



KOMO PLANT BASED FOODS INC.

Condensed Interim Consolidated Financial Statements

For the Three Months Ended October 31, 2021 and 2020

(Expressed in Canadian Dollars)
(Unaudited)

NOTICE TO READER

The accompanying condensed interim consolidated financial statements of Komo Plant Based Foods Inc. ("the Company") have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Management acknowledges responsibility for the preparation and presentation of the condensed interim consolidated financial statements, including responsibility for significant accounting estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. These condensed interim consolidated financial statements have not been reviewed by the Company's independent auditor.

KOMO PLANT BASED FOODS INC.

Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	October 31, 2021 (unaudited) \$	July 31, 2021 \$
ASSETS		
Current assets		
Cash	237,779	342,996
Amounts receivable (Notes 4)	131,548	173,592
Inventory (Note 5)	19,459	18,373
Prepaid expenses and deposits (Notes 6 and 9)	506,691	150,766
Total current assets	895,477	685,727
Non-current assets		
Property and equipment (Note 7)	41,361	19,222
Intangible assets (Note 8)	33,650	33,650
Total non-current assets	75,011	52,872
Total assets	970,488	738,599
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	355,903	252,844
Due to related parties (Note 9)	-	3,320
Convertible debentures (Note 10)	-	130,041
Derivative liability (Note 10)	-	14,582
Total current liabilities	355,903	400,787
Non-current liabilities		
Loans payable (Note 11)	100,909	97,246
Convertible debentures (Note 10)	708,717	-
Total non-current liabilities	809,626	97,246
Total liabilities	1,165,529	498,033
SHAREHOLDERS' EQUITY		
Share capital (Note 12)	10,795,379	10,111,033
Share-based payment reserve	2,330,356	1,717,966
Convertible debenture reserve (Note 10)	46,028	-
Deficit	(13,366,804)	(11,588,433)
Total shareholders' equity (deficit)	(195,041)	240,566
Total liabilities and shareholders' equity (deficit)	970,488	738,599

Nature of operations and continuance of business (Note 1)

Subsequent events (Note 22)

Approved and authorized for issuance on behalf of the Board of Directors on December 23, 2021:

/s/ "Daniel Kang"
Daniel Kang, Director

/s/ "Spiros Margaris"
Spiros Margaris, Director

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

KOMO PLANT BASED FOODS INC.

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three months ended October 31,	
	2021	2020
	\$	\$
Revenue	94,256	-
Cost of goods sold	(61,078)	-
Gross profit	33,178	-
Expenses		
Advertising and promotion	617,506	2,122
Consulting fees	133,779	75,675
Depreciation	4,501	3,179
Fulfilment	8,245	-
General and administrative (Note 15)	124,758	6,706
Investor relations	162,323	-
Professional fees	37,264	(2,211)
Research and development	38,259	-
Share-based compensation (Note 14)	532,649	45,250
Transaction costs	887	-
Travel	3,834	3,990
Wages	131,055	-
Total expenses	1,795,060	134,711
Loss before other expense	(1,761,882)	(134,711)
Other expense		
Other expenses (Note 16)	(16,489)	(6,125)
Net loss from continuing operations	(1,778,371)	(140,836)
Loss from discontinued operations (Note 20)	-	(14,866)
Net loss for the period	(1,778,371)	(155,702)
Unrealized foreign exchange loss	-	(417)
Comprehensive loss for the period	(1,778,371)	(156,119)
Loss per share, basic and diluted		
- continuing operations	(0.02)	(0.01)
- discontinued operations	-	(0.00)
Weighted average shares outstanding	86,346,606	31,271,671

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

KOMO PLANT BASED FOODS INC.

Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

(Unaudited)

	Share capital						Total shareholders' equity (deficiency) \$
	Number of shares	Amount \$	Convertible debenture reserve \$	Share-based payment reserve \$	Accumulated other comprehensive loss \$	Deficit \$	
Balance, July 31, 2020	25,598,127	4,900,764	-	194,754	(4,592)	(5,086,143)	4,783
Share-based compensation	-	-	-	45,250	-	-	45,250
Unrealized foreign exchange loss	-	-	-	-	(417)	-	(417)
Net loss for the period	-	-	-	-	-	(155,702)	(155,702)
Balance, October 31, 2020	25,598,127	4,900,764	-	240,004	(5,009)	(5,241,845)	(106,086)
Balance, July 31, 2021	85,438,661	10,111,033	-	1,717,966	-	(11,588,433)	240,566
Issuance of units for cash	800,000	160,000	-	-	-	-	160,000
Issuance of shares upon exercise of stock options	260,000	69,126	-	(41,626)	-	-	27,500
Issuance of shares upon exercise of warrants	2,402,375	455,220	-	(62,145)	-	-	393,075
Issuance of convertible debentures	-	-	46,028	183,512	-	-	229,540
Share-based compensation	-	-	-	532,649	-	-	532,649
Net loss for the period	-	-	-	-	-	(1,778,371)	(1,778,371)
Balance, October 31, 2021	88,901,036	10,795,379	46,028	2,330,356	-	(13,366,804)	(195,041)

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

KOMO PLANT BASED FOODS INC.

