Veji Holdings Ltd.

Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022

(Expressed in Canadian dollars) (unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements of Veji Holdings Ltd. (“Veji” or the “Company”) have been prepared by and are the responsibility of the Company's management. The Company’s independent auditor has not performed a review of these financial statements.

Veji Holdings Ltd.
Condensed Consolidated Interim Statements of Financial Position
As at September 30, 2022 and December 31, 2021
(Expressed in Canadian dollars)

	September 30, 2022	December 31, 2021
Assets	(unaudited)	(audited)
Current assets		
Cash	$ 9,717	$ 143,021
Accounts receivable (note 4)	61,160	187,833
Short term investments (note 5)	-	140,000
Prepaid expenses and deposits (note 6)	36,358	309,865
Inventory (note 7)	20,863	746,457
Total current assets	**128,098**	**1,527,176**
Non-current assets		
Equipment (note 8)	30,248	75,738
Right-of-use assets (note 9)	8,133	170,332
Intangible assets (note 10)	327,856	2,017,653
Goodwill (note 11)	-	4,774,205
Total non-current assets	**366,237**	**7,037,928**
Total assets	**$494,335**	**$8,565,104**
Liabilities and shareholders' equity (deficiency)		
Current		
Accounts payable and accrued liabilities (note 12)	$ 3,859,497	$ 2,447,038
Deferred revenue (note 17)	168,194	78,665
Loans and borrowings (note 13)	2,286,373	1,739,598
Current portion of lease obligations (note 9)	6,774	27,275
Total current liabilities	**6,320,839**	**4,292,576**
Non-current liabilities		
Long-term debt (note 13)	1,646,000	-
Lease obligations (note 9)	-	144,873
Contingent consideration (note 14)	-	1,844,281
Total non-current liabilities	**1,646,000**	**1,989,154**
Total liabilities	**7,966,839**	**6,281,729**
Shareholders' equity (deficiency)		
Share capital (note 15)	11,308,027	11,308,027
Contributed surplus (note 16)	3,739,652	3,659,931
Accumulated deficit	(22,348,156)	(12,684,246)
Accumulated other comprehensive loss	(172,026)	(337)
Total shareholders' equity (deficiency)	**(7,472,504)**	**2,283,375**
Total liabilities and shareholders' equity (deficiency)	**$ 494,335**	**$ 8,565,104**

Going Concern (note 2)
Subsequent events (note 26)
1

Approved on November 29, 2022, by the Board of Directors

Director signed "Kory Zelickson" Director signed "Kenneth Jones"

See accompanying notes to the condensed consolidated interim financial statements

Veji Holdings Ltd.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
For the three and nine months ended September 30, 2022 and September 30, 2021
(Expressed in Canadian dollars) (unaudited)

	Three months ended		Nine months ended	
	September 30, 2022	**September 30, 2021**	**September 30, 2022**	**September 30, 2021**
Revenue (note 17)	$ 535,843	$ 226,252	$ 3,307,179	$ 783,236
Cost of goods sold (note 7)	593,288	173,804	2,223,651	674,183
Gross profit	**(57,445)**	**52,448**	**1,083,528**	**109,053**
Selling and distribution (note 18)	196,663	687,089	1,812,386	2,749,722
General and administrative (note 19)	623,932	1,657,363	4,289,109	4,486,624
Realized and unrealized foreign exchange loss	1,850	12,003	31,014	26,810
Loss on disposal of asset	-	-	40,466	-
Loss on write down of intangibles, net	1,474,637	-	1,474,637	-
Loss on write down of goodwill	4,774,205	-	4,774,205	-
Gain on lease modification	(14,241)	-	(14,241)	-
Gain on remeasurement of contingent consideration, net	(1,828,841)	-	(1,828,841)	-
Total operating expenses	**5,228,205**	**2,356,455**	**10,578,735**	**7,263,156**
Operating loss	**$(5,285,649)**	**$(2,304,007)**	**$ (9,495,207)**	**$ (7,154,103)**
Interest expense, net	25,064	4,675	168,702	5,670
Net loss for the period	**(5,310,714)**	**(2,308,682)**	**(9,663,910)**	**(7,159,773)**
Other comprehensive loss:				
Items that may be reclassified subsequently to profit or loss:				
Currency translation adjustment	**(105,805)**	**-**	**(171,689)**	**-**
Total comprehensive loss for the period	**(5,416,519)**	**(2,308,682)**	**(9,835,599)**	**(7,159,773)**
Weighted average number of common shares outstanding	28,584,626	21,247,717	28,584,626	18,719,816
Basic and diluted net loss per share (note 20)	$ (0.19)	$ (0.11)	$ (0.34)	$ (0.38)

