



Veji Holdings Ltd.

MANAGEMENT DISCUSSION & ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022

Veji Holdings Ltd.  
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VEJI HOLDINGS LTD. MANAGEMENT DISCUSSION & ANALYSIS  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022

MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A") AS OF AUGUST 26, 2022 TO ACCOMPANY THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF VEJI HOLDINGS LTD. (THE "COMPANY" OR "VEJI") FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022.

This MD&A is dated August 26, 2022

The following MD&A should be read in conjunction with the with the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2022 and the audited financial statements for the years ended December 31, 2021 and December 31, 2020, which were prepared in accordance with International Financial Reporting Standards ("IFRS") and the notes thereto. The Company's unaudited condensed consolidated interim financial statements for the three and six months June 30, 2022 include a "Notice of No Auditor Review of Condensed Consolidated Interim Financial Statements" disclosure. All financial amounts are stated in Canadian currency unless stated otherwise. On March 28, 2022, the Company completed a one-for-four share consolidation of all outstanding common shares. Shares reserved under the Company's equity and incentive plans were adjusted to reflect the share consolidation. All share and per share data presented have been retroactively adjusted to reflect the share consolidation unless otherwise noted.

Additional information relating to the Company and its operations is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The information provided in this report is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the consolidated financial statements.

This MD&A contains certain forward-looking statements based on the opinions, estimates, beliefs, and assumptions of the management of the Company. These statements are subject to many known and unknown risks and uncertainties. Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements. (See "Risks and Uncertainties" in this MD&A for more information).

## **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this MD&A constitute forward-looking statements. All statements other than statements of historical fact may be forward-looking statements.



Forward-looking statements are often, but not always, identified by the use of words such as "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "predict" or "likely", or the negative of these terms, or other similar expressions (or variations of such words). These statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements. Based on current available information, the Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that those expectations will prove to be correct. The forward-looking statements in this MD&A are expressly qualified by this statement, and readers are advised not to place undue reliance on the forward-looking statements.

### **GOING CONCERN**

The condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes the Company will be able to realize its assets and settle its liabilities in the normal course of business. The nature of the Company's commencement of operations resulted in significant expenditures for setting up the operations to scale for a large volume of transactions. The eventual generation of profit is dependent upon several factors including expanding into various markets, the ability of the Company to obtain financing to support growth and scale of operations, and to continue to meet working capital and operating cash flows.

To date, the Company has not generated positive cash flows from operations. For the six months ended June 30, 2022, the Company incurred a net loss of \$4,353,196 and as at June 30, 2022 the Company had an accumulated deficit of \$17,037,442 and a working capital deficiency of \$6,867,094. These conditions give rise to a material uncertainty that may cast a significant doubt on the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to obtain additional funding from loans or equity financings provided by the Company's existing shareholders and/or new shareholders or through other arrangements. While the Company raised additional capital in the first and second quarter of 2022 through advances and loans from an existing shareholder and working capital loans, there is no assurance that the Company will be successful in obtaining additional funding. In addition, due to macroeconomic factors such as rising interest rates and political unrest, the current market conditions are not conducive for raising capital. These events and conditions indicate a material uncertainty that may cast a significant doubt on the Company's ability to continue as a going concern.

The condensed consolidated interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and consolidated statement



of financial position classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

## **DESCRIPTION OF THE BUSINESS AND OVERVIEW**

Veji, headquartered in Kelowna, BC, owns and operates an award-winning online vegan grocery store at [VeganEssentials.com](https://VeganEssentials.com) and a business-to-business (“B2B”) focused online marketplace at [VEDGEco.com](https://VEDGEco.com). The Company is publicly listed and trades on the Canadian Securities Exchange (“CSE”) under trading symbol “VEJI” and on the OTCQB Market (the “OTCQB”) under trading symbol, “VEJIF”. The Company’s mission is to provide consumers with convenient access to local and national plant-based and sustainable brands through its platforms.

The Company’s wholly-owned subsidiary, Veg Essentials LLC (“Veg Essentials”) is a US-based corporation that owns and operates [VeganEssentials.com](https://VeganEssentials.com). Veg Essentials, a staple of the plant-based community, is an online grocery store for plant-based products that has been in business since 1997. VeganEssentials.com was awarded best online vegan store from 2005-2018, as well as best online vegan grocery from 2018-2021 by VegNews Magazine.

The Company also owns and operates VEDGEco USA, Inc. (“VEDGEco”). Headquartered in Kailua, Hawaii and launched in 2020, [VEDGEco.com](https://VEDGEco.com) is the first nationwide plant-based foodservice distributor, providing restaurants with high-quality plant-based options. With the goal of bringing the freedom of food choice to all restaurants and businesses, VEDGEco distributes plant-based products in bulk to the restaurant and wholesale food industry, as well as to consumers across the US.

The Company currently serves its customers through facilities in Hawaii, California, Georgia, Wisconsin, and Texas. With these facilities located across the United States, Veji is able to provide fast, reliable and timely deliveries to all states except Alaska.

Veji’s revenue is diversified, generated from a mix of marketplace activities and other optional services provided to vendors. Marketplace revenue is comprised of product sales and fees that vendors pay for marketplace activities. Marketplace activities primarily include listing items for sale and completing transactions between a buyer and a vendor. Services revenue is comprised of the fees a vendor pays for marketing and fulfillment services. Services primarily include targeted ads, social media marketing, influencer marketing, product features on the website, tradeshow, handling, storage, pick, pack, ship, and sample distribution.

The Company’s strategy involves investing in customer acquisition and building our distribution and logistics infrastructure to generate long-term shareholder value creation. Through this investment, we plan to drive more new wholesale and retail consumers to our marketplaces, give existing consumers reasons to come back more often, encourage consumers to spend



more per order, and help support the success of our vendors. To this end, the Company intends to expand its product offering into new and innovative categories including but not limited to sustainable and plant-based fashion, furniture, and cell-cultured meat offerings as they become available. The Company currently offers thousands of plant-based and sustainable living products available to consumers throughout the continental United States and Canada on its platform. The Company also intends to pursue additional strategic acquisitions and expand its operations into the United Kingdom, Europe and Australia in the future, and other geographies as opportunities present themselves. As Veji continues to grow its customer base, the Company expects to achieve economies of scale and additional operating efficiencies.

The Company plans to use the data and insights gathered through its D2C and B2B platforms to inform its mergers and acquisitions, growth, and investment strategies. The Company will have the ability to leverage data driven insights into new, growing, and trending categories, products, and brands. The Company has launched same day delivery in the Lower Mainland region in British Columbia with plans on launching additional same day delivery service in select regions around its fulfillment centres to help get deeper penetration in key markets. The Company will be expanding its product offering into ready-made meal delivery through its partners and vendors interested in listing on its platforms. Veji intends to apply a strategic approach to become the consolidator within the plant-based and sustainable living space. Veji plans to invest in or acquire brands in high performing segments to further repatriate revenue and profits back into its marketplace. Veji will also be able to help accelerate brands on its D2C marketplace through its B2B channels and its established relationships with wholesalers and distributors, allowing Veji to be a strategic growth partner.

The Company was formed on July 30, 2019 and changed its name from 1217691 BC Ltd. to Veji Holdings Ltd. on September 14, 2020. On August 19, 2022, the Company, as a part of a rebranding initiative, changed its corporate entity name to "Veji Holdings Ltd." The Company launched ShopVeji.com in November of 2020 and, on July 29, 2022, announced its intention to consolidate ShopVeji.com into VeganEssentials.com.

## **OUTLOOK**

The marketplace for sustainable and plant-based products is among the fastest growing industries in the world. Veji believes there are significant opportunities and advantages to rapidly growing our customer base by continuing to invest in highly targeted marketing campaigns, investments in our technology, increasing our product offering, expanding the Company's distribution locations and capacities, and in continuing to expand its platform in strategic markets globally. The Company believes that consumers will continue to become more aware of their environmental impact, and that they will choose to purchase from companies that are best aligned with their own ethics and values.



Management has identified a strong need for a national cold-chain logistics program, as the top-selling products within the plant-based foods category require frozen storage, pick, pack and delivery to achieve direct-to-consumer shipping from online channels. Veji's fulfillment program opens the door for the many innovative brands coming to market to reach a new audience.

However, since the Company has not generated positive cash flows from operations and has a working capital deficiency. The Company undertook a number of cost reduction initiatives which include the reduction of staff and the consolidation of its B2C business to operate under a single domain at VeganEssentials.com ("Vegan Essentials").

