ 7,383,569

6. SHARE CAPITAL

Authorized

The Company may issue unlimited common voting shares without par value.

Issued

	June 30, 2022	March 31, 2022
84,285,042 Common shares (March 31, 2022 – 67,351,224)	\$ 14,916,334	\$ 10,645,170

On February 17, 2021, the Company issued 10,007,500 units of the Company at a price of \$0.30 per share by way of a private placement for gross proceeds of \$3,002,250. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.50 per warrant share for a period of 24 months. For each unit, the Company measured the value of the warrants using the Black-Scholes Option Pricing model, with the residual value of unit allocated to the common share. The Company paid cash fees totalling \$73,103, issued 633,960 units at \$0.30 per unit for a total fair value of \$190,188 to a finder and issued 2,500,000 performance warrants with a fair value of \$140,921 to a finder. Each finder unit consists of consists of one common share and one half of one common share purchase warrant whereby each full warrant can be exercised to purchase one additional share at \$0.50 for a period of 24 months. Each performance warrant is convertible into one common share at a price of \$0.40 for a period of 24 months. In connection to the financing the Company recorded a total of \$404,212 in share issuance costs and reallocated \$212,829 to reserves for the warrants issued in connection to the units.

On March 1, 2021, the Company acquired the 5% non-controlling interest of Commissary. As payment for the non-controlling interest, the Company issued 410,520 common shares at a fair value of \$0.28 per share. The difference between the value of the non-controlling interest derecognized and the fair value of common shares issued was recorded to Other Reserves.

On March 4, 2021, the Company entered into a consulting agreement with the Company's CFO. In consideration of the services rendered, the Company issued 100,000 common shares at a price of \$0.30 per share and recorded share-based payment of \$30,000.

On September 21, 2021, the Company acquired 100% of the issued and outstanding shares of Phantom. The Company issued a total of 26,199,244 common shares at fair value of \$0.28 per share to the shareholders of Phantom in connection with Coho's acquisition of all of the issued and outstanding shares of Phantom (Note 2).

On February 17, 2022, the Company's shareholders approved a 2:1 share consolidation of the Company's outstanding common shares, options and warrants (the "**Consolidation**"). The Consolidation was affected in the

COHO COLLECTIVE KITCHENS INC.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited – Expressed in Canadian Dollars)

form of the issuance of one common shares for every two. All share data and stock-based compensation plans presented herein have been retroactively adjusted to give effect to the Consolidation.

On June 9, 2022, the Company consummated its Initial Public Offering (“**IPO**”) of 16,666,670 common shares at \$0.30 per common share (the “**Offering Price**”), for aggregate gross proceeds of \$5,000,001. In connection with the IPO, the Company paid and granted to the Agent the following amounts:

- A commission equal to 8% of the gross proceeds, of which \$349,839 was paid in cash and 167,148 common shares with a fair value of \$50,144 were issued;
- Compensation warrants to purchase up to 1,333,333 common shares at the Offering Price until June 9, 2024;
- Additional compensation warrants to purchase up to 66,186 common shares with a fair value of \$132,058 were issued at the Offering Price until June 9, 2024 as a result of over-allotments satisfied by purchases in the market;
- A corporate finance fee of \$100,000, of which \$70,000 was paid in cash and 100,000 common shares with a fair value of \$30,000 were issued; and
- Reimbursement of \$20,500 for certain customary expenses incurred.

The Company also paid legal fees of \$118,493 and a \$30,000 retainer was returned to the Company in connection with the IPO.