See accompanying notes to the condensed consolidated interim financial statements

Veji Holdings Ltd.
Condensed Consolidated Interim Statements of Changes in Equity (Deficiency)
For the nine months ended September 30, 2022 and 2021
(Expressed in Canadian dollars) (unaudited)

	Number of shares	Share capital	Shares to be issued	Contributed Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2020	7,500,030	$ 120,001	$199,500	$ -	$ (432,575)	$ -	$ (113,074)
Net loss and comprehensive loss for the period	-	-	-	-	(7,159,773)	-	(7,159,773)
Shares issued for cash	10,566,188	3,524,475	(199,500)	-	-	-	3,324,9759
Shares issued to settle debt	3,214,574	945,044	-	-	-	-	945,044
Issue costs	-	(61,446)	(18,707)	-	-	-	(80,153)
Share based compensation	-	-	-	1,051,457	-	-	1,051,457
Shares to be issued	-	-	1,753,409	-	-	-	1,753,409
Balance at September 30, 2021	**21,280,792**	**$ 4,528,074**	**$ 1,734,702**	**$ 1,051,457**	**$ (7,592,348)**	**$ -**	**$ (278,115)**
Balance at December 31, 2021	**28,584,626**	**$ 11,308,027**	**$ -**	**$ 3,659,931**	**$ 12,684,246)**	**$ (337)**	**$ 2,283,375**
Net loss and comprehensive loss for the period	-	-	-	-	(9,663,910)	(171,689)	(9,835,599)
Share based compensation	-	-	-	79,721	-	-	79,721
Balance at September 30, 2022	**28,584,626**	**$ 11,308,027**	**$ -**	**$ 3,739,652**	**$(22,348,156)**	**$ (172,026)**	**$(7,472,504)**

See accompanying notes to the condensed consolidated interim financial statements

Veji Holdings Ltd.
Condensed Consolidated Interim Statements of Cash Flows
For the three and nine months ended September 30, 2022 and 2021
(Expressed in Canadian dollars) (unaudited)

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Operating activities				
Net loss	**$ (5,310,714)**	**$ (2,308,683)**	**$ (9,663,910)**	**$ (7,159,773)**
Items not requiring an outlay of cash:				
Depreciation of equipment	(460)	150	12,755	847
Depreciation of right-of-use-asset	13,841	-	31,213	-
Amortization of intangibles	10,316	5,539	215,160	13,386
Share based compensation	18,278	574,088	79,721	1,051,457
Gain on remeasurement of contingent consideration	(1,828,841)	-	(1,828,841)	-
Loss on disposal of asset	-	-	40,466	1,155
Gain on lease modification	(14,241)	-	(14,241)	-
Loss on write down of intangibles	1,474,637	-	1,474,637	-
Loss on write down of goodwill	4,774,205	-	4,774,205	-
	(862,979)	(1,728,906)	(4,878,834)	(6,092,928)
Net change in non-cash working capital balances:				
Accounts receivable	172,786	(30,811)	126,673	(53,470)
Inventory	392,600	(15,603)	725,594	(132,995)
Prepaid expenses	84,754	(136,616)	273,507	(215,522)
Accounts payable and accrued liabilities	55,327	622,412	1,412,459	1,737,627
Due to related parties	10,842	-	-	(11,778)
Deferred revenue	7,852	-	89,529	-
Cash used in operating activities	**(138,137)**	**(1,289,524)**	**(2,251,071)**	**(4,769,066)**
Investing activities				
Purchase of equipment	136	-	(7,840)	(4,552)
Disposal of equipment	-	4,401	-	5,900
Intangible development costs	54,006	(44,985)	-	(98,190)
Redemption of short-term investment	140,000	-	140,000	(140,000)
Acquisition of subsidiary, net of cash	-	-	-	(250,080)
Cash used in investing activities	**194,142**	**(40,584)**	**132,160**	**(486,922)**
Financing activities				
Payments of lease obligations	(8,007)	-	(20,147)	-
Proceeds from loans and borrowings	144,126	500,000	2,192,775	500,000
Issuance of common shares	-	-	-	3,324,975
Share issue costs	-	(55,896)	-	(61,446)
Funds received for share subscriptions	-	317,737	-	1,734,702
Cash provided by financing activities	**136,120**	**761,841**	**2,172,629**	**5,498,231**
Increase (decrease) in cash during the period	192,125	(568,268)	53,718	242,243
Effect of exchange rate changes on cash	(209,101)	-	(187,022)	-
Cash, beginning of period	26,693	907,702	143,021	97,193
Cash, end of period	**$ 9,717**	**$ 339,436**	**$ 9,717**	**$ 339,436**