Furthermore, on July 29, 2022, the Company announced a process to review strategic alternatives ("Strategic Review Process"). As part of the Strategic Review Process, management has begun and will continue to pursue opportunities, including, but not limited to, equity/debt investment from a strategic partner, the potential sale of all or a material portion of the Company's assets, operating businesses and wholly-owned subsidiaries, as well as pursuing M&A opportunities, with the goal of identifying the best opportunity and entering into a definitive agreement to complete a transaction.

As a result, the Company withdraws all previously issued guidance due to the timing and uncertainty of the completion of the Strategic Review Process.

## **COMPANY HIGHLIGHTS**

On January 21, 2022, the common shares of the Company commenced trading on the OTCQB market (the "OTCQB") under the symbol "VEJIF".

On March 7, 2022 the Company announced that Blender Bites Ltd. will be joining Veji's fulfillment and distribution platform, Veji Fulfillment Services, to be merchandised alongside the Company's top-selling products in Canada, through its Veji Express platform.

On March 15, 2022, the Company announced it had signed a consignment and fulfillment services agreement with Unreal Deli Inc., whereby Unreal Deli Inc. will provide inventory into Veji Fulfillment Services for sale on Veji Express, and through its own direct-to-consumer channel. Under the terms of the Agreement, Veji will pick, pack and ship orders for ShopVeji.com and for Unreal Deli's own e-commerce platform, unrealdeli.com, further expanding the services the Company can offer its partners.



On March 16, 2022, the Company announced that it had received approval from the Depository Trust Company to make the Company's common shares eligible to be electronically cleared and settled.

On May 5, 2022 the Company announced a partnership with Plantable Health Inc. ("Plantable") for the launch of a prepared meal delivery program on the Company's website at ShopVeji.com. Veji will offer a curated selection of Plantable's clinically supported products including the popular Reboot program, through Veji's frozen logistics and fulfilment program to customers across the United States.

On May 9, 2022, the Company announced that it has signed a non-binding Letter of Intent to acquire of all of the issued and outstanding shares of Frozenly.

On July 1, 2022, the Company entered into a short-term working capital loan of 120,000 USD with a financial institution.

On July 11, 2022 the Company made a payment of \$50,000 towards the settlement of an infringement claim brought against it by Lettuce Holdit Ltd. and Freshii Inc. The company is working to settle other terms in order to obtain a final settlement.

On July 27, 2022, the Company and a director of the Company entered into a Senior Secured Loan Agreement for \$1,646,000 with an interest rate of 10% per annum, payable quarterly, and maturity on May 30, 2024. The Senior Secured Loan Agreement sets out the terms and conditions of advances and loans made by the director to the Company.

On July 29, 2022, the Company announced a process to review strategic alternatives. As part of the Strategic Review Process, management has begun and will continue to pursue opportunities, including, but not limited to, equity/debt investment from a strategic partner, the potential sale of all or a material portion of the Company's assets, operating businesses and wholly-owned subsidiaries, as well as pursuing M&A opportunities, with the goal of identifying the best opportunity and entering into a definitive agreement to complete a transaction. The Company also intends to consolidate its B2C business to operate under single domain at VeganEssentials.com. ShopVeji.com will cease operations in the near future and all traffic will be directed to VeganEssentials.com going forward.

On August 12, 2022, the lender of the revolving grid note facility for VEDGEco USA, Inc. issued a demand letter for the payment of interest in arrears. VEDGEco USA, Inc. is currently working with the lender to amend the terms of the revolving grid note facility. Should an agreement not be satisfactorily concluded with the lender, under the terms of the revolving grid note facility, the note shall become immediately due and payable.



On August 19, 2022, the Company announced, as a part of a rebranding initiative, that it has changed its corporate entity name to "Veji Holdings Ltd."

## SELECTED QUARTERLY INFORMATION

The table below presents selected quarterly financial information for the three months ended June 30, 2022 and June 30, 2021:

	Three Months ended June 30, 2022	Three Months ended June 30, 2021
Revenue	\$ 1,223,540	\$ 315,680
Cost of goods sold	\$ 670,605	\$ 285,867
Gross profit	\$ 552,935	\$ 29,813
Gross margin %	45.2%	9.4%
Selling and distribution	\$ 599,939	\$ 1,318,625
General and administrative	\$ 1,706,099	\$ 1,586,180
Other operating expenses	\$ 25,204	\$ 8,140
Total operating expenses	\$ 2,331,242	\$ 2,912,945
Operating loss	\$ (1,778,307)	\$ (2,883,132)
Net loss	\$ (1,861,462)	\$ (2,884,044)
Basic and diluted net loss per share	\$ (0.07)	\$ (0.14)
Total assets	\$ 7,770,237	\$ 1,659,978
Total non-current financial liabilities	\$ 2,034,880	\$ -
Dividends	-	-
Key Performance Indicators:		
Active accounts <sup>(1)</sup>	22,127	6,800
Number of orders <sup>(2)</sup>	6,510	5,179
Average order value <sup>(3)</sup>	\$ 155.11	\$ 57.78
Customer acquisition cost <sup>(4)</sup>	\$ 9.73	\$ 91.32
Return on ad spend <sup>(5)</sup>	28.15x	1.35x

(1) The number of active accounts represents the total number of individual accounts who have purchased at least once directly from our sites during the preceding twelve-month period. The change in active customers in a reported period captures both the inflow of new customers as well as the outflow of existing customers who have not made a purchase in the last twelve months. The change in active customers also includes the activity from sites acquired along with organic sites. While the active accounts metric is not an IFRS or non-IFRS financial measure, and, therefore, does not appear in, and cannot be reconciled to a specific line item in the Company's consolidated financial statements, we view the number of active customers as a key indicator of our growth.

(2) Number of orders represents the total orders placed in any period, inclusive of orders that may eventually be returned. Number of orders together with average order value, is an indicator of the net product revenue we





expect to recognize in a given period. While the number of orders metric is not an IFRS or non-IFRS financial measure, and, therefore, does not appear in, and cannot be reconciled to a specific line item in the Company's consolidated financial statements, we view number of orders as a key indicator of our growth.

(3) Average order value ("AOV") is defined as total revenue excluding shipping costs in a given period divided by the number of orders. While average order value is not an IFRS or non-IFRS financial measure, and, therefore, does not appear in, and cannot be reconciled to a specific line item in the Company's consolidated financial statements, we view average order value as a key indicator of the mix of products on our sites and the purchasing behavior of our accounts.

(4) Customer acquisition cost ("CAC") is defined as total advertising spend during the given period divided by the number of new accounts. While customer acquisition cost is not an IFRS or non-IFRS financial measure, and, therefore, does not appear in, and cannot be reconciled to a specific line item in the Company's consolidated financial statements, we view customer acquisition cost as a key indicator of the efficiency of acquiring new accounts.

(5) Return on ad spend ("ROAS") is defined as gross product revenue in a given period divided by advertising spend during the given period, which is principally the cost of paid search and digital advertising. While return on ad spend is not an IFRS or non-IFRS financial measure, and, therefore, does not appear in, and cannot be reconciled to a specific line item in the Company's consolidated financial statements, we view return on ad spend as a key indicator of the effectiveness of our advertising efforts in connecting with customers and driving favorable purchasing behaviors.

## **RESULTS OF OPERATIONS FOR THREE MONTHS ENDED JUNE 30, 2022**

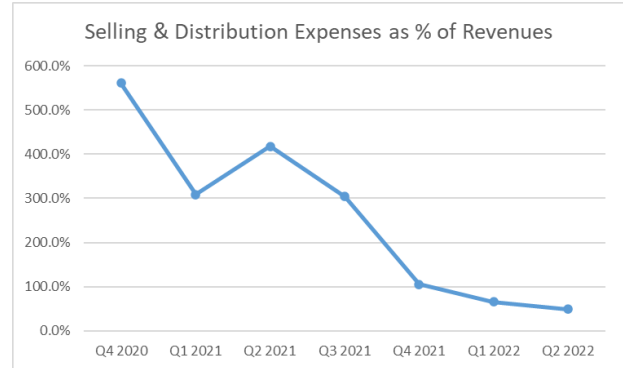
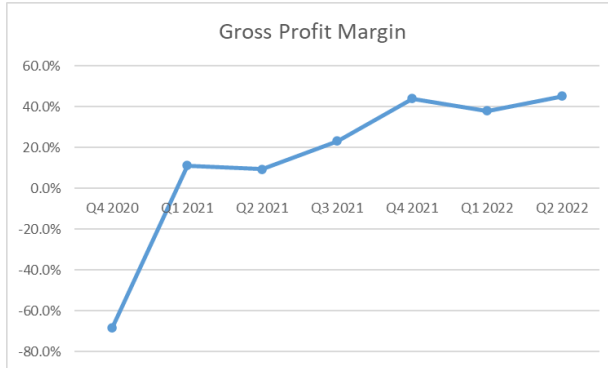
During the three months ended June 30, 2022, the Company was focused on continuing with its integration of its acquisitions of Veg Essentials and VEDGEco and streamlining its operations to reduce its cash usage from operations. To this end, the Company further reduced its headcount and focused its marketing activities to key markets where we can achieve greater unit economics.