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

	Three months ended October 31,	
	2021	2020
	\$	\$
Operating activities		
Net loss from continuing operations	(1,778,371)	(140,836)
Items not involving cash – continuing operations:		
Accretion on convertible debentures	6,980	-
Depreciation	4,501	3,179
Interest expense on convertible debentures	14,406	-
Interest expense on lease liability	-	1,992
Interest expense on loans	3,663	-
Gain on change in fair value of derivative liability	(14,582)	-
Share-based compensation	532,649	45,250
Unrealized gain on sale of marketable securities	-	6,642
Changes in non-cash operating working capital:		
Amounts receivable	42,044	(11,016)
Inventory	(1,086)	1,232
Prepaid expenses and deposits	(355,925)	5,213
Due to/from related parties	(3,320)	(12,593)
Accounts payable and accrued liabilities	103,059	56,042
Net cash used in operating activities – continuing operations	(1,445,982)	(44,895)
Net cash provided by operating activities – discontinued operations	-	374
Investing activities		
Purchase of equipment	(26,640)	-
Net cash used in investing activities – continuing operations	(26,640)	-
Financing activities		
Proceeds from issuance of units	160,000	-
Proceeds from issuance of convertible debentures	1,000,000	-
Convertible debentures issuance costs	(80,000)	-
Repayment of convertible debentures	(133,170)	-
Proceeds from exercise of stock options	27,500	-
Proceeds from exercise of warrants	393,075	-
Proceeds from loan payable	-	40,000
Net cash provided by financing activities – continuing operations	1,367,405	40,000
Effect of foreign exchange rate changes on cash	-	(374)
Change in cash	(105,217)	(4,895)
Cash, beginning of period	342,996	55,332
Cash, end of period	237,779	50,437

Supplemental disclosures (Note 17)

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

KOMO PLANT BASED FOODS INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

(Unaudited)

1. Nature of Operations and Continuance of Business

Komo Plant Based Foods Inc. (formerly Fasttask Technologies Inc.) (the "Company") was incorporated under the laws of the province of British Columbia, Canada, on December 3, 2010. On December 10, 2020, the Company changed its name from HeyBryan Media Inc. to Fasttask Technologies Inc. On May 31, 2021, the Company changed its name from Fasttask Technologies Inc. to Komo Plant Based Foods Inc. pursuant to a merger agreement with Komo Plant Based Comfort Foods Inc. (Note 3). The Company researches, develops, manufactures, markets and sells plant-based frozen food products through ecommerce and retail. The Company previously made and sold branded clothing and personal care products, and leased property and provided services to a cannabis dispensary license applicant in California. On October 30, 2020, the Company entered into an Asset Purchase Agreement with Kingdom Brands Holdings Inc. ("K Brands"), whereby it agreed to sell a 100% interest in its former wholly owned subsidiary, Kingdom Brands Management Inc. ("KBM"), and assign license agreements with Urban Juve Provisions Inc. ("UJP"), and sell inventory, web domain rights and other related intellectual property in consideration for 31,271,671 common shares of K Brands. Refer to Note 20.

These condensed interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to realize its assets and satisfy its liabilities in the normal course of business for the foreseeable future. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon the Company's ability to continue as a going concern. During the three months ended October 31, 2021, the Company has incurred a net loss of \$1,778,371 and incurred negative cash flows in operating activities \$1,445,982. As at October 31, 2021, the Company has an accumulated deficit of \$13,366,804. The continued operations of the Company are dependent on future profitable operations, management's ability to manage costs and the future availability of equity or debt financing. Whether and when the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due is uncertain. These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

The outbreak of the novel coronavirus COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the Canadian and global economies, disruptions of financial markets, and created uncertainty regarding potential impacts to the Company's supply chain and operations. The COVID-19 pandemic has impacted and could further impact the Company's operations and the operations of the Company's suppliers and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts the Company's business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Company's suppliers and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. The management team is closely following the progression of COVID-19 and its potential impact on the Company. Even after the COVID-19 pandemic has subsided, the Company may experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. The Company will continue to assess and estimate the impact of COVID-19 on our ongoing business strategies, financial liquidity, capital resources, and overall financial results.

KOMO PLANT BASED FOODS INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

(Unaudited)

2. Significant Accounting Policies

(a) Statement of Compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards 34, "Interim Financial Reporting", and based on the principles of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee. These condensed interim consolidated financial statements should be read in conjunction with the Company's annual financial statements for the year ended July 31, 2021, which include the Company's significant accounting policies, and have been prepared in accordance with the same methods of application.

