

Condensed Consolidated Interim Financial Statements of

**Coho Collective Kitchens Inc.**  
**(Unaudited)**

For the three and six months ended September 30, 2023 and 2022

(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 September 30, 2023	As at March 31, 2023
<b>ASSETS</b>			
Current			
Cash		\$ 573,494	\$ 249,737
Receivables		321,273	206,807
Inventory		204,653	-
Prepaid expenses – current portion		463,801	254,020
		<u>1,563,221</u>	<u>710,564</u>
Non-current			
Prepaid expenses		954,978	356,588
Property and equipment	4	7,078,619	4,718,007
Right-of-use assets	5	10,592,349	7,206,455
Goodwill and other intangibles	2	9,504,709	-
<b>TOTAL ASSETS</b>		<b>\$ 29,693,876</b>	<b>\$ 12,991,614</b>
<b>LIABILITIES</b>			
Current			
Trade payables and accrued liabilities		4,591,774	2,241,801
Deposits	12	311,288	206,119
Deferred revenue		72,410	35,780
Lease obligation – current portion	5	1,053,173	584,394
Loans from shareholders	11	75,410	54,728
Other loans – current portion	13	3,050,385	2,250,062
Convertible debentures – current portion	14	184,067	-
		<u>9,338,507</u>	<u>5,372,884</u>
Non-current			
Lease obligation	5	11,114,814	7,696,927
Other loans	13	638,163	1,231,926
Convertible debentures	14	1,457,348	-
Term facility	15	5,500,000	-
Vendor take-back note	16	1,500,000	-
<b>TOTAL LIABILITIES</b>		<b>29,548,832</b>	<b>14,301,737</b>
<b>SHAREHOLDERS' EQUITY (DEFICIT)</b>			
Share capital	6	18,457,138	14,916,334
Other reserves	6,7	2,384,852	1,217,102
Subscriptions received in advance	6	25,000	-
Deficit		(20,721,946)	(17,443,559)
<b>TOTAL SHAREHOLDERS' EQUITY (DEFICIT)</b>		<b>145,044</b>	<b>(1,310,123)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 29,693,876</b>	<b>\$ 12,991,614</b>

Nature of operations and going concern (Note 1)

Subsequent events (Note 18)

Approved by the Directors:

"Andrew Barnes"  
Andrew Barnes, Director

"Amrit Maharaj"  
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	Three months ended September 30, 2023	Three months ended September 30, 2022	Six months ended September 30, 2023	Six months ended September 30, 2022
<b>REVENUE</b>					
Rental		\$ 724,123	\$ 412,920	\$ 1,303,156	\$ 848,074
Retail		909,794	243,375	1,223,090	351,533
<b>TOTAL REVENUE</b>		<b>1,633,917</b>	<b>656,295</b>	<b>2,526,246</b>	<b>1,199,607</b>
<b>COST OF SALES (RETAIL)</b>		<b>285,253</b>	<b>108,394</b>	<b>386,710</b>	<b>167,430</b>
<b>GROSS PROFIT</b>		<b>1,348,664</b>	<b>547,901</b>	<b>2,139,536</b>	<b>1,032,177</b>
<b>OPERATING EXPENSES</b>					
Advertising and promotion		10,776	11,613	36,365	44,095
Amortization	4,5	445,770	333,888	849,022	547,399
Accretion	13,14	16,761	16,637	31,053	28,704
Interest	5,13,14	314,590	235,634	567,363	419,426
Occupancy cost		262,171	209,832	553,235	384,876
Office and miscellaneous		117,453	61,924	199,362	121,570
Professional fees		694,051	510,243	904,912	1,064,193
Salaries and benefits	11	876,062	760,093	1,441,255	1,391,283
Share based compensation	7,11	97,879	81,707	201,405	110,093
Subcontractor		11,405	23,545	25,293	41,719
Supplies		85,930	101,075	168,152	169,772
<b>TOTAL OPERATING EXPENSES</b>		<b>2,932,848</b>	<b>2,346,191</b>	<b>4,977,418</b>	<b>4,323,130</b>
<b>NET OPERATING LOSS</b>		<b>\$ (1,584,184)</b>	<b>\$ (1,798,290)</b>	<b>\$ (2,837,882)</b>	<b>\$ (3,290,953)</b>
<b>OTHER ITEMS</b>					
Loss on derecognition of property and equipment	4	-	-	(81,614)	-
Gain on forgiveness of loan	13	-	-	12,000	-
Gain on write off of trade payables		29,994	-	29,994	-
<b>NET LOSS BEFORE TAXES</b>		<b>\$ (1,554,190)</b>	<b>\$ (1,798,290)</b>	<b>\$ (2,877,502)</b>	<b>\$ (3,290,953)</b>
Income tax expense		(20,600)	-	(20,600)	-
<b>NET LOSS</b>		<b>\$ (1,574,790)</b>	<b>\$ (1,798,290)</b>	<b>\$ (2,898,102)</b>	<b>\$ (3,290,953)</b>
<b>NET LOSS PER SHARE – BASIC AND DILUTED</b>					
	8	<b>\$(0.02)</b>	<b>\$(0.02)</b>	<b>\$(0.03)</b>	<b>\$(0.04)</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC AND DILUTED</b>					
	8	<b>87,677,785</b>	<b>84,285,042</b>	<b>85,990,683</b>	<b>77,807,625</b>

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

# COHO COLLECTIVE KITCHENS INC.

## Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficit)