The Company reported total revenue of \$1,223,540 for the quarter ended June 30, 2022 as compared to \$315,680 for the quarter ended June 30, 2021. Revenue from our D2C platforms for the current quarter was \$658,998 versus the prior quarter of \$315,680 and revenue from our B2B platform was \$564,542 versus the prior quarter of nil. The increase in revenue from D2C was due to the current period benefitting from the acquisition of the VeganEssentials.com marketplace which allowed the company reach a larger customer base and to ship from more locations. The increase in revenue from B2B is the result of the acquisition of the VEDGEco.com marketplace which closed on December 31, 2021.

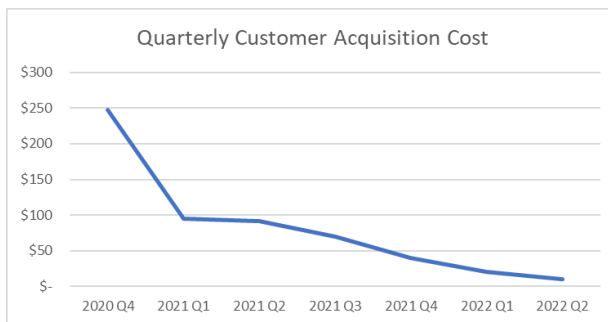
Our consolidated gross margin percentage for the three months ended June 30, 2022 was 45.2% compared to 9.4% for the three months ended June 30, 2021. Gross margin percentage from our D2C platform was 52.0% for the current quarter versus 9.4% in the prior quarter. Gross margin percentage from our B2B platform was 37.2% in the current quarter versus prior quarter of nil. Our sales and distribution expenses as a percentage of revenues was 49.0% for the current quarter compared to 417.7% in the prior quarter. These improvements in gross margin and sales and distribution over the quarters continue to demonstrate our ability to



improve the unit economics of our business model as we scale our business, integrate our acquisitions and strive toward profitability.



During the quarter ended June 30, 2022, we continued to improve our efficiency in acquiring and retaining customers. Our customer acquisition cost for the quarter was \$9.73 compared to \$91.32 in the prior year quarter, an improvement of 89%. Our return on ad spend was 28.15x in the current quarter, an improvement of 1,989%, versus 1.35x times in the quarter ended June 30, 2021. The improvements in CAC and ROAS are a reflection of our ability to better target our customers with a wide and unique product selection as we expand our partnerships with brands and vendors and the loyal customer base we have attracted. In addition, we have been able to improve our algorithms to focus on customers in key market as we reduced our marketing spend to focus on profitable growth.



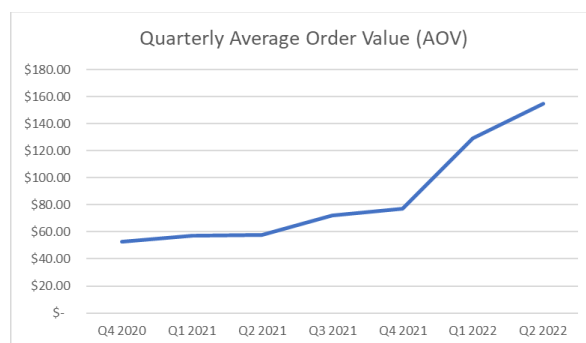
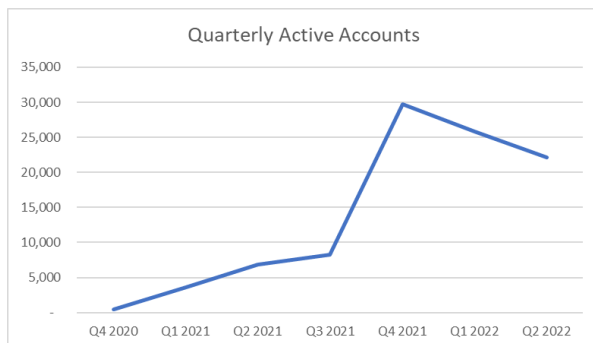
For the three months ended June 30, 2022, the Company recorded a net loss of \$1,861,462 and net loss per share of \$0.07 as compared to net loss of \$2,884,044 and net loss per share of \$0.14 for the three months ended June 30, 2021. The decrease in net loss of \$1,022,582 during the period was mainly attributable to gross profit from sales attributable to the acquisitions, optimization of our marketing programs, and improvements in our freight and packaging as a result of having a larger distribution footprint. The Company's operating expenses for the quarter ended June 30, 2022 included the following:

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- Cost of goods sold of \$670,605 (2021 - \$285,867) consisted of costs of products sold to customers. The increase is due mainly to the addition of sales from the VeganEssentials.com and VEDGEco.com marketplaces.
- Selling and distribution of \$599,939 (2021 - \$1,318,625) consisted of marketing and advertising expenses of \$34,800 (2021 - \$501,568), freight, packaging, and warehousing of \$525,758 (2021 - \$615,923), contract services of \$1,200 (2021 - \$186,989) and other costs of \$38,181 (2021 - \$14,145). During the quarter, the Company continued to optimize its marketing and advertising campaigns to acquire customers with better unit economics. As a result, we were able to drive revenue growth while incurring lower freight and packaging costs to ship orders to customers.
- General and administrative of \$1,706,099 (2021 - \$1,586,180) consisted of compensation and contract services of \$668,562 (2021 - \$665,878), professional services of \$661,965 (2021 - \$302,063), shared based compensation of \$24,257 (2021 - \$477,369), software and information technology expense of \$25,214 (2021 - \$41,389), rent and lease expenses of \$33,299 (2021 - \$12,220), depreciation and amortization of \$124,196 (2021 - \$5,901) and other expenses of \$168,606 (2021 - \$91,359). During the quarter, the Company incurred a full quarter of operations of Veg Essentials and VEDGEco along with public company related operating costs. As a result, we had an increase in technology infrastructure costs for the operations of VeganEssentials.com and VEDGEco.com, consulting expenses, investor relations costs, and accounting expenditures. In addition, the Company recorded amortization of intangibles of \$90,706 related to the acquisitions of Veg Essentials and VEDGEco.

There were 22,127 active accounts at June 30, 2022 as compared to 6,800 at June 30, 2021. The number of orders was 6,510 and average order value was \$155.11 for the three months ended June 30, 2022 compared to number of orders of 5,179 and average order value of \$57.78 for the prior quarter. The increase in active accounts, number of orders and average order value in the current quarter is mainly attributed to the additions of VeganEssentials.com and VEDGEco.com. In particular, the average order value was positively impacted by the B2B platform average order value of \$532.88 versus the D2C platform average order value \$82.87 in the current quarter.





## RESULTS OF OPERATIONS FOR SIX MONTHS ENDED JUNE 30, 2022

The Company reported revenue of \$2,771,336 for the six months ended June 30, 2022 as compared to \$556,985 for the six months ended June 30, 2021. Revenue from our D2C platforms for the current period was \$1,514,649 versus the prior period of \$556,985 and revenue from our B2B platform was \$1,256,686 versus the prior period of nil. The increase in revenue from D2C was due to the current period benefitting from the acquisition of the VeganEssentials.com marketplace which allowed the company to reach a larger customer base and to ship from more locations. The increase in revenue from B2B is the result of the acquisition of the VEDGEco.com marketplace which closed on December 31, 2021.

For the six months ended June 30, 2022, the Company recorded a net loss of \$4,353,196 and net loss per share of \$0.15 as compared to net loss of \$4,851,090 and net loss per share of \$0.28 for the six months ended June 30, 2021. The decrease in net loss of \$497,894 during the period was mainly attributable to gross profit from sales attributable to the acquisitions, optimization of our marketing programs, and improvements in our freight and packaging as a result of having a larger distribution footprint offset by higher costs related to consulting, investor relations and amortization of intangibles related to the Company's acquisitions of Veg Essentials and VEDGEco.