(b) Basis of Presentation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned Canadian subsidiaries, Komo Plant Based Comfort Foods Inc., Fasttask Inc., and 10758914 Canada Inc., and its previously wholly owned U.S. subsidiary, KBM, up to its date of disposal on October 30, 2020 (Note 20). All intercompany balances and transactions have been eliminated on consolidation.

These condensed interim consolidated financial statements have been prepared on a historical cost basis. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for the cash flow information. The presentation and functional currency of the Company and its Canadian subsidiaries is the Canadian dollar, and the functional currency of its previously wholly owned subsidiary, KBM, is the United States dollar. In the opinion of the Company's management, all adjustments considered necessary for a fair presentation have been included.

(c) Significant Accounting Estimates and Judgments

The preparation of condensed interim consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Significant areas requiring the use of estimates and judgement include the collectability of amounts receivable, net realizable value of inventory, the useful lives and carrying values of property and equipment and intangible assets, impairment of marketable securities, fair value of share-based compensation and derivative liabilities, and measurement of unrecognized deferred income tax assets. Judgments include the factors that are used in determining the application of the going concern assumption which requires management to consider all available information about the future, which is at least but not limited to, 12 months from the year end of the reporting period.

(d) Accounting Standards Issued But Not Yet Effective

Certain pronouncements have been issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning on or after January 1, 2022 or later years. Management does not believe the adoption of these future standards will have a material impact on the Company's financial statements.

KOMO PLANT BASED FOODS INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

(Unaudited)

2. Significant Accounting Policies (continued)

(d) Accounting Standards Issued But Not Yet Effective (continued)

Amendment to IAS 1, Classification of Liabilities as Current or Non-Current

On January 23, 2020, and amended on July 15, 2020, the IASB issued an amendment to IAS 1, Classification of Liabilities as Current or Non-Current ("IAS 1") and has been revised to: i) clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period; (ii) clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and (iii) make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets, or services.

The amendment to IAS 1 is effective for annual reporting periods on or after January 1, 2023 and is applied retrospectively. Early adoption of this amendment is permitted. The Company is currently evaluating the impact of this amendment to its consolidated financial statements.

Amendment to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

On February 12, 2021, the IASB issued an amendment to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") to introduce the definition of an accounting estimate and include other amendments to help entities to distinguish changes in accounting estimates from changes in accounting policies.

The amendment to IAS 8 is effective for annual reporting periods on or after January 1, 2023 and early adoption is permitted. The Company is currently evaluating the impact of this amendment on its consolidated financial statements.

Amendment to IAS 12, Income Taxes

On May 7, 2021, the IASB issued an amendment to IAS 12, Income Taxes ("IAS 12") to clarify how companies account for deferred taxes on transactions such as leases and decommissioning obligations. The amendment requires companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable deductible temporary differences.

The amendment to IAS 12 is effective for annual reporting periods on or after January 1, 2023 and early adoption is permitted. The Company is currently evaluating the impact of this amendment on its consolidated financial statements.

Other new standards and amendments to standards and interpretations are not effective for the period ended October 31, 2021 and have not been early adopted by the Company and are not expected to have a material impact on the Company's consolidated financial statements.

KOMO PLANT BASED FOODS INC.

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(Expressed in Canadian Dollars)

(Unaudited)

3. Merger Agreement

On May 31, 2021, the Company closed a Merger Agreement with Komo Plant Based Comfort Foods Inc. ("Comfort"), whereby the Company acquired 100% of the issued and outstanding shares of Comfort (the "Transaction"). In consideration, the Company issued the shareholders of Comfort one common share for each common share of Comfort. The outstanding warrants and options of Comfort were exchanged into warrants and options of the resulting issuer on an identical basis, except that the exercise price of certain of the outstanding warrants of Comfort which were adjusted from \$1.00 per share of Comfort to \$0.20 per share of the resulting issuer upon closing of the Transaction.

The Transaction resulted in the shareholders of Comfort obtaining control of the combined entity by obtaining control of the voting rights, governance, and management decision making processes, and the resulting power to govern the financial and operating policies of the combined entity.

The Transaction constitutes a reverse takeover of the Company by Comfort and has been accounted for as a reverse acquisition transaction in accordance with the guidance provided in IFRS 2, Share-based Payments and IFRS 3, Business Combinations.

For accounting purposes, Comfort was treated as the accounting parent company (legal subsidiary) and the Company has been treated as the accounting subsidiary (legal parent) in these consolidated financial statements. As Comfort was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying values.