(Unaudited – Expressed in Canadian Dollars)

	Number of shares	Share Capital	Other Reserves	Subscriptions Received in Advance	Deficit	Total Shareholders' Equity (Deficit)
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)	-	-	110,093	-	-	110,093
Net loss for the period	-	-	-	-	(3,290,953)	(3,290,953)
<b>Balance at September 30, 2022</b>	<b>84,285,042</b>	<b>\$ 14,916,334</b>	<b>\$ 1,038,281</b>	<b>\$ -</b>	<b>(14,663,194)</b>	<b>\$ 1,291,421</b>
Balance at March 31, 2023	84,285,042	\$ 14,916,334	\$ 1,217,102	\$ -	(17,443,559)	\$ (1,310,123)
Shares issued on private placement net of share issuance costs (Note 6)	26,445,186	4,266,608	-	-	-	4,266,608
Shares issued as finder's fees on private placement (Note 6)	945,181	(160,681)	160,681	-	-	-
Shares issued as corporate finance fee (Note 6)	294,118	(50,000)	50,000	-	-	-
Compensation warrants issued as finder's fees on private placement (Note 6)	-	(36,682)	36,682	-	-	-
Agent warrants issued as finder's fees on private placement (Note 6)	-	(131,904)	131,904	-	-	-
Subscriptions received in advance (Note 6)	-	-	-	25,000	-	25,000
Shares issued for acquisition of Purebread (Note 2,6)	1,000,000	170,000	-	-	(380,285)	(210,285)
Shares issued as finder's fees on acquisition of Purebread (Note 2,6)	2,500,000	(425,000)	425,000	-	-	-
Finder's warrants issued as finder's fees on acquisition of Purebread (Note 2,7)	-	(91,537)	91,537	-	-	-
Shares issued for vested restricted share units (Note 6)	71,875	-	-	-	-	-
Equity component of convertible debentures (Note 7,14)	-	-	70,541	-	-	70,541
Share-based compensation (Note 7)	-	-	201,405	-	-	201,405
Net loss for the period	-	-	-	-	(2,898,102)	(2,898,102)
<b>Balance at September 30, 2023</b>	<b>115,541,402</b>	<b>\$ 18,457,138</b>	<b>\$ 2,384,852</b>	<b>\$ 25,000</b>	<b>(20,721,946)</b>	<b>\$ 145,044</b>

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 six months ended September 30, 2023		For the six months ended September 30, 2022
<b>Operating Activities</b>				
Net loss for the period	\$	(2,898,102)	\$	(3,290,953)
Items not involving cash:				
Amortization of property and equipment		435,925		292,891
Amortization of right-of-use assets		413,097		254,508
Accretion of non-interest bearing loans and convertible debentures		31,053		28,704
Interest		417,971		283,480
Share-based compensation		201,405		110,093
Loss on derecognition of property and equipment		81,614		-
Gain on forgiveness of loan		(12,000)		-
Gain on write off of trade payables		(29,994)		-
Changes in working capital and other items:				
Receivables		206,807		(76,528)
Inventory		(204,653)		-
Prepaid expenses		(808,171)		(63,577)
Trade payables and accrued liabilities		493,370		207,074
Deferred revenue		36,630		(4,838)
Deposits		105,169		4,007
Net cash used in operating activities		(1,529,879)		(2,255,139)
<b>Investing Activities</b>				
Purchase of property and equipment		(2,501,796)		(1,136,582)
Payables related to capital expenditures		1,565,324		(702,838)
Cash paid for acquisition of Purebread		(2,714,994)		-
Net cash used in investing activities		(3,651,466)		(1,839,420)
<b>Financing Activities</b>				
Proceeds from share issuances net of share issuance costs		4,266,608		4,471,135
Subscriptions received in advance		25,000		-
Proceeds from convertible debentures		1,000,000		-
Loan advances		1,822,170		2,080,000
Loan repayments		(974,774)		(1,677,019)
Lease obligation		(654,584)		(585,314)
Shareholder advances (repayments)		20,682		(23,707)
Net cash provided by financing activities		5,505,102		4,265,095
Increase in cash during the period		323,757		170,536
Cash, beginning of period		249,737		111,496
<b>Cash, end of period</b>	<b>\$</b>	<b>573,494</b>	<b>\$</b>	<b>282,032</b>

### Supplemental Cash Flow Information

#### Non-Cash Transactions

Shares issued as commission on private placement	\$	(160,681)	\$	-
Shares issued as corporate finance fee on private placement		(50,000)		-
Compensation warrants issued as finder's fees on private placement		(36,682)		-
Agent warrants issued as finder's fees on private placement		(131,904)		-
Shares issued for acquisition of Purebread		170,000		-
Shares issued as finder's fees on acquisition of Purebread		(425,000)		-
Finder's warrants issued as finder's fees on acquisition of Purebread		(91,537)		-
Term facility used for acquisition of Purebread		5,500,000		-

# COHO COLLECTIVE KITCHENS INC.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended September 30, 2023 and 2022

(Unaudited – Expressed in Canadian Dollars)

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Vendor take-back note issued for acquisition of Purebread	1,500,000	-
Equity component of convertible debentures	70,541	-
Reclassification of other loans to convertible debentures	650,000	-
Shares issued as commission on initial public offering	-	(50,144)
Shares issued as corporate finance fee on initial public offering	-	(30,000)
Compensation warrants issued as finder's fees on initial public offering	-	(132,058)

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

For the three and six months ended September 30, 2023 and 2022

(Unaudited – Expressed in Canadian Dollars)

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

Coho Collective Kitchens Inc. (the “Company” or “Coho”) was incorporated on June 7, 2019 under the *Business Corporations 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. As at September 20, 2023, the Company’s principal business activities include the operations of Purebread. Bakery Inc. (“Purebread”), which currently runs seven bakery and café locations across British Columbia. 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, realize 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’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.