The Company's operating expenses for the six months ended June 30, 2022 included the following:

- Cost of goods sold of \$1,630,363 (2021 - \$500,378) consisted of costs of products sold to customers. The increase is due mainly to the addition of sales from the VeganEssentials.com and VEDGEco.com marketplaces.
- Selling and distribution of \$1,615,723 (2021 - \$2,062,632) consisted of marketing and advertising expenses of \$174,504 (2021 - \$928,887), freight, packaging, and warehousing of \$1,270,455 (2021 - \$922,134), contract services of \$64,630 (2021 - \$186,989) and other costs of \$106,134 (2021 - \$24,622). During the current period, the Company continued to optimize its marketing and advertising campaigns to acquire customers with better unit economics. As a result, we were able to drive revenue growth with lower expenditures on marketing and advertising. The increase in freight, packaging, and warehousing is the result of higher sales volume to customers.
- General and administrative of \$3,705,643 (2021 - \$2,829,263) consisted of compensation and contract services of \$1,573,039 (2021 - \$1,431,630), professional services of \$1,286,268 (2021 - \$708,606), shared based compensation of \$61,442 (2021 - \$477,369), software and information technology expense of \$156,358 (2021 - \$79,045), rent and lease expenses of \$70,130 (2021 - \$20,763), depreciation and amortization of \$235,432 (2021 - \$8,545) and other expenses of \$322,974 (2021 - \$103,305). During the period, the Company incurred a full period of operations of Veg Essentials and VEDGEco along with public company related operating costs. As a result, we had an increase in technology infrastructure costs for



the operations of VeganEssentials.com and VEDGEco.com, consulting expenses, investor relations costs, and accounting expenditures. In addition, the Company recorded amortization of intangibles of \$181,413 related to the acquisitions of Veg Essentials and VEDGEco.

There were 22,127 active accounts at June 30, 2022 as compared to 6,800 at June 30, 2021. The number of orders was 16,667 and average order value was \$139.22 for the six months ended June 30, 2022 compared to number of orders of 9,042 and average order value of \$57.52 for the prior period. The increase in active accounts, number of orders and average order value in the current quarter is mainly attributed to the additions of VeganEssentials.com and VEDGEco.com. In particular, the average order value was positively impacted by the B2B platform average order value of \$513.58 versus the D2C platform average order value \$79.77 in the current period.

### SUMMARY OF QUARTERLY RESULTS

The table below presents selected quarter financial information for the last eight fiscal quarters:

	Quarter ended Jun. 30, 2022	Quarter ended Mar. 31, 2022	Quarter ended Dec. 31, 2021	Quarter ended Sep. 30, 2021
Revenue	\$ 1,223,540	\$ 1,547,795	\$ 938,404	\$ 226,252
Cost of goods sold	\$ 670,605	\$ 959,758	\$ 525,603	\$ 173,804
Gross profit	\$ 552,935	\$ 588,037	\$ 412,802	\$ 52,448
Gross margin %	45.2%	38.0%	44.0%	23.2%
Selling and distribution	\$ 599,939	\$ 1,015,784	\$ 990,359	\$ 687,089
General and administrative	\$ 1,706,099	\$ 1,987,713	\$ 1,364,144	\$ 1,657,363
Other operating expenses	\$ 25,204	\$ 503	\$ 3,126,303	\$ 12,003
Total operating expenses	\$ 2,331,242	\$ 3,004,000	\$ 5,480,806	\$ 2,356,456
Operating loss	\$ (1,778,307)	\$ (2,415,963)	\$ (5,068,004)	\$ (2,304,008)
Net loss	\$ (1,861,462)	\$ (2,488,276)	\$ (5,091,896)	\$ (2,308,682)
Basic and diluted net loss per share	\$ (0.07)	\$ (0.09)	\$ (0.21)	\$ (0.11)
Total assets	\$ 7,770,237	\$ 8,190,052	\$ 8,565,104	\$ 1,309,637
Total non-current financial liabilities	\$ 2,034,880	\$ 1,967,017	\$ 1,989,154	\$ 500,000
Dividends	-	-	-	-
Key Performance Indicators				
Active accounts	22,127	25,847	29,715	8,217
Number of orders	6,510	10,157	9,503	2,883
Average order value	\$ 155.11	\$ 129.03	\$ 77.19	\$ 72.18
Customer acquisition cost	\$ 9.73	\$ 20.66	\$ 39.81	\$ 70.07
Return on ad spend	28.15x	14.93x	4.83x	2.05x



	Quarter ended Jun. 30, 2021	Quarter ended Mar. 31, 2021	Quarter ended Dec. 31, 2020	Quarter ended Sep. 30, 2020
Revenue	\$ 315,680	\$ 241,305	\$ 25,441	\$ -
Cost of goods sold	\$ 285,867	\$ 214,512	\$ 42,829	-
Gross profit	\$ 29,813	\$ 26,793	\$ (17,388)	-
Gross margin %	9.4%	11.1%	(68.3)%	-
Selling and distribution	\$ 1,318,625	\$ 744,007	\$ 142,839	\$ 535
General and administrative	\$ 1,586,180	\$ 1,243,083	\$ 270,885	\$ 928
Other operating expenses	\$ 8,140	\$ 6,667	-	-
Total operating expenses	\$ 2,912,945	\$ 1,993,757	\$ 413,724	\$ 1,463
Operating loss	\$ (2,883,132)	\$ (1,966,964)	\$ (431,112)	\$ (1,463)
Net loss	\$ (2,884,044)	\$ (1,967,046)	\$ (431,112)	\$ (1,463)
Basic and diluted net loss per share	\$ (0.14)	\$ (0.14)	\$ (0.06)	\$ (0.00)
Total assets	\$ 1,659,978	\$ 2,418,093	\$ 213,874	\$ 121,088
Total non-current financial liabilities	\$ -	-	-	-
Dividends	-	-	-	-
Key Performance Indicators				
Active accounts	6,800	3,561	402	-
Number of orders	5,179	3,863	452	-
Average order value	\$ 57.78	\$ 57.17	\$ 52.83	-
Customer acquisition cost	\$ 91.32	\$ 95.44	\$ 247.49	-
Return on ad spend	1.35x	1.13x	0.33x	-

Quarterly revenues have generally increased since our commercial launch in November 2020 as the Company has built brand awareness around the ShopVeji marketplace along with its acquisition strategy to become the leading marketplace for sustainable local and national plant-based brands. In addition, with growth in revenues, the Company has been able to achieve greater economies of scale, which has led to improvement in gross margins.

However, revenues for the quarter ended June 30, 2022 decreased by 21% over the quarter ended March 31, 2022. This is due to the Company focusing on sales to customers with more favorable unit economics as part of its integration plan. As a result, this led to a reduction in selling and distribution costs of 41% and an improvement in net loss of 25% from the quarter ended March 31, 2022 to the current quarter ended June 30, 2022.

Customer acquisition cost and return on ad spend have also substantially improved since commercial launch. Selling and distribution expenses as a percentage of revenues have



trended down since the second quarter of 2021. The continuous improvement in these operating metrics is the result of the Company's focus on the unit economics of our business model as we scale our business and strive toward profitability. In addition, the Company is continually looking to improve its marketing and advertising campaigns and optimizing its logistics operations.

Active accounts and number of orders increased in the quarter ended December 31, 2021 mainly due to the acquisition of Veg Essentials and VEDGEco. Average order value increased in the quarter ended March 31, 2022 mainly due to the acquisition of our B2B platform.

The decline in active accounts since the quarter ended December 31, 2021 is due to the Company being focused on targeting customers located within zones 1 and 2 of its distribution centres in order for the Company to better economically service our customers.

Net loss for the quarter ended December 31, 2021 included a non-cash loss on remeasurement of warranty liability of \$3,117,856. Excluding the loss on remeasurement of warranty liability in the fourth quarter of 2021, the Company's net loss has generally improved since the second quarter of 2021. This is the result of the Company optimizing its organization for sustainable future growth through initiatives such as headcount reductions, scaling back marketing and advertising to optimize funnel conversion, and launching same-day local shipping and other shipping alternatives to reduce freight costs after launching its marketplace platform in November 2020 and setting up its operations through the second quarter of 2021. With improved operational performance and an optimized team along with the acquisitions of Veg Essentials and VEDGEco, management believes that the Company is better positioned to realize greater capital efficiencies to scale our strategy as a consolidator of plant-based and sustainable products and brands.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company's objective in managing its capital structure is to ensure sufficient liquidity to finance its operations and growth opportunities. To date, the Company has relied upon the issuance of equity securities and long-term debt to fund its activities. The Company will continue to need access to equity and debt capital to pursue its business plan. There is no guarantee that equity and debt may be available, and if available, they may not be on terms that management finds are in the interest of the Company.