The purchase price allocation of consideration transferred is summarized as follows:

	\$
Common Shares (46,981,117 common shares)	3,845,749
Fair value of options effectively issued	32,605
Fair value of warrants effectively issued	976,977
	<u>4,855,331</u>
Fair value of the Company's net assets acquired:	
Cash	798,143
Accounts receivable	64,481
Prepaid expenses	70,274
Property and equipment	6,502
Accounts payable and accrued liabilities	(135,378)
Due to related parties	(67,486)
Convertible debentures	(126,303)
Derivative liability	(14,320)
Loan payable	(49,666)
Listing expense	4,309,084
	<u>4,855,331</u>

The Transaction was measured at the fair value of the shares that Comfort would have had to issue to the shareholders of the Company, to give the shareholders of the Company the same percentage equity interest in the combined entity that results from the reverse acquisition had it taken the legal form of Comfort acquiring the Company. Additionally, consideration paid by Comfort includes the fair value of stock options and warrants outstanding in the Company at the date of the reverse takeover, to give effect to the dilutive effect of these instruments to the shareholders of Comfort.

KOMO PLANT BASED FOODS INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

(Unaudited)

4. Amounts Receivable

	October 31, 2021 \$	July 31, 2021 \$
Accounts receivable	37,540	11,629
Advance receivable	8,029	8,029
GST receivable	85,979	153,934
	131,548	173,592

5. Inventory

	October 31, 2021 \$	July 31, 2021 \$
Packaged food products	11,688	6,393
Raw materials	6,725	7,532
Packaging materials	1,046	4,448
	19,459	18,373

6. Prepaid Expenses and Deposits

	October 31, 2021 \$	July 31, 2021 \$
Prepaid services	404,378	35,111
Deposits (Note 9)	102,313	115,655
	506,691	150,766

KOMO PLANT BASED FOODS INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

(Unaudited)

7. Property and Equipment

	Furniture and fixtures \$	Equipment \$	Computers \$	Total \$
Cost:				
Balance, July 31, 2020	7,289	-	-	7,289
Additions	-	7,559	7,862	15,421
Acquired upon merger	4,610	-	10,438	15,048
Disposals	(7,235)	-	-	(7,235)
Foreign currency translation adjustment	(54)	-	-	(54)
Balance, July 31, 2021	4,610	7,559	18,300	30,469
Additions	23,096	3,544	-	26,640
Balance, October 31, 2021	27,706	11,103	18,300	57,109
Accumulated depreciation:				
Balance, July 31, 2020	1,221	-	-	1,221
Depreciation	616	495	1,949	3,060
Acquired upon merger	3,618	-	4,929	8,547
Disposals	(1,570)	-	-	(1,570)
Foreign currency translation adjustment	(11)	-	-	(11)
Balance, July 31, 2021	3,874	495	6,878	11,247
Depreciation	2,876	755	870	4,501
Balance, October 31, 2021	6,750	1,250	7,748	15,748
Carrying amounts:				
Balance, July 31, 2021	736	7,064	11,422	19,222
Balance, October 31, 2021	20,956	9,853	10,552	41,361

KOMO PLANT BASED FOODS INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

(Unaudited)

8. Intangible Assets

On December 18, 2020, the Company completed an Asset Purchase Agreement, whereby it acquired 33 plant-based alternative meat product formulations in consideration for 409,286 (500,000 pre-merger) common shares with a fair value of \$33,650.

9. Related Party Transactions

- (a) During the three months ended October 31, 2021, the Company incurred consulting fees of \$30,000 (2021 - \$nil) to a company controlled by the spouse of the president and Chief Executive Officer ("CEO") of the Company.
- (b) During the three months ended October 31, 2021, the Company incurred wages of \$30,000 (2020 - \$nil) and director's fees of \$30,000 (2020 - \$nil) to the President and CEO of the Company.
- (c) During the three months ended October 31, 2021, the Company incurred consulting fees of \$30,000 (2020 - \$10,000) to the Chief Financial Officer of the Company.
- (d) As at October 31, 2021, the Company owed \$19,731 (July 31, 2021 - \$nil) to Better Plant Sciences Inc. ("BPS"), an associated company with common officers. During the three months ended October 31, 2021, the Company incurred advertising and promotion expenses of \$19,426 (2020 - \$nil), general and administrative costs of \$5,149 (2020 - \$nil), and \$17,750 of professional fees (2020 - \$nil) to BPS. As at October 31, 2021, BPS held a deposit of \$50,000 (July 31, 2021 - \$50,000) from the Company pursuant to an operating agreement, and a prepayment of \$3,109 (July 31, 2021 - \$nil) for services to be performed within the next twelve months, which are both included in prepaid expenses and deposits.
- (e) As at October 31, 2021, BPS held a deposit of \$10,000 (July 31, 2021 - \$10,000) from the Company's subsidiary, Komo Plant Based Comfort Foods Inc. ("Comfort"), pursuant to an operating agreement, which is included in prepaid expenses and deposits.
- (f) During the three months ended October 31, 2021, the Company incurred director's fees of \$nil (2020 - \$50,000) to a director of the Company.
- (g) During the three months ended October 31, 2021, the Company incurred director's fees of \$6,000 (2020 - \$nil) to a director of the Company.
- (h) As at October 31, 2021, the Company owed \$nil (July 31, 2021 - \$3,896) to the President and CEO of the Company's subsidiary, Comfort, which is unsecured, non-interest bearing, and due on demand. During the three months ended October 31, 2021, the Company incurred wages of \$33,750 (2020 - \$nil) to the President and CEO of Comfort.