See accompanying notes to the condensed consolidated interim financial statements

1. REPORTING COMPANY

Veji Holdings Ltd. was incorporated on July 30, 2019 under the Business Corporations Act of British Columbia. The Company's registered office is located at 666 Burrard Street, Suite 2500, Vancouver, British Columbia, V6C 2X8. Beginning on November 10, 2021, the Company became listed on the Canadian Securities Exchange and trades under the symbol VEJI. On August 19, 2022, the Company, as a part of a rebranding initiative, changed its corporate entity name to "Veji Holdings Ltd." from "Vejii Holdings Ltd."

2. BASIS OF PRESENTATION

Statement of compliance

These condensed consolidated interim financial statements of the Company have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements do not include all of the disclosures required for annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended December 31, 2021.

These condensed consolidated interim financial statements of the Company were approved by the Board of Directors ("Board") on November 29, 2022.

Basis of consolidation

These condensed consolidated interim financial statements include the accounts of Veji Holdings Ltd. and its 100% owned subsidiaries Veji Inc., Veji Holdings Ltd (UK)., Veg Essentials LLC and VEDGEco USA, Inc.

All intercompany transactions and balances have been eliminated upon consolidation.

A subsidiary is a company which is controlled by Veji. The Company has control over a subsidiary when it is exposed to or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

A subsidiary is fully consolidated from the date on which control is obtained by the Company and is deconsolidated from the date that control ceases.

Basis of measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value.

Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the Company. The functional currency of the Company's material subsidiaries being Veg Essentials LLC and VEDGEco USA, Inc. is the United States Dollar.

2. BASIS OF PRESENTATION (continued)

Going concern

These 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 nine months ended September 30, 2022, the Company incurred a net loss of $9,663,910 and as at September 30, 2022 the Company had an accumulated deficit of $22,348,156 and a working capital deficiency of $7,838,741. 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, the Company was not able to secure additional funding in the third quarter of 2022 and 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.

These 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.

Critical accounting estimates and judgments

The preparation of the Company's condensed consolidated interim financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses, and accompanying disclosures. Actual results may differ from these estimates. Estimates and underlying assumption are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are the same as those applied to the Company's annual audited consolidated financial statements for the year ended December 31, 2021.

Share consolidation

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 in the Company's condensed consolidated interim financial statements have been retroactively adjusted to reflect the share consolidation unless otherwise noted.

(Expressed in Canadian dollars) (unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in these condensed consolidated interim financial statements are the same as those applied to the Company's annual audited consolidated financial statements for the year ended December 31, 2021.

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of:

		September 30, 2022		December 31, 2021
Trade receivables	$	3,003	$	65,474
Government remittances receivable		58,157		122,359
	$	**61,160**	**$**	**187,833**

Trade receivables are amounts due from customers for onboarding fees and marketing packages. They are generally due for settlement within 30 days and are therefore all classified as current.

5. SHORT TERM INVESTMENTS

Short term investments are comprised of guaranteed investment certificates with a term of twelve months at the time of purchase.

6. PREPAID EXPENSES AND DEPOSITS

Prepaid expenses and deposits consist of:

		September 30, 2022		December 31, 2021
Inventory deposit	$	-	$	10,320
Prepaid insurance		5,754		57,542
Prepaid investor relations services		10,603		214,373
Other		20,001		27,630
	$	**36,358**	**$**	**309,865**

7. INVENTORY

Inventory comprises of goods held for resale, mainly consisting of food products. At the reporting date, inventory was held at third-party and leased warehouses. Inventories recognized as cost of goods sold for the nine months ended September 30, 2022 amounted to $1,983,765 (2021 - $500,378). Write-downs of $239,886 of inventories to NRV were recorded during the nine months ended September 30, 2022 (2021 - $nil).