The following table summarizes the Company's cash flow, cash on hand and working capital:

	Quarter ended June 30, 2022	Quarter ended June 30, 2021
Net cash used in operating activities	\$ (501,873)	\$ (2,111,962)
Net cash used in investing activities	\$ -	\$ (154,176)
Net cash provided by financing activities	\$ 439,888	\$ 1,596,509
Net change in cash	\$ (61,985)	\$ (699,629)
Effect of exchange rate changes on cash	\$ (1,617)	\$ -
Cash, beginning of period	\$ 90,295	\$ 1,577,331
Cash, end of period	\$ 26,693	\$ 907,702
Working Capital	\$ (6,867,094)	\$ 915,618

For the three months ended June 30, 2022, the net cash used in operating activities was \$501,873 compared to prior period net cash used in operating activities of \$2,111,962. The decrease in cash usage of \$1,610,089 was mainly due to working capital management and the reduction in net loss as a result of the synergies and economies of scale achieved from the acquisitions of Veg Essentials and VEDGEco along the Company's focusing on the unit economics of customer orders.

For the quarter ended June 30, 2022, the net cash used in investing activities was \$nil compared to the prior period net cash used in investing activities of \$154,176. The decrease in cash usage was mainly attributable to payment of a deposit for the acquisition of Veg Essentials in the prior period.

For the quarter ended June 30, 2022, the net cash provided by financing activities was \$439,888 compared to the prior period net cash provided by financing activities of \$1,596,509. The decrease of \$1,156,621 was mainly attributable to proceeds from special warrants to be issued taking place in the prior period offset by loans from a related party being received in the current quarter as outlined in "Loans and Borrowings" section of this MD&A.

As at June 30, 2022, the Company had no commitments for capital expenditures.

As at June 30, 2022, the Company had working capital deficiency of \$6,867,094, inclusive of cash and cash equivalents of \$26,693 as compared to working capital of \$915,618, inclusive of cash of \$907,702, as at June 30, 2021. The Company expects to remedy its working capital deficiency through the issuance of equity or debt or sale of assets.





## Loans and Borrowings

As of June 30, 2022, the Company had the following loans and borrowings outstanding:

	June 30, 2022	December 31, 2021
Short-term debt:		
Working capital loans	\$ 273,064	\$ 226,360
Unsecured loan	\$ 494,167	\$ 497,573
Revolving grid note	\$ 644,300	\$ 515,665
Due to related party	\$ 1,854,552	\$ -
Current portion of long-term debt	\$ 500,000	\$ 500,000
Total short-term debt	\$ 3,766,083	\$ 1,739,598
Long-term debt	\$ -	\$ -
Total loans and borrowings	\$ 3,766,083	\$ 1,739,598

### Short-term Debt

Working capital loans relate to short term funding advances from financial institutions, whereby in exchange for funding advances, the Company is required to remit to the financial institutions, periodic payments determined on the basis of a percentage of the Company's collections from customers during the same period (the Remittance Rate between 5% to 20%), such that the total amounts remitted by the Company in excess of the advanced amounts, represent an effective financing fee of between 6% to 13% over the remittance period. The working capital loans are secured against the Company's accounts receivable balances underlying the Remittance Rate requirement, together with any cash balance held by the Company in a designed bank account used by the Company with its platform for customers.

Unsecured loan represents various amounts advanced by former directors of Veg Essentials and VEDGEco. The unsecured loan is interest free and repayable on demand.

The Revolving Grid Note facility was closed with a former related party of VEDGEco, with the total facility amounting to US\$500,000, available to VEDGEco in five equal monthly advances starting September 15, 2021, priced at an interest rate of 10% per annum and maturity on September 14, 2022. At June 30, 2022 a total of US\$500,000 had been accrued including interest amounting to US\$9,973.

As of June 30, 2022, the Company was advanced amounts totaling \$1,854,552 by a director of the Company. The advances are non-interest bearing and repayable on demand.



## **Long-term Debt**

On September 8, 2021, Kory Zelickson agreed to loan the Corporation \$500,000 (the "Shareholder Loan") pursuant to a loan agreement between the Company and Mr. Zelickson dated September 8, 2021. The Shareholder Loan bears interest at a rate of 10% per annum (payable quarterly) and matures on December 8, 2022 with the first interest payment due and payable on December 31, 2021. Notwithstanding the foregoing, in the event the Company completes one or more debt or equity financings to raise aggregate net proceeds of at least \$7,000,000, Mr. Zelickson has the option to accelerate the maturity date to the date which is ten business days following the date Mr. Zelickson provides the Company notice of the accelerated expiry date.

On July 27, 2022, the Company and a director of the Company entered into a Senior Secured Loan Agreement for \$1,646,000 with an interest rate of 10% per annum, payable quarterly and maturity on May 30, 2024. The Senior Secured Loan Agreement sets out the terms and conditions of the advances made by the director to the Company.

## **Capital Stock**

The authorized capital of the Company consists of an unlimited number of common shares without par value of which 28,584,626 are outstanding as of June 30, 2022. Holders of the Company's common shares are entitled to vote at all meetings of shareholders declared by the directors, and subject to the rights of holders of any shares ranking in priority to or on a parity with the common shares, to participate ratably in any distribution of property or assets upon the liquidation, winding up or dissolution of the Company. On March 28, 2022, the Company effected a share consolidation of 1 new share for 4 old shares. All share and per share data presented have been retroactively adjusted to reflect the share consolidation unless otherwise noted.

## **Long-term Incentive Plan**

An employee stock option plan (the "Stock Option Plan") was established by the Company to attract and retain employees, consultants, directors and officers. The plan provides for the granting of stock options to purchase common shares where at any given time the number of stock options reserved for issuance shall not exceed 15% of the Company's issued and outstanding common shares, less any shares reserved for issuance under the restricted share unit plan. Under the plan, stock options generally vest over a period of two years and expire five years from the grant date.

A restricted share unit plan (the "RSU Plan") was established by the Company to attract and retain employees, officers and directors. The RSU Plan provides for a maximum number of common shares available and reserved for issuance shall not exceed 15% of the Company's



issued and outstanding common shares, less any shares reserved for issuance under the Stock Option Plan. No RSUs have been granted to date.

### Outstanding Share Data

As at	August 26, 2022	June 30, 2022	December 31, 2021 <sup>(1)</sup>
Common shares outstanding	28,584,626	28,584,626	28,584,626
Warrants outstanding	9,026,357	9,026,357	9,026,357
Stock options outstanding	2,662,500	2,662,500	2,790,000
Stock options exercisable	1,915,000	1,915,000	1,342,500
Advisory options	35,375	35,375	35,375
Compensation warrants	120,115	120,115	120,115

Note:

(1) Reflecting the Share Consolidation of one (1) new common share without par value for every four (4) existing common shares without par value effective March 28, 2022.

### DIVIDEND POLICY

Since its incorporation, the Company has not paid any dividend on its common shares. The Company's current policy is to retain future earnings to finance its growth. Any future determination to pay dividends is at the discretion of the Company's Board of Directors and will depend on the Company's financial condition, results of operations, capital requirements and other such factors as the Board of Directors of the Company may deem relevant.

### USE OF PROCEEDS FROM PUBLIC OFFERINGS

On November 1, 2021, the Company completed the offering of Subscription Receipts and Special Warrants which were converted into an aggregate of 3,052,714 Common Shares and 1,526,357 common share purchase warrants (the "Warrants"), with each Warrant being exercisable for one additional Common Share at a price of \$2.00 until November 1, 2023. Net Escrowed Proceeds of \$1,937,629 were released to the Company upon satisfaction of the Escrow Release Conditions.



	Actual use of proceeds	Estimated use of proceeds	Variance
General and administrative costs	\$ 1,896,971	\$ 1,913,917	\$ (16,946)
Investor relations and corporate communications	\$ 285,420	\$ 250,000	\$ 35,420
Sales growth, customer acquisition and marketing	\$ 526,152	\$ 579,000	\$ (52,848)
Expenses related to the Prospectus and the acquisition of Veg Essentials	\$ 183,274	\$ 148,900	\$ 34,374
Total	\$ 2,891,817	\$ 2,891,817	\$ -

Item	Funds Available
Working Capital (including net proceeds from the sale of Special Warrants) at September 30, 2021	\$ 454,189
Shareholder Loan	\$ 500,000
Net Escrowed Funds	\$ 1,937,629
Total Available Funds	\$ 2,891,817

#### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet arrangement such as obligations under guarantee contracts, a retained or contingent interest in assets transferred to an unconsolidated entity, any obligation under derivative instruments or any obligation under a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company or engages in leasing or hedging services with the Company.