KOMO PLANT BASED FOODS INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

(Unaudited)

10. Convertible Debentures

- (a) On May 31, 2021, the Company assumed Convertible Debenture Purchase Agreements with principal amounts totaling \$117,523 upon entering into the Merger Agreement with Comfort (Note 3). The principal bears interest at 12% per annum and matured September 19, 2021. Interest payments were due quarterly until the maturity date with additional 2% late payment penalty if interest payments were not made within 10 days of the due date. The conversion price was either: (i) 10% discount to the price at which the Company's common shares are issued or the conversion price of securities convertible into common shares ("Securities") that are issued under the first sale of common shares or Securities by the Company to one or more non-related parties conducted by the Company after the debenture date ("Financing") or (ii) 10% discount to the trading price of the Company's common shares in the event a Financing has not been completed by the Company prior to a proposed conversion.

Until the principal and interest were paid in full by the Company, the holder may have converted a minimum of \$10,000 amount of the principal amount into units of the Company at the conversion price. Each unit consists of one common share of the Company and one-half share purchase warrant, exercisable at the price at which the Company's common shares are issued or the conversion price of Securities that are issued under Financing per share for a period of two years following the issuance of the warrant.

The present value of the convertible debentures upon assumption was \$114,944, with a discount of \$2,579, which was recognized over the remaining term of the loan using the effective interest rate method. During the three months ended October 31, 2021, the Company recorded accretion and interest of \$3,130 (2020 - \$nil) pertaining to these debentures.

In October 2021, the Company repaid the convertible debentures which were issued on May 31, 2021 with a principal of \$117,523 and accrued interest of \$15,647. Due to the variable nature of the conversion price, the Company derecognized a previously recognized derivative liability of \$14,582 (October 31, 2020 - \$nil).

Subsequent to the quarter ended October 31, 2021, a convertible debenture repayment in the amount of \$12,227 was returned to the Company and the holder elected to convert the debenture into units of the Company. Pursuant to the election, and on November 29, 2021, the Company issued 138,106 units to the holder (Note 22(a)).

- (b) During the three months ended October 31, 2021, the Company closed a non-brokered private placement of 1,000 units at \$1,000 per unit for gross proceeds of \$1,000,000. The private placement closed in two tranches, with the first 500 units closing on September 29, 2021, and the next 500 units closing on October 8, 2021. Each unit consisted of one convertible unsecured debenture (the "Debentures") and 7,000 common share purchase warrants of the Company (the "Warrants"). The Debentures bear interest at a rate of 10% per annum on an accrual basis from issuance, calculated and payable semi-annually in arrears on January 31 and July 31 of each year with such payment commencing on January 31, 2022 with a redemption date that is 24 months from issuance. The Debentures are convertible in full or in part, at the holders' option, into common shares in the capital of the Company at a price of \$0.14 per common share, at any time prior to their redemption. Each Warrant will entitle the holder to acquire one common share of the Company at a price of \$0.16 per share for a period of 36 months from the date of issue.

In connection with the issuance of the Debentures, the Company paid \$80,000 of finder's fees to registered brokers and issued 571,427 warrants exercisable at a price of \$0.14 per share for a period of 24 months from the date of issue (the "Broker Warrants"). The shares underlying the Warrants, the Broker Warrants and the Debentures are subject to a statutory hold period expiring four months and one day from issuance of the underlying securities. The estimated fair value associated with the Broker Warrants granted was determined using the Black-Scholes Pricing model with the following weighted average assumptions: stock price at grant date \$0.23; an annualized volatility of 150%; an expected life of 2 years; a dividend yield of 0%; an expected forfeiture rate of 0%; and a risk-free rate of 0.61%.

KOMO PLANT BASED FOODS INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

(Unaudited)

10. Convertible Debentures (continued)

	Issuance date			Total
	May 31, 2021	September 29, 2021	October 8, 2021	
	\$	\$	\$	\$
Proceeds from issuance	117,523	-	-	117,523
Transaction costs - non-cash	(1,198)	-	-	(1,198)
Accrued interest	13,716	-	-	13,716
Carrying amount at July 31, 2021	130,041	-	-	130,041
Proceeds from issuance	-	500,000	500,000	1,000,000
Transaction costs - cash	-	(40,000)	(40,000)	(80,000)
Net proceeds	-	460,000	460,000	920,000
Transaction costs - non-cash	-	(53,796)	(51,235)	(105,031)
Transaction costs - accretion	1,198	3,420	2,362	6,980
Amount classified as equity	-	(22,840)	(23,188)	(46,028)
Fair value of warrants attached to units	-	(39,219)	(39,262)	(78,481)
Accrued interest	1,931	7,298	5,177	14,406
Repayment of convertible debentures	(133,170)	-	-	(133,170)
Carrying amount at October 31, 2021	-	354,863	353,854	708,717