(Expressed in Canadian dollars) (unaudited)

8. EQUIPMENT

The carrying amounts for equipment and the changes in the carrying amounts are as follows:

	Computer hardware	Warehouse equipment	Vehicle	Total
a) Cost				
At December 31, 2021	$ 2,999	$ 63,072	$ 18,066	$ 84,137
Additions	-	7,840	-	7,840
Disposal	-	(22,509)	(18,066)	(40,575)
Translation adjustment	-	-	-	-
At September 30, 2022	**$ 2,999**	**$ 48,403**	**$ -**	**$ 51,402**
b) Accumulated depreciation				
At December 31, 2021	$ 600	$ 7,799	$ -	$ 8,399
Depreciation	450	12,305	-	12,755
Translation adjustment	-	-	-	-
At September 30, 2022	**$ 1,050**	**$ 20,104**	**$ -**	**$ 21,154**
c) Carrying amounts				
At December 31, 2021	$ 2,399	$ 55,273	$ 18,066	$ 75,738
At September 30, 2022	**$ 1,949**	**$ 28,299**	**$ -**	**$ 30,248**

9. LEASES

On November 1, 2021, the Company entered into a new lease agreement for its warehouse facility in Wisconsin. The term of the lease is for five years with a minimum annual rent of $36,180 plus operating costs. Subsequent to the end of the period, the Company informed the landlord that the Company would be early terminating the lease. The landlord has agreed to relet the property on a best efforts basis. As a result, the Company recorded a lease modification by reducing the right-of-use asset and lease liability in proportion to the reduction in lease term.which resulted in a gain on lease modification of $14,241. The company also accrued $36,440 as the estimated cost to exit the lease.

The Company acquired a short-term lease through a business combination with VEDGEco for its warehouse facility in Hawaii with a term of one year at commencement date. The Company has elected not to recognise right-of-use assets and lease liabilities on the short-term lease. The Company exited the lease on September 30, 2022.

Right-of-use assets

As of September 30, 2022, the Company had right-of-use-assets as follows:

(Expressed in Canadian dollars) (unaudited)

9. LEASES (continued)

	September 30, 2022	December 31, 2021
Beginning balance	$ 170,332	$ -
Additions	-	176,106
Depreciation for the year	(31,213)	(5,774)
Translation adjustment	13,825	
Lease modification	(144,811)	-
Ending balance	**$ 8,133**	**$ 170,332**

Lease Obligations

As of September 30, 2022, the Company had lease liabilities as follows:

	September 30, 2022	December 31, 2021
Beginning balance	$ 172,148	$ -
Additions	-	176,107
Payment of lease obligations	(37,526)	(7,754)
Interest expense on lease obligations	17,379	3,795
Translation adjustment	(13,972)	
Lease modification	(131,255)	-
Ending balance	**$ 6,774**	**$ 172,148**
Current portion	6,774	27,275
Non-current portion	-	144,873
Lease obligations balance, end of period	**$ 6,774**	**$ 172,148**

The following table presents the contractual undiscounted cash flows for lease obligations as at September 30, 2022:

As at	**September 30, 2022**	**December 31, 2021**
Less than one year	8,265	46,022
One to five years	-	189,175
More than 5 years	-	-
	$ 8,265	**$ 235,197**

(Expressed in Canadian dollars) (unaudited)

10. INTANGIBLE ASSETS

Finite-lived intangible assets are tested for impairment when indicators of impairment exist. If there is an indication that an intangible asset may be impaired, the Company needs to estimate the recoverable amount of the asset. Due to the lack of sufficient working capital and our inability to raise additional funding to carry on our direct-to-consumer and business-to-business operations along with limited expressions of interest in these operations, the intangible assets were written down to the estimated recoverable amount. A total impairment charge of $1,474,637 was recorded in the Consolidated Statements of Loss and Comprehensive Loss for the period ended September 30, 2022.