#### **RELATED PARTY TRANSACTIONS**

Related parties and related party transactions are summarized below and include transactions with the following individuals or entities:

Veji Holdings Ltd.  
666 Burrard Street, Suite 2500,  
Vancouver, British Columbia V6C 2X8



## Key Management Personnel

Key management personnel, including companies controlled by them, are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

Remuneration attributed to key management personnel is summarized as follows:

	Three Months ended June 30, 2022	Three Months ended June 30, 2021
Wages, management, and directors' fees	\$ 301,667	\$ 183,339
Directors' fees	\$ -	\$ -
Share based compensation	\$ 45,301	\$ 24,586

During the three months ended June 30, 2022, the Company incurred salaries and wages of \$62,500 (2021 - \$27,500) with an individual related to the President and Chief Operating Officer of the Company.

As at June 30, 2022, the Company owed Kory Zelickson, Chief Executive Officer and director a total of \$2,416,144 (2021 - \$500,000) for funds and loans advanced by Mr. Zelickson.

## ACQUISITIONS

On May 2, 2022, the Company signed a non-binding Letter of Intent with Frozenly, contemplating the acquisition (the "Proposed Transaction") by Veji of all of Frozenly's issued and outstanding shares from the shareholders of Frozenly (collectively, the "Vendors").

It is anticipated that the purchase price for the Frozenly shares will be £2 million, payable to the Vendors as follows:

- at the closing of the Proposed Transaction, £1 million in shares of Veji (each, a "Veji Share") based on a deemed price of the greater of (a) C\$0.25 per Veji Share, and (b) the market price of the Veji Shares on the date of announcement of the Proposed Transaction; and
- over the three-year period following the closing of the Proposed Transaction, £1 million in Veji Shares, subject to earn-out milestones based on financial performance of Frozenly, including revenue and EBITDA targets, based on a deemed price equal to the market price of the Veji Shares on the date when the applicable milestone is achieved.

Closing of the Proposed Transaction is subject to negotiating and signing of a definitive agreement in respect of the Proposed Transaction, completion of due diligence to the



satisfaction of Veji, receipt of all applicable governmental, regulatory and contractual third party approvals, including approval of the Canadian Securities Exchange, and other conditions precedent.

## **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of the unaudited consolidated interim financial statements in conformity with IFRS requires the use of judgment and estimates that affect the amounts reported and disclosed in the consolidated financial statements and related notes. These judgements and estimates are based on management's knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ materially from the amounts included in the consolidated financial statements. The Company's significant judgements and estimates for the three months ended June 30, 2022 are the same as those that were applied to the Company's audited annual consolidated financial statements for the year ended December 31, 2021. See "Critical accounting estimates and judgments" in the Company's audited annual consolidated financial statements as at and for the year ended December 31, 2021 for a full discussion of the applicable critical accounting estimates and judgments of the Company.

## **CHANGES IN ACCOUNTING POLICIES**

The Company's significant accounting policies applied in the unaudited condensed consolidated interim financial statements for the three months ended June 30, 2022 are the same as those applied to the Company's audited annual consolidated financial statements for the year ended December 31, 2021. See "Note 3" of the audited annual consolidated financial statements for the year ended December 31, 2021 for a full discussion of the applicable accounting policies.

As of July 2021, the Company began offering optional marketing services to third party marketplace vendors. These services include targeted ads, social media marketing, influencer marketing and product features on our website. In March 2022, the Company began to offer fulfillment services through Veji Fulfillment Services "VFS" to marketplace vendors.

Services revenue from strategic partnerships with customers are recognized as the service milestones are performed and is measured at the agreed upon transaction price based on the underlying arrangement which defines the consideration expected to be received.

### **Future accounting pronouncements**

There are no other IFRS or International Financial Reporting Interpretations Committee interpretations that are not yet effective that are expected to have a material impact on the Company's financial statements.



## **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures.

### **Credit risk**

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. Financial instruments that potentially subject the Company to credit risk consist of cash, accounts receivables, and due from related party. The carrying amount of the Company's financial assets recorded in the consolidated financial statements represents the Company's maximum exposure to credit risk. At June 30, 2022, the Company had cash of \$26,693, short term investments of \$140,000, accounts receivable of \$234,474 comprised of trade receivables of \$82,089 and government remittances receivable of \$152,385. The Company manages credit risk by placing cash and short term investments with major Canadian financial institutions. The Company manages credit risk of its accounts receivable by only extending credit to creditworthy customers. Management believes the credit risk is low.

### **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due. Furthermore, the Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the directors are actively involved in the review, planning, and approval of significant expenditures and commitments. At June 30, 2022, the Company had net working capital deficiency of \$6,867,094. The Company expects to remedy its working capital deficiency through the issuance of equity or debt or the sale of assets.

### **Interest rate risk**

Interest rate risk is the risk that cash flows will fluctuate due to changes in market interest rates. While the Company's financial assets are generally not exposed to significant interest rate risk because of their short term nature, changes in interest rates will have a corresponding impact on interest income realized on such assets.

The Company's financial liabilities are not exposed to significant interest rate risk because they are either non-interest bearing or carry a fixed interest rate. Changes in interest rates will not have a corresponding impact on interest expense incurred on such liabilities. As at June 30, 2022, the Company is not exposed to any interest rate risk.



### **Foreign exchange risk**

Foreign exchange risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company operates in Canada and the United States and therefore, currently, has limited exposure to foreign exchange risk arising from transactions denominated in foreign currencies. Other than Canadian dollar balances, the Company holds balances in cash, accounts receivable and due to related parties and accounts payable that are denominated in US\$. Accordingly, the Company is subject to foreign exchange risk relating to such balances in connection with fluctuations against the Canadian dollar. The Company has no program in place for hedging foreign currency risk. As at June 30, 2022, a 10% appreciation of the Canadian dollar relative to the US dollar would have resulted in a decrease in the net loss for the three months ended June 30, 2022 of approximately \$397,000.

### **Fair value**

The carrying amounts of cash, accounts receivable, amounts due from and due to related parties, accounts payable and accrued liabilities do not materially differ from their fair values given their short-term period to maturity.

## **RISKS AND UNCERTAINTIES**

An investment in the Company involves a high degree of risk and should be considered speculative. An investment in the Company should only be undertaken by those persons who can afford the total loss of their investment. The risks and uncertainties below are not the only ones the Company faces. Additional risks and uncertainties not presently known to the Company or that the Company believes to be immaterial may also adversely affect the Company's business. The occurrence of any such risks could harm the Company's business, results of operations, financial condition and/or growth prospects or cause the Company's actual results to differ materially from those contained in forward-looking statements it has made in this report.

### **Forward-looking statements may prove to be inaccurate**

The forward-looking information and statements included in this MD&A relating to, among other things, the Company's future results, performance, achievements, prospects, targets, plans, objectives, goals, milestones, intentions or opportunities or the markets in which we operate is based on opinions, assumptions and estimates made by the Company's management in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. The Company's actual results in the future may vary significantly from the historical and estimated results and those variations may be material. We





make no representation that its actual results in the future will be the same, in whole or in part, as those included in this MD&A.

The following is a description of the principal risk and uncertainties that will affect the Company:

### **Limited Operating History**

The Company was incorporated on July 30, 2019. As a result, the Company has a limited operating history in e commerce upon which its business and future prospects may be evaluated. The Company will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its operating goals. In order for the Company to meet its future operating requirements, the Company will need to be successful in growing its marketing and sales efforts. Additionally, where the Company experiences increased sales, the Company's current operational infrastructure may require changes to scale the Company's business efficiently and effectively to keep pace with demand, and achieve long term profitability. If the Company's products are not accepted by new partners, the Company's operating results may be materially and adversely affected.

### **Managing Growth**

In order to manage growth and changes in strategy effectively, the Company must: (a) maintain adequate systems to meet customer demand; (b) expand sales and marketing, distribution capabilities, and administrative functions; (c) expand the skills and capabilities of its current management team; and (d) attract and retain qualified employees. While it intends to focus on managing its costs and expenses over the long term, the Company expects to invest its earnings and capital to support its growth, but may incur additional unexpected costs. If the Company incurs unexpected costs it may not be able to expand quickly enough to capitalize on potential market opportunities.

### **Access to Capital**

The Company makes, and will continue to make, substantial investments and other expenditures related to acquisitions, technology development and marketing initiatives. Since its incorporation, the Company has financed these expenditures through offerings of equity and debt securities. The Company will have further capital requirements and other expenditures as it proceeds to expand its business or take advantage of opportunities for acquisitions or other business opportunities that may be presented to it. The Company may incur major unanticipated liabilities or expenses. The Company can provide no assurance that it will be able to obtain financing on reasonable terms or at all to meet the growth needs of its operations.