11. Loans Payable

During the prior year ended July 31, 2021, the Company received a total of \$60,000 from the Government of Canada sponsored Canada Emergency Business Account ("CEBA") in the form of a line of credit. On May 31, 2021, the Company assumed an additional CEBA loan of \$60,000 upon acquisition of Fasttask, in which the present value of the forgivable portion was \$10,334. These loans are two-year, interest free loans until December 31, 2022. If the Company repays the CEBA loans on or before December 31, 2022, a total of \$80,000 of the principal balance will be forgiven. Any unpaid principal portion of the CEBA loans after December 31, 2022 will be converted into three-year loans at annual interest rate of 5% per annum.

	\$
Loan payable, July 31, 2020	-
Add: loan proceeds	60,000
Less: present value of forgivable portion	(20,242)
Assumed upon merger (Note 3)	49,666
Interest expense	7,822
Loan payable, July 31, 2021	97,246
Accreted interest	3,663
Loan payable, October 31, 2021	100,909

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12. Share Capital

Authorized: unlimited number of common shares without par value

Share transactions for the three months ended October 31, 2021:

- (a) On October 29, 2021, the Company issued 800,000 units at \$0.20 per unit for proceeds of \$160,000. Each unit consists of one common share and one warrant exercisable at \$0.215 per share until October 29, 2023.
- (b) During the three months ended October 31, 2021, the Company issued 260,000 common shares for proceeds of \$27,500 pursuant to the exercise of stock options. The fair value of the stock options of \$41,626 was transferred from share-based payment reserve to share capital upon exercise.
- (c) During the three months ended October 31, 2021, the Company issued 2,402,375 common shares for proceeds of \$393,075 pursuant to the exercise of share purchase warrants. The fair value of the share purchase warrants of \$62,145 was transferred from share-based payment reserve to share capital upon exercise.

13. Share Purchase Warrants

The following table summarizes the continuity of the Company's share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Balance, July 31, 2020	12,943,643	3.67
Issued	40,653,700	0.37
Expired	(6,895,400)	5.41
Balance, July 31, 2021	46,701,943	0.54
Issued	9,245,427	0.19
Exercised	(2,402,375)	0.16
Expired	(1,671,197)	5.00
Balance, October 31, 2021	51,873,798	0.35

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13. Share Purchase Warrants (continued)

As at October 31, 2021, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
2,962,158	0.20	November 30, 2021
545,918	0.60	February 24, 2022
765,580	0.60	February 26, 2022
416,667	0.56	March 9, 2022
2,115,909	0.38	March 31, 2022
949,639	0.38	May 7, 2022
1,000,000	0.40	December 18, 2022
160,600 ^(a)	0.10	January 19, 2023
4,403,500	0.40	January 19, 2023
8,840,400	0.40	January 21, 2023
1,170,000	0.40	January 28, 2023
37,000	0.10	March 1, 2023
620,000	0.40	March 1, 2023
150,000	0.40	March 10, 2023
365,400	0.10	March 15, 2023
16,669,600	0.40	March 15, 2023
30,000	0.10	March 23, 2023
2,300,000	0.40	March 23, 2023
285,713	0.14	September 29, 2023
285,714	0.14	October 8, 2023
800,000	0.22	October 29, 2023
3,500,000	0.16	September 29, 2024
3,500,000	0.16	October 8, 2024
<u>51,873,798</u>		

^(a) Each Unit Warrant is exercisable into one share and one share purchase warrant ("Second Warrant") at \$0.10 per Unit Warrant for a term of 2 years from the closing date of the unit issuance. Each Second Warrant is exercisable into one common share at \$0.40 per share for a period of 2 years from the closing date of the unit issuance.

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14. Stock Options

The Company's Board of Directors approved a stock incentive plan in accordance with the policies of the Canadian Securities Exchange (the "Exchange"). The Board of Directors is authorized to grant options to directors, officers, consultants or employees to acquire up to 20% of the issued and outstanding common shares of the Company. The exercise price will not be less than \$0.10 per share and, in the event that the Company is listed on the Exchange, the market price of the common shares on the trading day immediately preceding the date of the grant, less applicable discounts permitted by the Exchange. The options that may be granted under this plan must be exercisable for over a period of not exceeding 5 years. The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price (\$)
Outstanding, July 31, 2020	2,472,000	0.44
Granted	13,042,500	0.12
Cancelled/expired	(2,160,000)	0.43
Outstanding, July 31, 2021	13,354,500	0.13
Granted	3,550,000	0.11
Exercised	(260,000)	0.11
Cancelled/ expired	(59,000)	0.23
Outstanding, October 31, 2021	16,585,500	0.13
Exercisable, October 31, 2021	6,863,417	0.15