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.

### 2. BUSINESS COMBINATIONS

On September 20, 2023, Coho Acquisition Corp. acquired 100% of the issued and outstanding shares of Purebread (the “Acquisition”). Purebread met the definition of a business per IFRS 3, Business Combinations and therefore was accounted for under IFRS 3. Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill.

At the time of issuance of these condensed consolidated interim financial statements, certain aspects of the valuation are not finalized, accordingly the preliminary purchase price allocation is subject to change.

# COHO COLLECTIVE KITCHENS INC.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended September 30, 2023 and 2022

(Unaudited – Expressed in Canadian Dollars)

The following table summarizes the recognized amounts of assets acquired, liabilities assumed and consideration paid, at the date of acquisition:

### Consideration paid:

Cash paid	\$	8,215,015
Vendor take-back note issued (Note 16)		1,500,000
1,000,000 common shares issued at \$0.17 per share (Note 6)		170,000
<b>Total</b>	<b>\$</b>	<b>9,885,015</b>

### Net assets acquired:

Cash	\$	59,865
Receivables		21,636
Inventory		200,000
Prepaid expenses		73,212
Property and equipment		595,086
Goodwill and other intangibles		9,504,709
Trade payables and accrued liabilities		(506,578)
Other loans		(62,915)
<b>Total</b>		<b>9,885,015</b>

In connection with the Acquisition, the Company also paid a finder's fee to the Agent on September 20, 2023. The finder's fee consisted of 2,500,000 common shares (Note 6) and 2,500,000 common share purchase warrants ("Finder's Warrants") (Note 7). Each Finder's Warrant entitles the holder to purchase one common share at an exercise price of \$0.40 until September 20, 2026.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

These unaudited condensed consolidated interim financial statements as at and for the three and six months ended September 30, 2023 and 2022 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 3 of the Company's audited consolidated financial statements for the year ended March 31, 2023, 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's board of directors approved the release of these condensed consolidated interim financial statements on November 29, 2023.



# COHO COLLECTIVE KITCHENS INC.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended September 30, 2023 and 2022

(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%
Coho Acquisition Corp. <sup>(1)</sup>	British Columbia	100%
Purebread <sup>(2)</sup>	British Columbia	100%

<sup>(1)</sup> Coho Acquisition Corp. was incorporated on May 26, 2023.

<sup>(2)</sup> Purebread was acquired on September 20, 2023 and is a wholly owned subsidiary of Coho Acquisition Corp. (Note 2).

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
<b>Cost</b>				
Balance as at March 31, 2022	\$ 86,598	\$ 625,011	\$ 2,875,286	\$ 3,586,895
Additions	-	433,645	2,068,333	2,501,978
<b>Balance as at March 31, 2023</b>	<b>86,598</b>	<b>1,058,656</b>	<b>4,943,619</b>	<b>6,088,873</b>
Additions	-	161,757	2,716,394	2,878,151
Derecognition of property and equipment	-	-	(134,757)	(134,757)
<b>Balance as at September 30, 2023</b>	<b>86,598</b>	<b>1,220,413</b>	<b>7,525,256</b>	<b>8,832,267</b>
<b>Accumulated Amortization</b>				
Balance as at March 31, 2022	9,346	272,559	416,938	698,843
Depreciation expense	28,866	238,657	404,500	672,023
<b>Balance as at March 31, 2023</b>	<b>38,212</b>	<b>511,216</b>	<b>821,438</b>	<b>1,370,866</b>
Depreciation expense	14,433	105,221	316,271	435,925
Derecognition of property and equipment	-	-	(53,143)	(53,143)
<b>Balance as at September 30, 2023</b>	<b>52,645</b>	<b>616,437</b>	<b>1,084,566</b>	<b>1,753,648</b>

# COHO COLLECTIVE KITCHENS INC.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended September 30, 2023 and 2022

(Unaudited – Expressed in Canadian Dollars)

<b>Net Book Value as at September 30, 2023</b>	<b>\$ 33,953</b>	<b>\$ 603,976</b>	<b>\$ 6,440,690</b>	<b>\$ 7,078,619</b>
Net Book Value as at March 31, 2023	\$ 48,386	\$ 547,440	\$ 4,122,181	\$ 4,718,007

Furniture and equipment are included in the leased space to the Company's customers.