7. OTHER RESERVES

The summary of the Company’s other reserves is as follows:

	Stock options (a)	Warrants (b)	Other	Total
Balance at March 31, 2022	\$ 315,935	\$ 353,750	\$ 46,301	\$ 715,986
Share based compensation	28,386	-	-	28,386
Compensation warrants (Note 6)	-	132,058	-	132,058
Share issuance costs	-	-	80,144	80,144
Balance at June 30, 2022	\$ 344,321	\$ 485,808	\$ 126,445	\$ 956,574

a) Stock Options

The Company has established an Omnibus plan (the “Plan”) whereby Company’s Board of Directors may from time to time grant stock options to employees and non-employees. Stock options under the Plan have been granted to directors, officers and certain employees of the Company. Stock options granted under the Plan will not have a term to exceed 5 years from the date of grant. The maximum number of shares that may be reserved for issuance under the Plan shall not exceed 10% of the Company’s outstanding common shares. Vesting is determined by the Board of Directors.

The continuity of the Company’s stock options is as follows:

	Number outstanding	Weighted average exercise price
Outstanding at March 31, 2022	3,987,500	\$ 0.32
Granted	-	-
Forfeited	-	-
Outstanding at June 30, 2022	3,987,500	\$ 0.32

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During the three months ended June 30, 2022, the Company had a total of 3,987,500 stock options outstanding under the Plan to certain directors, officers and employees of the Company. Each stock option entitles the holder to purchase one common share at an exercise price of \$0.30 to \$0.40 for a period of five years following the grant date.

The weighted average exercise price per option granted in the three months ended June 30, 2022 was \$0.32 (March 31, 2022 – \$0.32). In determining the amount of share-based compensation, the Company used the Black Scholes Option Pricing model to establish the fair value of stock options granted by applying the following assumptions:

Risk-free interest rate	0.58% - 2.52%
Expected life of options (years)	4
Expected annualized volatility	55%
Expected dividend yield	Nil

Volatility was estimated by using the historical prices of comparable publicly-list companies. The expected life in years represents the period of time that the stock options granted are expected to be outstanding. The risk-free rate was based on the zero-coupon Canada government bonds with a remaining term equal to the expected life of the stock option. The fair value of the options outstanding during the period totalled \$500,221, of which \$28,386 was recognized as share based compensation during the period for the vested options.

The number of options outstanding and exercisable under the Plan at June 30, 2022 is as follows:

Expiry date	Number of stock options outstanding	Exercise price	Number of stock options exercisable
March 25, 2026	1,937,500	\$ 0.30	756,250
March 25, 2026	100,000	0.50	25,000
August 1, 2026	50,000	0.30	12,500
August 11, 2026	712,500	0.30	178,125
August 16, 2026	50,000	0.30	12,500
September 5, 2026	75,000	0.30	18,750
October 8, 2026	125,000	0.30	31,250
October 14, 2026	250,000	0.30	62,500
December 1, 2026	112,500	0.30	28,125
January 1, 2027	275,000	0.40	275,000
March 11, 2027	300,000	0.40	75,000
Balance at June 30, 2022	3,987,500	\$ 0.32	1,475,000

b) Warrants

On February 17, 2021, the Company issued 7,820,730 warrants in connection with a non brokered private placement. Each warrant entitles the holder thereof to purchase one common share at an exercise price of \$0.40 to \$0.50 at any time until February 17, 2023.

On June 9, 2022, the Company issued 1,399,519 warrants in connection with the consummation of its IPO. Each warrant entitles the holder thereof to purchase one common share at an exercise price of \$0.30 at any time until June 9, 2024.

The fair value of the warrants was estimated using the Black Scholes Option Pricing model and the following assumptions:

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Risk-free interest rate	0.58% - 2.52%
Expected life of warrants (years)	2
Expected annualized volatility	57%
Expected dividend yield	Nil

The number of warrants outstanding as at June 30, 2022 is as follows:

	Issued	Outstanding	Exercise price	Expiry date
Private Placement Warrants	5,003,750	5,003,750	\$ 0.50	February 17, 2023
Performance Warrants	2,500,000	2,500,000	0.40	February 17, 2023
Finder Warrants	316,980	316,980	0.50	February 17, 2023
Compensation Warrants	1,399,519	1,399,519	0.30	June 9, 2024
Balance at June 30, 2022	9,220,249	9,220,249	\$ 0.44	