The carrying amounts for intangible assets and the changes in the carrying amounts are as follows:

	Website and mobile application development costs	Customer relationships	Total
a) Cost			
At December 31, 2021	$ 271,598	$ 1,793,292	$ 2,064,890
Additions	54,007	-	54,007
Disposal / Impairment	(325,605)	(1,465,436)	(1,791,041)
At September 30, 2022	**$ -**	**$ 327,856**	**$ 327,856**
b) Accumulated amortization			
At December 31, 2021	$ 20,465	$ 26,772	$ 47,237
Amortization	23,431	181,413	204,844
Disposal / Impairment	(43,896)	(208,185)	(252,081)
At September 30, 2022	**$ -**	**$ -**	**$ -**
c) Carrying amounts (a-b)			
At December 31, 2021	$ 251,133	$ 1,766,520	$ 2,017,653
At September 30, 2022	**$ 0**	**$ 327,856**	**$ 327,856**

11. GOODWILL

Acquisition of Veg Essentials LLC ("Veg Essentials")

On April 15, 2021, the Company entered into an agreement (as amended on September 24, 2021) to acquire 100% of the issued and outstanding equity interests of Veg Essentials, an online retailer of animal-free and cruelty-free products operating since 1997 and headquartered in Wisconsin, US. The acquisition closed on October 28, 2021.

(Expressed in Canadian dollars) (unaudited)

11. GOODWILL (continued)

Following is the summary of the purchase equation for the Veg Essentials acquisition:

Fair value of consideration transferred	
Cash paid	$ 250,080
Common shares issued	759,134
Total consideration transferred	$ 1,009,214
Recognized amounts of identifiable net assets	
Cash	$ 29,867
Accounts receivable	41,179
Inventory	144,920
Equipment	30,804
Right-of-use assets	40,704
Intangible assets – customer relationships	782,309
Accounts payable and accrued liabilities	(231,908)
Lease liabilities	(46,780)
Loans and borrowings	(10,813)
Other liabilities	(6,148)
Total identifiable net assets	$ 774,134
Goodwill on acquisition	$ 235,080

Acquisition of VEDGEco USA, Inc. ("VEDGEco")

On December 22, 2021, the Company entered into an agreement to acquire all of the issued and outstanding common shares of VEDGEco, a leading online business-to-business ("B2B") wholesale platform for plant-based products in Delaware, US. The acquisition closed on December 31, 2021.

Following is the summary of the purchase equation for the VEDGEco acquisition:

Fair value of consideration transferred	
Common shares issued	$ 2,573,000
Contingent consideration	1,844,281
Total consideration transferred	$ 4,417,281
Recognized amounts of identifiable net assets	
Cash	$ 30,945
Accounts receivable	42,945
Inventory	504,239
Equipment	43,738
Intangible assets – customer relationships	1,010,982
Accounts payable and accrued liabilities	(525,908)
Loans and borrowings	(1,228,785)
Total identifiable net liabilities	$ (121,844)
Goodwill on acquisition	$ 4,539,125

(Expressed in Canadian dollars) (unaudited)

11. GOODWILL (continued)

All goodwill must be tested for impairment at least annually. Goodwill is tested more frequently than annually if indicators of impairment exist. Due to the lack of sufficient working capital and our inability to raise additional funding to carry on our direct-to-consumer and business-to-business operations along with limited expressions of interest in these operations, goodwill was deemed impaired and written down to nil. A total impairment charge of $4,774,206 was recorded in the Consolidated Statements of Loss and Comprehensive Loss for the period ended September 30, 2022.

		Goodwill
a) Cost		
At December 31, 2021	$	4,774,205
Acquisition through business		-
At September 30, 2022	**$**	**4,774,205**
b) Impairment losses		
At December 31, 2021	$	-
Impairment loss		4,774,205
At September 30, 2022	**$**	**4,774,205**
c) Carrying amounts (a-b)		
At December 31, 2021	$	4,774,205
At September 30, 2022	**$**	**-**

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of:

		September 30, 2022		December 31, 2021
Trade accounts payable	$	2,098,032	$	1,239,280
Accrued liabilities and other payables		1,761,465		1,207,758
	$	**3,859,497**	**$**	**2,447,038**

(Expressed in Canadian dollars) (unaudited)

13. LOANS AND BORROWINGS

Below is a summary of loans and borrowings of the Company:

	September 30, 2022	December 31, 2021
Short-term debt:		
Working capital loans (i)	$ 254,567	$ 226,360
Unsecured loan (ii)	525,651	497,573
Revolving grid note (iii)	687,603	515,665
Due to related party (iv)	318,552	-
Current portion of long-term debt	500,000	500,000
Total short-term debt	**$ 2,286,373**	**$ 1,739,598**
Long-term debt:		
Loan from related party (v)	$ 2,146,000	$ 500,000
Less: Current portion of loan from related party	(500,000)	(500,000)
Total long-term debt	**$ 1,646,000**	**$ -**

(i) 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.