### 5. LEASES

As at September 30, 2023 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

<b>Cost</b>	
Balance as at March 31, 2022	\$ 4,278,478
Additions	4,463,164
Derecognition of right-of-use asset	(335,206)
<b>Balance as at March 31, 2023</b>	<b>8,406,436</b>
Additions	3,798,991
<b>Balance as at September 30, 2023</b>	<b>\$ 12,205,427</b>
<b>Accumulated Amortization</b>	
Balance as at March 31, 2022	\$ 754,311
Amortization	655,174
Derecognition of right-of-use asset	(209,504)
<b>Balance as at March 31, 2023</b>	<b>1,199,981</b>
Amortization	413,097
<b>Balance as at September 30, 2023</b>	<b>1,613,078</b>
<b>Net Book Value as at September 30, 2023</b>	<b>\$ 10,592,349</b>
Net Book Value as at March 31, 2023	\$ 7,206,455

#### Lease Obligation

<b>Balance as at March 31, 2022</b>	\$ 4,123,847
Additions – premises and equipment	4,878,058
Interest expense	667,659
Lease payments	(1,220,114)
Derecognition of lease obligation	(168,129)
<b>Balance as at March 31, 2023</b>	<b>8,281,321</b>
Additions – premises	4,175,346
Interest expense	365,904
Lease payments	(654,584)
<b>Balance as at September 30, 2023</b>	<b>12,167,987</b>
Current portion of lease liabilities	(1,053,173)
<b>Non-current portion of lease liabilities</b>	<b>\$ 11,114,814</b>

# COHO COLLECTIVE KITCHENS INC.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended September 30, 2023 and 2022  
(Unaudited – Expressed in Canadian Dollars)

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.

The variable rental payments that were expensed and not included in the measurement of right-of-use assets and lease obligations during the six months ended September 30, 2023 was \$264,976 (September 30, 2022- \$195,496).

As at September 30, 2023, the future minimum lease payments under non-cancellable lease agreements were payable as follows:

	<b>September 30, 2023</b>
<b>Less than 1 year</b>	\$ 2,057,921
<b>Between 1 and 3 years</b>	5,340,598
<b>More than 3 years</b>	11,961,500
<b>Total</b>	<b>\$ 19,360,019</b>

### 6. SHARE CAPITAL

#### Authorized

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

#### Issued

	<b>September 30, 2023</b>	<b>March 31, 2023</b>
115,541,402 Common shares (March 31, 2023 – 84,285,042)	\$ 18,457,138	\$ 14,916,334

#### During the six months ended September 30, 2023:

On September 20, 2023, the Company issued 26,445,186 units of the Company at a price of \$0.17 per unit by way of a private placement for gross proceeds of \$4,495,682. 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 \$0.25 per warrant share for a period of 36 months. Using the residual value method, the value assigned to the warrants attached to the units was \$nil. In connection with the private placement, the Company paid and granted to the Agent the following amounts:

- A commission equal to 8% of the gross proceeds, of which \$118,974 was paid in cash and 945,181 common shares with a fair value of \$160,681 were issued;
- Compensation warrants with a value of \$36,682 to purchase up to 619,649 common shares at \$0.25 until September 20, 2026;
- Agent warrants with a value of \$131,904 to purchase up to 1,645,027 units at \$0.17 until September 20, 2026;
- A corporate finance fee of \$100,000, of which \$50,000 was paid in cash and 294,118 common shares with a fair value of \$50,000 were issued; and,
- Reimbursement of \$90,100 for certain customary expenses incurred.

A \$30,000 retainer was returned to the Company in connection with the private placement.

# COHO COLLECTIVE KITCHENS INC.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended September 30, 2023 and 2022

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As at September 30, 2023, the Company received \$25,000 in proceeds from a subscriber before common shares were issued.

On September 20, 2023, the Company issued 1,000,000 common shares at \$0.17 per share as consideration and 2,500,000 common shares at \$0.17 per share to the Agent in connection with the Acquisition (Note 2).

On September 27, 2023, 71,875 common shares were issued upon the vesting of 71,875 restricted share units (Note 7)

### During the six months ended September 30, 2022:

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. The Company incurred bank fees of \$34 in connection with the IPO.

### 7. OTHER RESERVES

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

	Stock options (a)	Restricted share units (b)	Warrants (c)	Other	Total
Balance at March 31, 2022	\$ 315,935	\$ -	\$ 353,750	\$ 46,301	\$ 715,986
Share-based compensation	106,448	182,466	-	-	288,914
Compensation warrants (Note 6)	-	-	132,058	-	132,058
Share issuance costs (Note 6)	-	-	-	80,144	80,144
<b>Balance at March 31, 2023</b>	<b>\$ 422,383</b>	<b>\$ 182,466</b>	<b>\$ 485,808</b>	<b>\$ 126,445</b>	<b>\$ 1,217,102</b>
Share-based compensation	43,299	158,106	-	-	201,405
Finder’s warrants (Note 2)	-	-	91,537	-	91,537
Compensation warrants (Note 6)	-	-	36,682	-	36,682
Agent warrants (Note 6)	-	-	131,904	-	131,904
Share issuance costs (Note 6)	-	-	-	635,681	635,681
Convertible debentures (Note 14)	-	-	-	70,541	70,541
<b>Balance at September 30, 2023</b>	<b>\$ 465,682</b>	<b>\$ 340,572</b>	<b>\$ 745,931</b>	<b>\$ 832,667</b>	<b>\$ 2,384,852</b>

# COHO COLLECTIVE KITCHENS INC.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended September 30, 2023 and 2022  
(Unaudited – Expressed in Canadian Dollars)

### a) Stock Options

The Company has established an Omnibus plan (the “Plan”) whereby the 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, consultants and certain employees of the Company. Stock options granted under the Plan will not have a term to exceed 10 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	1,062,500	0.17
Forfeited	(900,000)	0.26
<b>Outstanding at March 31, 2023</b>	<b>4,150,000</b>	<b>\$ 0.29</b>
Forfeited	(262,500)	0.29
<b>Outstanding at September 30, 2023</b>	<b>3,887,500</b>	<b>\$ 0.29</b>

As at September 30, 2023, the Company had a total of 3,887,500 stock options outstanding under the Plan to certain directors, officers, consultants and employees of the Company. Each stock option entitles the holder to purchase one common share at an exercise price of \$0.11 to \$0.50 for a period of five years following the grant date.