8. CREDIT FACILITIES

	June 30, 2022 ⁽¹⁾	March 31, 2022 ⁽¹⁾
Credit Facilities	\$ -	\$ 646,043

⁽¹⁾ As at June 30, 2022 the prime rate was 3.70% (March 31, 2022 – 2.70%)

On May 27, 2022, the Company repaid the following Credit Facilities in full:

- Pursuant to a credit facility agreement dated August 11, 2020, COHO was provided with a variable rate Canadian Small Business Financing Term Loan (“Credit Facility 1”). Credit Facility 1 was authorized for a limit of \$236,653 (\$226,653 – variable rate term loan and \$10,000 – Operating loan) bearing interest at the rate of prime + 3.00% and due on demand. Immediately prior to repayment, Credit Facility 1 had a balance outstanding of \$146,102 (March 31, 2022 - \$149,481).
- Pursuant to a credit facility agreement dated August 10, 2020, COHO was provided with a variable rate Canadian Small Business Financing Term Loan (“Credit Facility 2”). Credit Facility 2 was authorized for a limit of \$357,658 (\$347,658 – variable rate CSBFA term loan and \$10,000 – Operating loan) bearing interest at the rate of prime + 3.00% and due on demand. Immediately prior to repayment, Credit Facility 2 had a balance outstanding of \$298,004 (March 31, 2022 - \$302,885).
- Pursuant to a credit facility agreement dated August 10, 2020, COHO was provided with a variable rate Canadian Small Business Financing Term Loan (“Credit Facility 3”). Credit Facility 3 was authorized for a limit of \$278,244 (\$258,244 – variable rate CSBFA term loan and \$20,000 – Operating loan) bearing interest at the rate of prime + 3.00% and due on demand. Immediately prior to repayment, Credit Facility 3 had a balance outstanding of \$183,318 (March 31, 2022 - \$193,677).

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(Unaudited – Expressed in Canadian Dollars)

9. BASIC AND DILUTED LOSS PER SHARE

	June 30, 2022	June 30, 2021
Net loss per share	(\$0.02)	(\$0.01)
- Losses used in calculation of net loss per share	(\$1,492,663)	(\$566,865)
- Weighted average number of common shares used as the denominator in calculating net loss per share	70,554,919	41,151,980

10. CAPITAL DISCLOSURES

As at June 30, 2022, the Company's capital structure is comprised of shareholders' equity and other loans. The Company's financial strategy is designed and formulated to maintain a flexible capital structure to allow for the ability to respond to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objectives, when managing its capital, are to maintain adequate levels of funding to support the operations of the Company and to maintain corporate and administrative functions.

The capital structure of the Company is managed to provide sufficient funding operating activities. Funds are primarily secured through a combination of equity capital raises and debt. The Company's financing and refinancing decisions are made on a specific transaction basis and depend on factors such as its needs, market and economic conditions at the time of transaction. There were no changes in the Company's approach to capital management during the year. The Company is exposed to externally imposed capital requirements.

11. FINANCIAL RISK MANAGEMENT

The Company is exposed to certain financial risks as listed below. There has been no change in the exposure to risk, nor its objectives, policies and process for managing the risk from the prior year. Disclosures relating to exposure to risks, in particular credit risk, liquidity risk and interest rate risk are provided below.

Credit risk

Credit risk is the risk of unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and trade receivables. The Company limits its exposure to credit risk with respect to cash by investing available cash with major regulated financial institutions. The Company's cash is not subject to any external restrictions.

As at June 30, 2022, the Company's receivables were all current. The Company mitigates the risk by performing ongoing credit evaluation of its customers' financial condition. The Company monitors collectability of receivables on an ongoing basis to determine credit risk.

Liquidity risk

As at June 30, 2022 the Company had a cash balance of \$2,229,634 available to settle current liabilities of \$1,619,321. The Company expects to finance its operating expenses through cash flow operations, debt as well as equity financing.