Additional information regarding stock options outstanding as at October 31, 2021, is as follows:

Exercise Price (\$)	Stock options outstanding	Stock options exercisable	Expiry date
0.40	200,000	200,000	March 30, 2022
0.30	170,000	106,250	July 7, 2022
0.50	100,000	100,000	July 23, 2023
0.75	88,000	88,000	February 6, 2024
0.40	62,500	62,500	February 7, 2025
0.40	125,000	125,000	August 24, 2025
0.80	50,000	50,000	October 13, 2025
0.10	625,000	450,000	December 2, 2025
0.10	1,000,000	250,000	December 21, 2025
0.10	1,000,000	250,000	January 19, 2026
0.12	1,600,000	466,667	February 12, 2026
0.12	975,000	225,000	February 19, 2026
0.10	340,000	97,500	March 5, 2026
0.12	5,000,000	2,500,000	March 24, 2026
0.10	400,000	100,000	April 1, 2026
0.10	1,300,000	162,500	July 19, 2026
0.10	250,000	-	August 6, 2026
0.10	1,630,000	1,630,000	August 26, 2026
0.12	1,570,000	-	September 15, 2026
0.24	50,000	-	September 22, 2026
0.29	50,000	-	October 14, 2026
	16,585,500	6,863,417	

The weighted average remaining life of options outstanding is 4.34 years.

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Notes to the Condensed Interim Consolidated Financial Statements

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14. Stock Options (continued)

Share-based compensation expense is determined using the Black-Scholes option pricing model. During the three months ended October 31, 2021, the Company recognized share-based compensation expense of \$532,649 (2020 - \$45,250) of which \$198,290 (2020 - \$8,014) pertains to officers, directors and advisory board members of the Company. The weighted average fair value of options granted during the three months ended October 31, 2021 was \$0.16 (2020 - \$0.07) per option.

Weighted average assumptions used in calculating the fair value of share-based compensation expense are as follows:

	2021	2020
Risk-free interest rate	1.18%	0.37%
Dividend yield	0%	0%
Expected volatility	150%	150%
Expected life (years)	4.89	5.00
Forfeiture rate	0%	0%

As at October 31, 2021, there was \$611,126 of unrecognized share-based compensation related to unvested stock options.

15. General and Administrative Expenses

General and administrative expenses is comprised of the following:

	Three months ended October 31,	
	2021	2020
	\$	\$
Directors' fees	36,000	-
Bank charges	29,926	509
Rent	12,955	-
Dues and subscriptions	11,807	-
Listing	6,467	-
Courier	4,269	-
Other	23,334	6,197
	124,758	6,706

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16. Other Expense

Other expense is comprised of the following:

	Three months ended October 31,	
	2021	2020
	\$	\$
Foreign exchange gain (loss)	(2,892)	2,509
Interest expense	(16,086)	(1,992)
Accretion	(12,093)	-
Gain on change in fair value of derivative liability	14,582	-
Unrealized loss on marketable securities	-	(6,642)
	(16,489)	(6,125)

17. Supplemental Disclosures

	Three months ended October 31,	
	2021	2020
	\$	\$
Non-cash investing and financing activities:		
Transfer of contributed surplus upon exercise of options	41,626	-
Transfer of contributed surplus upon exercise of warrants	62,145	-
Convertible debentures:		
Fair value of warrants attached to units	78,481	-
Equity portion of debentures	46,028	-
Fair value of warrants issued as finder's fees	105,031	-

18. Capital Management

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the general operations of the Company and facilitate the liquidity needs of its operations. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its working capital position, share capital, and share-based payment reserves.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three months ended October 31, 2021. The Company is not subject to externally imposed capital requirements.

KOMO PLANT BASED FOODS INC.

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19. Financial Instruments and Risk Management

(a) Fair Value

The fair values of other financial instruments, which includes cash, amounts receivable, amounts due to and from related parties, accounts payable and accrued liabilities, convertible debentures, derivative liability, and loans payable approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counter-party default on its obligation. The Company minimizes its credit risk associated with its cash balance by dealing with major financial institutions in Canada. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

The Company's functional currencies are the Canadian dollar and United States dollar. The functional currency of its former wholly owned subsidiary was the United States dollar. Currency risk is the risk that the fair value of the Company's financial instruments will fluctuate because of changes in foreign currency exchange rates. The Company's subsidiary had limited operations which limited the Company's foreign exchange risk. Management has chosen not to hedge its foreign exchange risk.

The Company is mainly exposed to foreign currency risk to the extent that the following monetary assets and liabilities are denominated in US dollars:

	October 31, 2021 US\$	July 31, 2021 US\$
Prepaid expenses and deposits	12,289	12,289
Accounts payable and accrued liabilities	-	(800)
Net exposure	12,289	11,489
Canadian dollar equivalent	15,219	14,355

A 10% change in the foreign exchange rate of US dollars is not expected to have a material impact on the Company's condensed interim consolidated financial statements.