### **Market for Securities and Volatility of Share Price**

There can be no assurance that an active trading market in the Company's securities will be established or sustained. The market price for the Company's securities could be subject to



wide fluctuations. Factors such as announcements of quarterly variations in operating results and acquisition or disposition of properties, as well as market conditions in the industry, may have a significant adverse impact on the market price of the securities of the Company. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

### **Additional Financing**

The Company will require equity and/or debt financing to support ongoing operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to fund ongoing operations, capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon the Company's business, results of operations, financial condition or prospects.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences, and privileges superior to those of holders of Common Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

### **Profitability of the Company**

The Company may experience difficulties in its technology development process, such as capacity constraints, quality control problems or other disruptions, which would make it more difficult to generate profits. A failure by the Company to achieve a low-cost structure through economies of scale or improvements in processes could have a material adverse effect on the Company's business, prospects, results of operations and financial condition.

### **Ongoing Costs and Obligations**

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition, and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.



### **Acquisition Risks**

As part of the Company's growth strategy, the Company has acquired Veg Essentials and VEDGECO and may complete other strategic acquisitions in the future. The ability to realize the benefits of such acquisitions depends in part on successfully consolidating functions and integrating operations, procedures, and personnel in a timely and efficient manner, as well as on the Company's ability to realize the anticipated growth opportunities and synergies, efficiencies and cost savings from integrating these businesses. These integrations require the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during the process. The integration process may result in the loss of key employees and the disruption of ongoing business and employee relationships that may adversely affect the Company. In addition, achievement of synergies and the realization of growth opportunities depend on many factors, many of which are beyond the Company's control.

### **Retention and Acquisition of Skilled Personnel**

The loss of any member of the Company's management team, could have a material adverse effect on its business and results of operations. In addition, the inability to hire or the increased costs of hiring new personnel, including members of executive management, could have a material adverse effect on the Company's business and operating results. The expansion of marketing and sales of its products will require the Company to find, hire and retain additional capable employees who can understand, explain, market, and sell its products. There is intense competition for capable personnel in all of these areas and the Company may not be successful in attracting, training, integrating, motivating, or retaining new personnel, vendors, or subcontractors for these required functions. New employees often require significant training and, in many cases, take a significant amount of time before they achieve full productivity. As a result, the Company may incur significant costs to attract and retain employees, including significant expenditures related to salaries and benefits and compensation expenses issued in connection to equity awards, and may lose new employees to its competitors or other companies before it realizes the benefit of its investment in recruiting and training them. In addition, as the Company moves into new jurisdictions, it will need to attract and recruit skilled employees in those new areas.

### **Consumer Trends**

The Company's business is focused on the marketing and distribution of branded plant based products as alternatives to meat based protein products. Consumer demand could change based on a number of possible factors, including dietary habits and nutritional values, concerns regarding the health effects of ingredients and shifts in preference for various product attributes. If consumer demand for the Company's products decreases, its business and financial condition would suffer. In addition, sales of plant based protein or meat alternative products are subject to evolving consumer preferences that the Company may not be able to accurately predict or respond to. Consumer trends could change based on a number of possible



factors, including economic factors and social trends. A significant shift in consumer demand away from the Company's products could reduce sales, which would harm its business and financial condition.

### **Legal and Regulatory Proceedings**

From time to time, the Company may be a party to legal and regulatory proceedings, including matters involving governmental agencies, entities with whom it does business and other proceedings arising in the ordinary course of business. The Company will evaluate its exposure to these legal and regulatory proceedings and establish reserves for the estimated liabilities in accordance with generally accepted accounting principles. Assessing and predicting the outcome of these matters involves substantial uncertainties. Unexpected outcomes in these legal proceedings, or changes in management's evaluations or predictions and accompanying changes in established reserves, could have an adverse impact on the Company's financial results.

The Company's connection with the food delivery industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by third parties, other companies and/or various governmental authorities against the Company. Litigation, complaints, and enforcement actions involving the Company could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

### **Additional Risks Relating to Doing Business Internationally**

The Company may be subject to risks generally associated with doing business in international markets when it expands into the international markets. Several factors, including legal and regulatory compliance and weakened economic conditions in any of the international jurisdictions in which the Company may do business could adversely affect such expansion and growth.

Additionally, if the Company enters into new international jurisdictions, such entries would require management attention and financial resources that would otherwise be spent on other parts of the business.

International business operations expose the Company to risks and expenses inherent in operating or selling products in foreign jurisdictions. In addition to the risks mentioned elsewhere, these risks and expenses could have a material adverse effect on the Company's business, results of operations or financial condition and include without limitation:

- adverse currency rate fluctuations;
- risks associated with complying with laws and regulations in the countries in which the Company operates, and requirements to apply for and obtain licenses, permits



or other approvals and the delays associated with obtaining such licenses, permits or other approvals;

- multiple, changing and often inconsistent enforcement of laws, rules and regulations;
- the imposition of additional foreign governmental controls or regulations, new or enhanced trade restrictions or non tariff barriers to trade, or restrictions on the activities of foreign agents, and distributors;
- increases in taxes, tariffs, customs and duties, or costs associated with compliance with import and export licensing and other compliance requirements;
- the imposition of restrictions on trade, currency conversion or the transfer of funds;
- the imposition of Canadian and/or other international sanctions against a country, company, person or entity with whom the Company may do business that would restrict or prohibit the Company's business with the sanctioned country, company, person or entity;
- laws and business practices favoring local companies;
- political, social or economic unrest or instability;
- expropriation and nationalization and/ or renegotiation or nullification of necessary licenses, approvals, permits and contracts;
- greater risk on credit terms, longer payment cycles and difficulties in enforcing agreements and collecting receivables through certain foreign legal systems;
- difficulties in enforcing or defending intellectual property rights; and
- the effect of disruptions caused by severe weather, natural disasters, outbreak of disease or other events that make travel to a particular region less attractive or more difficult.

Governments in certain foreign jurisdictions intervene in their economies, sometimes frequently, and occasionally make significant changes in policies and regulations. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on doing business, price controls, import controls, currency remittance, income and other taxes, royalties, the repatriation of profits, foreign investment, licenses and approvals and permits.

The Company's international efforts may not produce desired levels of sales. Furthermore, the Company's experience with selling products in Canada may not be relevant or may not necessarily translate into favorable results if it sells in other international markets. If and when the Company enters into new markets in the future, it may experience different competitive conditions, less familiarity by customers with the Company's brand and/or different customer requirements. As a result, the Company may be less successful than expected in expanding sales to new international markets. Sales into new international markets may take longer to ramp up and reach expected sales and profit levels, or may never do so, thereby affecting the Company's overall growth and profitability. To build brand awareness in these new markets,



the Company may need to make greater investments in legal compliance, advertising and promotional activity than originally planned, which could negatively impact the expected profitability of sales in those markets.

### **Competition**

It is likely that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, results of operations or prospects of the Company.

The Company expects to face additional competition from new entrants. To become and remain competitive, the Company will require technology development, logistics, marketing, sales and support. The Company may not have sufficient resources to maintain technology and development, logistics, marketing, sales and support efforts on a competitive basis which could materially and adversely affect the business, financial condition, results of operations or prospects of the Company.

If the number of consumers of plant based products increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in technology, logistics, marketing, sales and client support. The Company may not have sufficient resources to maintain technology, logistics, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

### **Foreign Sales and Currency Fluctuations**

The Company's functional currency is denominated in Canadian dollars. The Company's sales are currently expected to be mainly dominated in United States dollars and may, in the future, have sales denominated in the currencies of additional countries in which it establishes operations or distribution. In addition, the Company incurs a significant portion of its operating expenses in Canadian dollars. In the future, the proportion of the Company's sales that are international may increase. Such sales may be subject to unexpected regulatory requirements and other barriers. Any fluctuation in the exchange rates of foreign currencies may negatively impact the Company's business, financial condition and results of operations. The Company has not previously engaged in foreign currency hedging. If the Company decides to hedge its foreign currency exposure, it may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets. In addition, those activities may be limited in the protection they provide the Company from foreign currency fluctuations and can themselves result in losses.