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The estimated cash payments due in respect of contractual and legal obligations including debt and interest payments are summarized as follows:

	Maturity			Total
	Within 1 year	1-5 years	Greater than 5 years	
Trade payable	\$ 649,763	\$ -	\$ -	\$ 649,763
Deposits	184,990	-	-	184,990
Deferred revenue	15,000	-	-	15,000
Lease obligation	663,384	2,206,825	4,513,360	7,383,569
Loans from shareholders	87,197	-	-	87,197
Other loans	326,480	1,678,480	-	2,004,960
	\$ 1,926,814	\$ 3,885,305	\$ 4,513,360	\$ 10,325,479

Market risk

The market risk with respect to the foreign currencies are the risk of fluctuations related to cash, trade payables and accrued liabilities that are denominated in a foreign currency. As at June 30, 2022, the Company had no assets or liabilities denominated in foreign currencies. Management's assessment of the Company's exposure to market risk is minimal.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company continuously monitors interest rates and economic conditions. At June 30, 2022, the Company is exposed to interest rate risk regarding its variable rate loans (Note 14) with outstanding balances totaling \$2,004,960. A 1% change in the interest rate on the loans would have a pre-tax impact of \$20,050 on net loss for the period.

12. RELATED PARTY TRANSACTIONS

a. Loans from shareholders

As at June 30, 2022, the Company had loans due to the Company's CEO of \$36,957 (March 31, 2022 - \$50,241), and due to the Company's COO and a company controlled by the COO of \$50,240 (March 31, 2022 - \$38,741). The loans are unsecured, non-interest bearing and due on demand.

b. Salaries and fees paid to related parties

For the three months ended June 30, 2022, the Company recorded \$100,000 (June 30, 2021 - \$73,750) in key management compensation to the Company's CEO, COO, CMO, and CCO.

c. Share based compensation to related parties

As at June 30, 2022, 750,000 stock options granted to the Company's directors were outstanding. Each stock option entitles the holder to purchase one common share at an exercise price between \$0.30 and \$0.50 for a period of five years following the grant date. The fair value of the options granted totaled \$83,669 (2021 - \$11,233) of which \$7,238 (June 30, 2021 - \$585) was recognized as share based compensation during the period for the vested options.

13. DEPOSITS

At inception of a contract, a customer is required to pay a deposit. One-half of each deposit is applied to the first month rent of the term; and the remainder of the deposit is kept as security for the underlying contract and is

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refundable at the end of the term. The contracts are short-term and as such, the deposits are classified as a current liability. Details are as follows:

	June 30, 2022	March 31, 2022
Opening Balance	\$ 172,198	\$ 95,139
Additions (net of refunds)	12,792	77,059
Closing balance	\$ 184,990	\$ 172,198