The weighted average exercise price per option granted in the six months ended September 30, 2023 was \$nil as no options were granted (September 30, 2022 – \$0.21). 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 during the six months ended September 30, 2023 and 2022 by applying the following weighted average assumptions:

	September 30, 2023	September 30, 2022
Risk-free interest rate	N/A	2.70%
Expected life of options (years)	N/A	5
Expected annualized volatility	N/A	58%
Expected dividend yield	N/A	Nil

Volatility was estimated by using the historical prices of comparable publicly-listed 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 \$592,102 (September 30, 2022 – \$559,753), of which \$43,299 (September 30, 2022 – \$65,136) was recognized as share-based compensation during the period for the vested options.

The number of options outstanding and exercisable under the Plan at September 30, 2023 is as follows:

Expiry date	Number of stock options outstanding	Exercise price	Number of stock options exercisable
March 25, 2026	1,525,000	\$ 0.30	1,225,000
March 25, 2026	100,000	0.50	75,000

# COHO COLLECTIVE KITCHENS INC.

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May 1, 2026	75,000	0.30	75,000
August 1, 2026	50,000	0.30	37,500
August 11, 2026	462,500	0.30	350,000
August 16, 2026	50,000	0.30	50,000
October 14, 2026	200,000	0.30	100,000
December 1, 2026	87,500	0.30	43,750
January 1, 2027	275,000	0.40	275,000
March 11, 2027	300,000	0.40	75,000
August 15, 2027	400,000	0.21	400,000
February 6, 2028	362,500	0.11	-
<b>Balance at September 30, 2023</b>	<b>3,887,500</b>	<b>\$ 0.29</b>	<b>2,706,250</b>

### b) Restricted share units

As part of the Plan, the Company's Board of Directors may from time to time grant restricted share units ("RSUs") to employees and non-employees.

On August 15, 2022, the Company granted 1,872,500 RSUs to consultants and employees of the Company.

- 1,510,000 of the RSUs will fully vest on August 15, 2023; and
- 362,500 of the RSUs will vest in four equal installments over 4 years, beginning on August 15, 2023.

During the six months ended September 30, 2023, 1,181,875 of these RSUs vested, resulting in the issuance of 71,875 common shares, as the remaining 1,110,000 RSU holders deferred the issuance of their common shares.

On November 1, 2022, the Company granted 62,500 RSUs to an officer of the Company.

- 62,500 of the RSUs will fully vest on November 1, 2023.

On December 1, 2022, the Company granted 165,000 RSUs to employees of the Company.

- 63,750 of the RSUs will vest on December 1, 2023;
- 41,250 will vest on December 1, 2024;
- 41,250 will vest on December 1, 2025; and
- 18,750 will vest on December 1, 2026.

On February 6, 2023, the Company granted 624,500 RSUs to directors, employees, and a consultant of the Company.

- 178,875 of the RSUs will vest on February 6, 2024;
- 155,625 will vest on February 6, 2025;
- 155,625 will vest on February 6, 2026; and
- 134,375 will vest on February 6, 2027.

On September 20, 2023, the Company granted 1,000,000 RSUs to consultants of the Company. All of the RSUs will vest on September 20, 2024.

Once vested, each RSU represents the right to receive one common share of the Company, or a cash payment or a combination of cash and shares as determined by the Plan administrator in its discretion.

The continuity of the Company's RSUs is as follows:

# COHO COLLECTIVE KITCHENS INC.

## Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited – Expressed in Canadian Dollars)

	<b>Number outstanding</b>
Outstanding at March 31, 2022	-
Granted	2,724,500
Forfeited	(637,500)
<b>Outstanding at March 31, 2023</b>	<b>2,087,000</b>
Granted	1,000,000
Vested and shares issued	(71,875)
Forfeited	(12,500)
<b>Outstanding at September 30, 2023</b>	<b>3,002,625</b>

The estimated fair value of the RSUs granted during the six months ended September 30, 2023 was \$180,000 (September 30, 2022 – \$393,225) and will be recognized as an expense over the vesting period of the RSUs. The fair value of the RSUs as at the grant date was determined with reference to the market value of the common shares of the Company at the grant date.

Total share-based compensation as a result of RSU grants during the six months ended September 30, 2023 was \$158,106 (September 30, 2022 – \$44,957).

### c) Warrants

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.

On September 20, 2023, the Company issued 15,487,266 warrants in connection with a private placement.

- 13,842,239 of the warrants entitles the holder to purchase one common share at an exercise price of \$0.25 until September 20, 2026; and
- 1,645,027 of the warrants entitles the holder to purchase one unit at an exercise price of \$0.17 until September 20, 2026. Each unit consists of one common share and one half of one warrant. Each whole warrant is exercisable for one common share at an exercise price of \$0.25 for a period of 36 months following the date of issuance.

On September 20, 2023, the Company issued 2,500,000 Finder's Warrants in connection with the Acquisition (Note 2). Each Finder's Warrant entitles the holder to purchase one common share at an exercise price of \$0.40 until September 20, 2026.