(d) Interest Rate Risk

The Company's exposure to interest rate risk relates to its ability to earn interest income at variable rates on cash balances. The fair value of the Company's cash is not significantly affected by changes in short-term interest rates.

(e) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company manages liquidity risk by maintaining sufficient cash balances and adjusting its operating budget and expenditure. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term and other specific obligations.

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19. Financial Instruments and Risk Management (continued)

(f) Price Risk

The Company is exposed to price risk with respect to its marketable securities. The Company's marketable securities consist of warrants held in a publicly-traded company and profitability is dependent upon the market price of the common shares for the publicly-traded company. The market price for common shares of publicly-traded companies can fluctuate significantly, and there is no assurance that the future market price of this publicly-traded company will not decrease significantly.

20. Discontinued Operations

The Company entered into an Asset Purchase Agreement dated October 30, 2020, with K Brands in which the Company agreed to sell certain assets to K Brands in consideration for 31,271,671 common shares of K Brands. The assets included under the Asset Purchase Agreement consist of 100% of the Company's interest in its wholly owned subsidiary, KBM, Assignment of the License Agreements with UJP, certain web domains, and inventory. Together with the completion of this agreement, the Company declared and issued a dividend in kind with a fair value of \$30,124 to all its shareholders by issuing one K Brands common share for every 4 common shares held in the Company.

As a result of the spin-off of distribution of the Company's ownership in KBM, KBM meets the criteria to be classified as discontinued operations as of October 30, 2020, and therefore, the results of operations of KBM for all periods have been classified as discontinued operations on the consolidated statements of operations and comprehensive loss. The comparative carrying amounts of the major classes of assets and liabilities of KBM have been classified as held for sale on the consolidated statement of financial position.

	For the Three months ended October 31, 2020
<u>Net Loss from Discontinued Operations</u>	\$
Kingdom Brands Management Inc.	\$
Expenses	
Depreciation	360
General and administrative	3,967
Professional fees	10,539
<u>Total expenses</u>	<u>14,866</u>
<u>Net loss from discontinued operations</u>	<u>(14,866)</u>

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20. Discontinued Operations (continued)

<u>Cash flows from Discontinued Operations</u>	Three months ended October 31, 2020 \$
Kingdom Brands Management Inc.	
Operating activities	
Net loss from discontinued operations	(14,866)
Items not involving cash – discontinued operations:	
Depreciation	360
Changes in non-cash operating working capital – discontinued operations:	
Prepaid expenses and deposits	4,131
Due to related parties	10,881
Accounts payable and accrued liabilities	(132)
Net cash provided by operating activities – discontinued operations	374

21. Segmented Information

The Company has two reporting segments: plant-based comfort foods and corporate. Performance is measured based on gross profit and net income (loss) before taxes, as management believes that this information is the most relevant in evaluating the results of the operating segments relative to other entities that operate within these industries. Gross profit is calculated as revenue less cost of goods sold.

The following is a summary of the Company's results by operating segment for the three months ended October 31, 2021. During the three months ended October 31, 2020, there was only one operating segment.

	Plant-based Comfort Foods \$	Corporate \$	Total \$
For the three months ended October 31, 2021			
Revenue	93,593	663	94,256
Gross profit	32,515	663	33,178
Net loss before taxes	(371,361)	(1,407,010)	(1,778,371)
As at October 31, 2021			
Total assets	220,551	749,937	970,488
Total liabilities	139,335	1,026,194	1,165,529

Significant customers

For the three months ended October 31, 2021, the Company had two significant customers in the plant-based comfort foods segment, comprising 36% of the Company's total revenue.

As at October 31, 2021, the Company had two significant accounts receivable balances outstanding relating to the plant-based comfort foods segment, comprising 57% of the Company's total accounts receivable.

As at October 31, 2020, the Company had one significant accounts receivable balance outstanding, comprising 98% of the Company's total accounts receivable.

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22. Subsequent Events

- (a) Subsequent to the quarter ended October 31, 2021, a convertible debenture repayment in the amount of \$12,227 was returned to the Company and the holder elected to convert the debenture into units of the Company (Note 10(a)). Pursuant to the election, and on November 29, 2021, the Company issued 138,106 units to the holder. Each unit is comprised of one common share of the Company and one-half of one whole warrant, where each whole warrant is exercisable into an additional common share at \$0.10 per share until October 29, 2023.
- (b) Subsequent to the period ended October 31, 2021:
 - (i) the Company issued 30,000 common shares for proceeds of \$3,600 pursuant to the exercise of stock options with an exercise price of \$0.12 per share; and
 - (ii) a total of 35,000 stock options with an exercise price of \$0.10 per share were forfeited upon the termination of certain employees.