14. LOANS PAYABLE

- a. On November 27, 2019 the Company borrowed \$100,000 from a lender bearing an interest rate of 10% and is due on December 10, 2022. The loan is repayable on a monthly basis commencing January 10, 2020. At June 30, 2022 the balance outstanding was \$20,000 (March 31, 2022 - \$30,000), all of which is classified as a current liability. During the three months ended June 30, 2022 the Company recorded \$588 (2021 - \$1,596) in interest expense relating to the loan.
- b. On February 5, 2020 the Company entered into a loan agreement with the Business Development Bank of Canada (“BDC”) to borrow up to \$200,000 with a maturity date of November 23, 2026. The loan carries a base interest rate of 10.90% plus the BDC’s floating rate which was deemed to be 6.05% at the time of issuance. During the three months ended June 30, 2022 the Company recorded \$6,821 (2021 - \$7,733) in interest expense in connection to the loan and repaid principal of \$14,681 (2021 - \$15,593). As at June 30, 2022 the remaining balance due was \$140,600 (March 31, 2022 - \$155,610).
- c. During the year ended December 31, 2020 the Company received an operating loan of \$150,000 from VanCity Credit Union bearing an interest rate of 5.45%. On May 27, 2022, the loan was repaid in full. Immediately prior to repayment, the remaining balance on the loan was \$127,496 (March 31, 2022 - \$130,106).
- d. During the year ended December 31, 2020 under the Canada Emergency Business Account (“CEBA”) program, the Company received \$180,000 in loans (the “CEBA Loans”). The CEBA Loans are an interest-free loans, available to the Company until December 31, 2020. \$60,000 of the loans are forgivable if repayment is made on or before December 31, 2023. During the year ended December 31, 2020 the Company recognized \$60,000 as other income in relation to the forgivable portion of the loans. The entire portion of the loan remains interest free as long as the Company repays the debt by December 31, 2023 at which time interest of 5% per annum will begin accruing. No interest was recorded on the CEBA Loans during the period.
- e. On January 1, 2022, the Company borrowed \$500,000 from consultants, acting at arm’s length. The loans are unsecured, non-interest bearing and subordinated to the Company’s Credit Facilities. The loans are repayable on an annual basis commencing January 10, 2023, and due on January 10, 2027. In the event of a default, a 7% interest rate will apply to the outstanding loan balance. In lieu of interest payments, the consultants received 250,000 stock options. Each stock option entitles the holder to purchase one common share at an exercise price of \$0.40 for a period of five years following the grant date. The Company recorded the debt at its fair value using a rate of 15% and the residual was allocated to the value of the stock options and recorded to Other Reserves. On June 10, 2022, the Company repaid \$90,000 of the loans. As at June 30, 2022 the fair value of the loans outstanding was \$272,360 (March 31, 2022 -

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\$350,293). During the three months ended June 30, 2022, the Company recorded \$12,067 (2021 - \$nil) in accretion expense in connection to the non-interest bearing loans.

- f. On April 1, 2022, the Company borrowed \$150,000 from a lender, acting at arm's length. The loan bears interest at a rate of 16% per annum and is subordinated to the Company's Vancity and BDC credit facilities. The loan does not begin to accrue interest until June 1, 2022. During the three months ended June 30, 2022, the Company recorded \$2,000 in interest expense in connection to the loan (March 31, 2022 - \$nil). As at June 30, 2022, the remaining balance due is \$152,000 (March 31, 2022 - \$nil).
- g. On April 8, 2022, the Company borrowed \$500,000 from lenders, acting at arm's length. On June 9, 2022, the loans were fully repaid. The loans bore interest at a rate of 20% per annum and were subordinated to the Company's Vancity and BDC credit facilities. During the three months ended June 30, 2022, the Company recorded \$22,032 in interest expense in connection to the loans (March 31, 2022 - \$nil).
- h. On May 4, 2022, the Company borrowed \$130,000 from a lender, acting at arm's length. On June 14, 2022, the loan was fully repaid. The loan bore interest at a rate of 7% per annum and was subordinated to the Company's Vancity and BDC credit facilities. During the three months ended June 30, 2022, the Company recorded \$1,022 in interest expense in connection to the loan (March 31, 2022 - \$nil).
- i. On May 13, 2022, the Company entered into a loan agreement to borrow up to \$1,300,000 (the "**Facility**"). On May 27, 2022, \$754,920 of the Facility was used to repay the Company's Vancit Credit Facilities of \$627,424 and operating loan of \$127,496. Coho has the right to repay the Facility at any time before the maturity date, without notice, bonus or penalty. The Facility carries an interest rate of prime +3.00% per annum (compounded monthly, not in advance) and has a term of 18 months. Interest is paid monthly through the interest reserve of \$120,900 that is retained by the provider. During the three months ended June 30, 2022 the Company recorded \$13,433 (2021 - \$nil) in interest expense in connection to the Facility. The Facility is guaranteed by certain subsidiaries of the Company and also guaranteed personally by the Company's CEO, COO and CMO. As at June 30, 2022, the remaining balance due is \$1,300,000 (March 31, 2022 - \$nil).