The fair value of the warrants issued during the six months ended September 30, 2023 and 2022 was estimated using the Black Scholes Option Pricing model and the following weighted average assumptions:

	<b>September 30, 2023</b>	<b>September 30, 2022</b>
Risk-free interest rate	3.96%	0.21%
Expected life of warrants (years)	3	2
Expected annualized volatility	59%	57%
Expected dividend yield	Nil	Nil

The continuity of the Company's warrants is as follows:

## COHO COLLECTIVE KITCHENS INC.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended September 30, 2023 and 2022

(Unaudited – Expressed in Canadian Dollars)

	Number outstanding	Weighted average exercise price
Outstanding at March 31, 2022	7,820,730	\$ 0.47
Granted	1,399,519	0.30
Expired	(7,820,730)	0.47
<b>Outstanding at March 31, 2023</b>	<b>1,399,519</b>	<b>\$ 0.30</b>
Granted	17,987,266	0.26
<b>Outstanding at September 30, 2023</b>	<b>19,386,785</b>	<b>\$ 0.27</b>

The number of warrants outstanding and exercisable as at September 30, 2023 is as follows:

	Issued	Outstanding	Exercise price	Expiry date
Compensation Warrants	1,399,519	1,399,519	\$ 0.30	June 9, 2024
Compensation Warrants	619,649	619,649	0.25	September 20, 2026
Private Placement Warrants	13,222,590	13,222,590	0.25	September 20, 2026
Finder's Warrants	2,500,000	2,500,000	0.40	September 20, 2026
Agent Warrants	1,645,027	1,645,027	0.17	September 20, 2026
<b>Balance at September 30, 2023</b>	<b>19,386,785</b>	<b>19,386,785</b>	<b>\$ 0.27</b>	

#### 8. BASIC AND DILUTED NET LOSS PER SHARE

	Three months ended September 30, 2023	Three months ended September 30, 2022	Six months ended September 30, 2023	Six months ended September 30, 2022
Basic and diluted net loss per share	\$ (0.02)	\$ (0.02)	\$ (0.03)	\$ (0.04)
- Losses used in calculation of net loss per share	\$ (1,574,790)	\$ (1,798,290)	\$(2,898,102)	\$(3,229,953)
- Weighted average number of common shares used as the denominator in calculating basic and diluted net loss per share	87,677,785	84,285,042	85,990,683	77,807,625

The Company's stock options and warrants were excluded from the determination of diluted loss per share because the effect is anti-dilutive.

#### 9. CAPITAL DISCLOSURES

As at September 30, 2023, the Company's capital structure is comprised of shareholders' equity, other loans, convertible debentures, term facility and vendor take-back note. 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 for 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 period. The Company is not exposed to externally imposed capital requirements.



# COHO COLLECTIVE KITCHENS INC.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended September 30, 2023 and 2022

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### 10. 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 in the six months ended September 30, 2023. 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 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 September 30, 2023, 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. As at September 30, 2023 and March 31, 2023, the Company has \$nil in allowance for doubtful accounts.

#### Liquidity risk

As at September 30, 2023, the Company had a cash balance of \$573,494 available to settle current liabilities of \$9,338,507. The Company expects to finance its operating expenses through cash flow from operations, debt as well as equity financing.

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 and accrued liabilities	\$ 4,591,774	\$ -	\$ -	\$ 4,591,774
Deposits	311,288	-	-	311,288
Lease obligation	2,057,921	7,052,394	10,249,704	19,360,019
Loans from shareholders	75,410	-	-	75,410
Other loans	3,050,385	638,163	-	3,688,548
Convertible debentures	184,067	1,457,348	-	1,641,415
Term facility	-	5,500,000	-	5,500,000
Vendor take-back note	-	1,500,000	-	1,500,000
	<b>\$ 10,270,845</b>	<b>\$ 16,147,905</b>	<b>\$ 10,249,704</b>	<b>\$ 36,668,454</b>

#### 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 September 30, 2023, the Company is exposed to interest rate risk regarding its variable rate loans (Notes 13 and 15) with outstanding balances totaling \$7,641,887. A 1% change in the interest rate on the loans would have a pre-tax impact of \$76,419 on net loss for the period.

# COHO COLLECTIVE KITCHENS INC.

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### 11. RELATED PARTY TRANSACTIONS

#### a. Loans from shareholders

As at September 30, 2023, the Company had loans due to the Company's CEO of \$nil (March 31, 2023 – \$19,062), and due to the Company's COO and a company controlled by the COO of \$75,410 (March 31, 2023 - \$35,666). The loans are unsecured, non-interest bearing and due on demand.

#### b. Salaries and fees paid to key management personnel

For the six months ended September 30, 2023, the Company recorded \$235,000 (September 30, 2022 - \$284,012) in key management compensation to the Company's CEO, COO, CFO, CMO, and former CCO.

#### c. Share-based compensation to related parties

As at September 30, 2023, 1,112,500 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 \$0.11 and \$0.50 for a period of five years following the grant date. The fair value of the options granted totaled \$104,387 (September 30, 2022 - \$83,669) of which \$12,299 was recognized as share-based compensation during the six months ended September 30, 2023 for the vested options (September 30, 2022 - \$14,006).