### **Disease Outbreaks may negatively Impact the Company**

A local, regional, national or international outbreak of a contagious disease, including the novel coronavirus COVID 19, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu or any other similar illness, could cause staff shortages, supply shortages and increased government regulation all of which may negatively impact the business, financial condition and results of operations of the Company. A pandemic could cause temporary or long term disruptions in the Company's supply chains and/or delays in the delivery of the Company's inventory. Further, such risks could also adversely affect the Company's customers' financial condition, resulting in reduced spending for the products the Company sells. Moreover, an epidemic, pandemic, outbreak or other public health crisis, such as COVID 19, could cause employees to avoid the Company's properties, which could adversely affect the Company's ability to adequately staff and manage its businesses. "Shelter in place" or other such orders by governmental entities could also disrupt the Company's operations, if employees who cannot perform their responsibilities from home, are not able to report to work. Risks related to an epidemic, pandemic or other health crisis, such as COVID 19, could also lead to the complete or partial closure of one or more of the Company's facilities or operations of its sourcing partners. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on the Company's business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. These and other potential impacts of an epidemic, pandemic or other health crisis, such as COVID 19, could therefore materially and adversely affect the Company's business, financial condition and results of operations.

### **Estimates or Judgments Relating to Critical Accounting Policies**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, as provided in the notes to the Company's annual financial statements, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. The Company's operating results may be adversely affected if the assumptions change or if actual circumstances differ from those in the assumptions, which could cause the Company's operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the share price of the Company. Significant assumptions and estimates used in preparing the financial statements include those related to the credit quality of accounts receivable, income tax credits receivable, share based



payments, impairment of non financial assets, fair value of biological assets, as well as revenue and cost recognition.

### **Transactions Engaged in by our Largest Shareholders, our Directors or Officers**

Our officers, directors and principal shareholders (greater than 10% shareholders) collectively control approximately 24% of the Company. Subsequent sales of our Common Shares by these shareholders could have the effect of lowering the market price of our Common Shares. The perceived risk associated with the possible sale of a large number of Common Shares by these shareholders, or the adoption of significant short positions by hedge funds or other significant investors, could cause some of our shareholders to sell their Common Shares, thus causing the market price of our Common Shares to decline. In addition, actual or anticipated downward pressure on our stock price due to actual or anticipated sales of Common Shares by our directors or officers could cause other institutions or individuals to engage in short sales of the Common Shares, which may further cause the market price of our Common Shares to decline.

From time to time our directors and executive officers may sell Common Shares on the open market. These sales will be publicly disclosed in filings made with securities regulators. In the future, our directors and executive officers may sell a significant number of Common Shares for a variety of reasons unrelated to the performance of our business. Our shareholders may perceive these sales as a reflection on management's view of the business and result in some shareholders selling their Common Shares. These sales could cause the market price of our Common Shares to drop.

### **Going Concern Risk**

The Company's financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the identification and successful completion of equity or debt or other financing and the achievement of profitable operations. There can be no assurances that the Company will be successful in achieving profitability.

The financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

### **Negative Operating Cash Flow**

The Company has negative operating cash flow. The failure of the Company to achieve profitability and positive operating cash flows could have material adverse effect on the Company's financial conditions and results of operations. To the extent that the Company has a negative cash flow in future periods, the Company may need to deploy a portion of its cash reserves to fund such negative cash flow. The Company expects to continue to sustain





operating losses in the future until it generates sufficient revenues from the sale of products on its marketplace. There is no guarantee that the Company will ever be profitable.

### **Transportation Providers**

Failure by the Company's transportation providers to deliver products on time, or at all, could result in lost sales. The Company currently relies upon third-party transportation providers for a significant portion of product shipments. Utilization of delivery services for shipments is subject to risks, including increases in fuel prices, which would increase its shipping costs, and employee strikes and inclement weather, which may impact the ability of providers to provide delivery services that adequately meet shipping needs. The Company periodically changes shipping companies, and could face logistical difficulties that could adversely affect deliveries. In addition, the Company could incur costs and expend resources in connection with such change. Moreover, the Company may not be able to obtain terms as favorable as those it receives from the third-party transportation providers that it currently uses, which in turn would increase costs and thereby adversely affect operating results.

### **Maintaining the Brand**

If the Company fails to develop and maintain its brand, business could suffer. Maintaining, promoting and positioning the Company's brand and reputation will depend on, among other factors, the success of its plant-based product offerings, quality assurance, marketing and merchandising efforts and its ability to provide a consistent, high-quality customer experience, which the Company may not do successfully. The Company may introduce new products or services that customers do not like, which may negatively affect its brand and reputation. Any negative publicity, regardless of its accuracy, could materially adversely affect the business. Brand value is based on perceptions of subjective qualities, and any incident that erodes the loyalty of customers, suppliers or co-manufacturers, including adverse publicity or a governmental investigation or litigation, could significantly reduce the value of the Company's brand and significantly damage its business.

### **Acquiring and Retaining Customers**

The Company's success, and its ability to increase revenue and operate profitably, depends in part on its ability to cost-effectively acquire new customers, to retain existing customers, and to keep existing customers engaged so that they continue to purchase products. If the Company is unable to cost-effectively acquire new customers, retain existing customers or keep existing customers engaged, the business, financial condition and operating results would be materially adversely affected. Further, if customers do not perceive the Company's product offerings to be of sufficient value and quality, the Company may not be able to attract or retain customers or engage existing customers so that they continue to purchase products. The Company may lose loyal customers to competitors if it is unable to meet customers' orders in a timely manner.



If the Company fails to manage its future growth effectively, the business could be materially adversely affected.

### **Information Technology**

The Company relies on information technology systems and any inadequacy, failure, interruption or security breaches of those systems may harm its ability to effectively operate the business. The Company is dependent on various information technology systems, including, but not limited to, networks, applications and outsourced services in connection with the operation of the business. A failure of the Company's information technology systems to perform as it anticipates could disrupt the business and result in transaction errors, processing inefficiencies and loss of sales, causing the business to suffer. In addition, the Company's information technology systems may be vulnerable to damage or interruption from circumstances beyond its control, including fire, natural disasters, systems failures, viruses and security breaches. Any such damage or interruption could have a material adverse effect on the business.

### **Cybersecurity Incidents and Technological Disruptions**

A cybersecurity incident or other technology disruptions could negatively impact the business and relationships with customers. The Company uses computers in substantially all aspects of business operations. It also uses mobile devices, social networking and other online activities to connect with employees, suppliers, co-manufacturers, distributors, customers and consumers. Such uses give rise to cybersecurity risks, including security breaches, espionage, system disruption, theft and inadvertent release of information.

The Company's business involves the storage and transmission of numerous classes of sensitive and/or confidential information and intellectual property, including customers' and suppliers' information, private information about employees and financial and strategic information about it and its business partners. The theft, destruction, loss, misappropriation, or release of sensitive and/or confidential information or intellectual property, or interference with the Company's information technology systems or the technology systems of third parties on which it relies, could result in business disruption, negative publicity, brand damage, violation of privacy laws, loss of customers, potential liability and competitive disadvantage all of which could have a material adverse effect on the business, financial condition or results of operations.

### **Intellectual Property Protection**

The Company may not be able to protect its intellectual property adequately, which may harm the value of its brand. The Company believes that its intellectual property has substantial value and has contributed significantly to the success of the business. The Company's trademarks are valuable assets that reinforce its brand and consumers' favorable perception of its products. The Company's continued success depends, to a significant degree, upon its ability to protect



and preserve its intellectual property, including its trademarks, trade secrets and copyrights. The Company relies on confidentiality agreements and trademark, trade secret and copyright law to protect its intellectual property rights. The Company's confidentiality agreements with its employees and certain of its consultants, contract employees, suppliers and independent contractors generally require that all information made known to them be kept strictly confidential. Nevertheless, trade secrets are difficult to protect. Although the Company attempts to protect its trade secrets, its confidentiality agreements may not effectively prevent disclosure of proprietary information and may not provide an adequate remedy in the event of unauthorized disclosure of such information.

The Company cannot assure you that the steps taken to protect its intellectual property rights are adequate, that its intellectual property rights can be successfully defended and asserted in the future or that third parties will not infringe upon or misappropriate any such rights. In addition, the Company's trademark rights and related registrations may be challenged in the future and could be canceled or narrowed. Failure to protect trademark rights could prevent the Company in the future from challenging third parties who use names and logos similar to its trademarks, which may in turn cause consumer confusion or negatively affect consumers' perception of the brand and products. In addition, intellectual property disputes and proceedings and infringement claims may result in a significant distraction for management and significant expense, which may not be recoverable regardless of whether it is successful. Such proceedings may be protracted with no certainty of success, and an adverse outcome could subject the Company to liabilities, force it to cease use of certain trademarks or other intellectual property or force it to enter into licenses with others. Any one of these occurrences may have a material adverse effect on the business, results of operations and financial condition.