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15. INCOME TAXES

Income tax expense is recognized at an amount determined by multiplying the profit (loss) before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognized in full in the interim period. As such, the effective tax rate in the interim financial statements may differ from management's estimate of the effective tax rate for the consolidated annual financial statements.

The Company's consolidated effective tax rate in respect of continuing operations for the three months ended June 30, 2022 was 27% (three months ended June 31, 2022 – 27%).

16. SUBSEQUENT EVENTS

- a. On May 3, 2022, Victoria by Coho Collective Kitchens Inc. ("**Coho Victoria**") entered into a lease agreement at 1701 Douglas Street, Victoria, BC V8W 2G7 ("**Hudson Market**"). Coho Victoria leased the Hudson Market location from Hudson Retail Inc. The Hudson Market location is split into two properties measuring 1,311 square feet and 1,013 square feet, respectively. The rates for years one to three will be \$26 per square foot and will increase to \$27 by year four of the lease. On July 22, 2022, the lease commencement date of both Hudson Market properties was amended to October 1, 2022.
- b. On July 18, 2022, the Company announced the appointment of Carla Matheson as Chief Financial Officer, effective August 15, 2022. In connection with Matheson's appointment as CFO, the Company's Board of Directors has also approved the grant of 400,000 restricted share units ("**RSUs**") to Matheson, effective August 15, 2022. The RSUs will fully vest one year from the date of grant. Once vested, each RSU represents the right to receive one common share of the Company. The RSUs will be granted pursuant and subject to the terms of the Company's Plan, the applicable grant agreement, and the requirements of the TSX Venture Exchange.
- c. On July 21, 2022, the Company entered into an investor relation service agreement (the "**IR Agreement**") with Apollo Shareholder Relations Ltd. ("**Apollo**") to provide investor relations and capital markets advisory services to the Company, effective August 3, 2022. The IR Agreement has an initial term of six months, for which Apollo will be paid a monthly fee of \$7,500. Apollo and its associates will also be granted 150,000 common share purchase options of the Company at an exercise price of \$0.21 for a period of five years following the grant date. The IR Agreement is subject to the policies of the TSX Venture Exchange and applicable securities laws.
- d. On July 22, 2022, Richmond by Coho Collective Kitchens Inc. ("**Coho Richmond**") entered into a lease agreement at 13711 International Place, Richmond, BC V6V 2Z8 ("**Richmond**"). Coho Richmond leased the premises from Peterson Crestwood Limited Partnership and the Richmond location consists of three premises: (i) the commissary premises measuring 19,000 square feet, (ii) the grocery premises measuring 1,500 square feet, and (iii) the food hall premises measuring 5,500 square feet. For the commissary premises, the rates for years one to two will be \$27.11 per square foot, for years three to four will be \$29.11 per square foot, and for year five will be \$32.11 per square foot. For the grocery premises, the rate for years one to five will be \$15 per square foot. For the food hall premises, the rate for years one to five will be \$7 per square foot.
- e. On August 15, 2022, the Company granted 400,000 stock options to a consultant, acting at arm's length, fully vesting one year after the date of grant. Each stock option entitles the holder to purchase one common share at an exercise price of \$0.18 for a period of five years following the grant date.

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- f. On August 15, 2022, the Company granted a total of 1,110,000 RSUs to certain consultants, subject to the terms of the Company's Plan, the applicable grant agreement, and the requirements of the TSX Venture Exchange. The RSUs will fully vest one year from the date of grant. Once vested, each RSU represents the right to receive one common share of the Company.

- g. On August 15, 2022, the Company granted a total of 362,500 RSUs to certain employees, subject to the terms of the Company's Plan, the applicable grant agreement, and the requirements of the TSX Venture Exchange. The RSUs will vest evenly at each anniversary from the date of grant over the next four years. Once vested, each RSU represents the right to receive one common share of the Company.