### 12. 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 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:

	September 30, 2023	March 31, 2023
Opening Balance	\$ 206,119	\$ 172,198
Additions (net of refunds)	105,169	33,921
<b>Closing balance</b>	<b>\$ 311,288</b>	<b>\$ 206,119</b>

### 13. OTHER LOANS

- a. On November 27, 2019, the Company borrowed \$100,000 from a lender bearing an interest rate of 10% and was due on December 10, 2022. The loan was repayable on a monthly basis commencing January 10, 2020. During the six months ended September 30, 2023, the Company recorded \$nil (September 30, 2022 - \$933) in interest expense relating to the loan. On November 30, 2022, the loan was repaid in full. Immediately prior to repayment, the remaining balance on the loan was \$3,333.
- 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 six months ended September 30, 2023, the Company recorded \$11,864 (September 30, 2022 - \$13,708) in interest expense in connection to the loan and repaid principal of \$28,630

# COHO COLLECTIVE KITCHENS INC.

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(September 30, 2022 - \$29,428). As at September 30, 2023 the remaining balance due is \$112,130 (March 31, 2023 - \$128,896).

- 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
- 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 interest-free loans, available to the Company until January 18, 2024. \$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 January 18, 2024 at which time interest of 5% per annum will begin accruing. No interest expense was recorded on the CEBA Loans during the six months ended September 30, 2023 and 2022. As at September 30, 2023, the remaining balance due is \$120,000 (March 31, 2023 - \$120,000).
- e. On January 1, 2022, the Company borrowed \$500,000 from consultants, acting at arm’s length. The loans are unsecured and non-interest bearing. 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. During the six months ended September 30, 2023, the Company repaid \$nil of the loans (September 30, 2022 - \$90,000). As at September 30, 2023, the carrying value of the loans outstanding was \$321,449 (March 31, 2023 - \$300,921). During the six months ended September 30, 2023, the Company recorded \$21,164 (September 30, 2022 - \$28,704) 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 bore interest at a rate of 16% per annum and was subordinated to the Company’s Vancity and BDC credit facilities. The loan did not begin to accrue interest until June 1, 2022. During the six months ended September 30, 2023, the Company recorded \$nil (September 30, 2022 - \$2,000) in interest expense in connection to the loan. On July 12, 2022, the Company repaid \$140,000 of the loan. During the six months ended September 30, 2023, the remaining balance due of \$12,000 was forgiven and the Company recorded a gain on forgiveness of loan of \$12,000. As at September 30, 2023, the remaining balance due is \$nil (March 31, 2023 - \$12,000).
- 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 six months ended September 30, 2023, the Company recorded \$nil (September 30, 2022 - \$22,032) in interest expense in connection to the loans.
- 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 six months ended September 30, 2023, the Company recorded \$nil (September 30, 2022 - \$1,022) in interest expense in connection to the loan.

## COHO COLLECTIVE KITCHENS INC.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended September 30, 2023 and 2022

(Unaudited – Expressed in Canadian Dollars)

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- 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 Vancity 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 six months ended September 30, 2023 the Company recorded \$40,300 (September 30, 2022 - \$33,583) in interest expense in connection to the Facility. On July 11, 2023, an additional \$288,308 was disbursed to the Company under the Facility. The Facility is guaranteed by certain subsidiaries of the Company and also guaranteed personally by the Company’s CEO, COO and CMO. In the event of a default, an interest rate of 18% per annum will apply to the Facility. As at September 30, 2023, the remaining balance due is \$1,588,308 (March 31, 2023 - \$1,300,000).
  - j. On October 26, 2022, the Company received \$348,600 in connection with a loan totaling \$800,000 by a lender, acting at arm’s length (the “Loan”). On November 25, 2022, the Company received the remaining \$451,400 of the Loan. Interest on the Loan accrues at the rate of 8% per annum and the Company will repay the lender in equal monthly instalments of \$16,200 over a 5-year period. During the six months ended September 30, 2023 and 2022, the Company recorded \$nil in interest expense in connection to the Loan. On September 15, 2023, the Loan was fully repaid. As at September 30, 2023, the remaining balance due is \$nil (March 31, 2023 - \$800,000).
  - k. On October 31, 2022, the Company borrowed \$60,000 from a lender, acting at arm’s length. The loan bears interest at a rate of 8% per annum and is unsecured. During the six months ended September 30, 2023, the Company recorded \$2,407 (September 30, 2022 - \$nil) in interest expense in connection to the loan. As at September 30, 2023, the remaining balance due is \$64,392 (March 31, 2023 - \$61,986).
  - l. On February 1, 2023, the Company borrowed \$135,800 from a lender, acting at arm’s length. The loan was unsecured. The loan was repaid daily with 20% of the Company’s retail revenue and was due on August 1, 2024. During the six months ended September 30, 2023, the Company made a full repayment of \$40,506 (September 30, 2022 - \$nil) and the remaining balance due is \$nil (March 31, 2023 - \$108,185).
  - m. On July 28, 2023, the Company borrowed \$173,400 from a lender, acting at arm’s length. The loan is unsecured and a loan fee of \$20,808 was applied to the principal amount. The loan is repaid daily with 20% of the Company’s retail revenue and is due on January 28, 2025. During the six months ended September 30, 2023, the Company repaid \$62,084 of the loan (September 30, 2023 - \$nil). As at September 30, 2023, the remaining balance due is \$114,958 (March 31, 2023 - \$nil).
  - n. On August 11, 2023, the Company borrowed \$500,000 from a lender, acting at arm’s length. The loan bears interest at a rate of 10% per annum and is unsecured. During the six months ended September 30, 2023, the Company recorded \$6,849 (September 30, 2023 - \$nil) in interest expense in connection to the loan. As at September 30, 2023, the remaining balance due is \$506,849 (March 31, 2023 - \$nil).
  - o. On September 14, 2023, the Company borrowed \$398,945 from a lender, acting at arm’s length. The loan bears interest at a rate of 10.5% per annum and is unsecured. Interest payable under the loan is calculated and payable quarterly, commencing on December 11, 2023. As at September 30, 2023, the remaining balance due is \$398,945 (March 31, 2023 - \$nil).

# COHO COLLECTIVE KITCHENS INC.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended September 30, 2023 and 2022

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- p. On September 15, 2023, the Company borrowed \$399,908 from a lender, acting at arm's length. The loan is non-interest bearing and secured against any capital expenditures purchased by the loan proceeds. The loan is amortized on an annual straight-line basis over five years. As at September 30, 2023, the remaining balance due is \$399,908 (March 31, 2023 - \$nil).
- q. On September 20, 2023, in connection to the Acquisition (Note 2), the Company assumed a loan with an outstanding amount of \$61,609 related to the purchase of a delivery vehicle. The loan commenced on May 22, 2022 with a term of 60 months, interest rate at 5% per annum, and repayments paid monthly. The loan is secured against the delivery vehicle. During the six months ended September 30, 2023, the Company recorded \$nil (September 30, 2022 - \$nil) in interest expense in connection to the loan. As at September 30, 2023, the remaining balance due is \$61,609 (March 31, 2023 - \$nil).

### 14. CONVERTIBLE DEBENTURES

On May 24, 2023, the Company completed a non-brokered private placement for gross proceeds of \$1,650,000 (the "Offering"). The Offering was a non-brokered private placement of 1,650 convertible debentures of the Company (the "Convertible Debentures"), at a price of \$1,000 per Convertible Debenture, for gross proceeds of \$1,650,000. There were no finder, broker, or agent fees payable by the Company in connection with the Offering. The Convertible Debentures bear interest at a rate of 8% per annum, calculated and payable semi-annually in arrears, commencing on June 30, 2023. The Convertible Debentures will mature on March 31, 2026. The principal amount of each Convertible Debenture will be convertible into common shares of the Company at a price of \$0.15 per common share at the option of the holder thereof. At the election of the Company, all interest accrued on the Convertible Debentures may be payable in cash or, subject to approval by the TSX Venture Exchange ("TSXV"), common shares issued at the market price (as such term as defined in the policies of the TSXV) of the common shares at the time of any such settlement.

For accounting purposes, the Convertible Debentures are separated into their liability and equity components by first valuing the liability component. The fair value of the liability component at the time of issue of \$1,579,459, was calculated as the discounted cash flows for the Convertible Debentures assuming a 9.7% discount rate, which was the estimated rate for a similar debenture without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the Convertible Debentures and the fair value of the liability component, being \$70,541. The liability component will be accreted over the life of the Convertible Debentures. During the six months ended September 30, 2023, the Company recorded interest expense of \$52,067 (June 30, 2022 - \$nil) and accretion expense of \$9,889 (September 30, 2022 - \$nil) in connection to the Convertible Debentures. As at September 30, 2023, the remaining balance due is \$1,641,415 (March 31, 2023 - \$nil).

### 15. TERM FACILITY

On September 20, 2023, the Company entered into a letter of agreement with the Bank of Montreal ("BMO" or the "Lender"), setting out the terms under which BMO provided a senior secured \$5,500,000 non-revolving term facility (the "Term Facility") to the Company. The Term Facility was used to finance a portion of the cash consideration of the Acquisition (Note 2). The Term Facility bears an interest rate not to exceed prime plus 125 basis points. The Term Facility will amortize monthly beginning the first full quarter following September 30, 2023 with repayments of the Term Facility made over an 84-month period. Interest on the Term Facility will be payable monthly in arrears. The Term Facility is secured by a first ranking security interest over all present and after-acquired personal property of Coho Acquisition Corp., which holds all of the issued and outstanding shares of Purebread. As at September 30, 2023, the remaining balance due is \$5,500,000 (March 31, 2023 - \$nil).

## **COHO COLLECTIVE KITCHENS INC.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

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#### **16. VENDOR TAKE-BACK NOTE**

On September 20, 2023, the Company entered into a vendor take-back agreement (the “VTB”) to finance a portion of the cash consideration of the Acquisition (Note 2), whereby the Company became indebted to the vendors of Purebread in the principal sum of \$1,500,000. The VTB is subordinated to the BMO Term Facility and has a maturity date of September 20, 2025. Commencing on September 21, 2023, the VTB bears interest computed on the outstanding daily principal balance of the VTB, payable quarterly, at the rate of:

- a. 10% per annum for 12 months up to September 20, 2024;
- b. 15% per annum for six months up to March 20, 2025; and
- c. 20% per annum for six months up to September 20, 2025.

During the six months ended September 30, 2023, the Company recorded \$4,167 (September 30, 2022 - \$nil) in interest expense in connection to the VTB and repaid interest of \$4,167 (September 30, 2022 - \$nil). As at September 30, 2023, the remaining balance due is \$1,500,000 (March 31, 2023 - \$nil).

#### **17. 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 condensed consolidated 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 six months ended September 30, 2023 was 27% (September 30, 2022 – 27%).

#### **18. SUBSEQUENT EVENTS**

- a. On October 13, 2023, the Company issued 65,000 common shares as a result of 65,000 RSUs that vested on August 15, 2023 (Note 7).
- b. On October 18, 2023, the Company announced the signing of agreements for two new Purebread locations on West 4<sup>th</sup> Avenue and the University of British Columbia.
- c. On November 7, 2023, the Company issued 62,500 common shares as a result of 62,500 RSUs that vested on November 1, 2023 (Note 7).