(ii) Represents various amounts advanced by former directors of Veg Essentials LLC and VEDGEco USA, Inc. The unsecured loan is interest free and repayable on demand.

(iii) The revolving grid note facility is unsecured and was closed with a former related party of VEDGEco USA, Inc., with the total facility amounting to US$500,000, available to VEDGEco USA, Inc. in five equal monthly advances starting September 15, 2021, priced at an interest rate of 10% per annum and maturity on September 14, 2022. This note has matured and a demand letter for repayment of principal and interest was received by the Company. The Company is currently in default of this grid note.

(iv) The Company was advanced amounts totaling $318,552 by a director of the Company with interest at 10% per annum, payable quarterly and repayable on demand.

(v) On September 8, 2021, the Company entered into a promissory note with a director for a loan amounting to $500,000 with interest at 10% per annum, payable quarterly and maturity on December 8, 2022. On July 27, 2022, the Company entered into an agreement with a director to convert advances of $1,646,000 into a senior secured loan with a maturity date of May 24, 2024 and an interest rate of 10% per annum, payable quarterly.

(Expressed in Canadian dollars) (unaudited)

14. CONTINGENT CONSIDERATION

	September 30, 2022	December 31, 2021
Balance, beginning of period	$ 1,844,281	$ -
Additions		1,844,281
Accretion expense	25,819	-
Translation adjustment	(41,259)	-
Remeasurement	(1,828,841)	-
Balance, end of period	**$ -**	**$ 1,844,281**

On December 22, 2021, the Company entered into an agreement to acquire all of the issued and outstanding common shares of VEDGEco, In accordance with the terms of the agreement, the sellers of VEDGEco are entitled to additional Earn Out amounts to be settled in common shares of the Company up to a maximum value of US$ 2,750,000, based on meeting milestones related to revenue and EBITDA targets as well as continued employment with the Company during the years 2023 and 2024. Fair value of contingent consideration was measured based on a probability weighted analysis of expected outcomes where management applied judgment in determining the probability weights associated with the outcomes for each of the years under different scenarios and applied a discount factor of 3% to adjust the values associated with each scenario to account for the time value of money. Due to the voluntary termination of the key employees and the discontinuation of B2B operations, management has determined that no milestones will be met and determined the fair value of the contingent consideration to be nil.

15. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares without par value. As at September 30 2022, there were 28,584,626 (December 31, 2021 – 28,584,626) common shares issued and outstanding.

16. STOCK OPTION PLAN, WARRANTS AND ADVISOR OPTIONS

An employee stock option plan (the "Stock Option Plan") was established by the Company to attract and retain employees, consultants, officers and directors of the Company. The Stock Option Plan provides for the granting of options to purchase common shares of the Company. Under the Stock Option Plan, stock options generally vest over a period of two years and expire five years from the grant date.

For the nine months ended September 30, 2022, share based compensation expense of $79,721 (2021 – $1,051,457), was recorded to contributed surplus.

The following table summarizes the continuity of the stock options during the nine months ended September 30, 2022 and 2021:

(Expressed in Canadian dollars) (unaudited)

16. STOCK OPTION PLAN, WARRANTS AND ADVISOR OPTIONS (continued)

	September 30, 2022		September 30, 2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	2,788,750	$ 1.28	-	$ -
Granted during period	-	-	2,990,000	1.28
Exercised during period	-	-	-	-
Forfeited during period	(320,000)	1.40	(168,750)	1.40
Outstanding, end of period	2,468,750	1.27	**2,821,250**	**1.28**
Exercisable, end of period	1,927,500	$ 1.26	**1,093,500**	**$ 1.28**

Warrants

The Company has outstanding share warrants and advisor options. Each warrant and advisor option is convertible into one common share of the Company upon exercise. The following table summarizes warrants and advisor options outstanding and exercisable:

Date of issuance	**Date of expiry**	**Exercise price**	**September 30, 2022 outstanding and exercisable**	**September 30, 2021 outstanding and exercisable**
September 2, 2020	September 2, 2025	$ 0.60 (a)	5,000,000	5,000,000
September 11, 2020	September 11, 2025	$ 1.00 (a)	2,500,000	2,500,000
July 6, 2021	July 6, 2023	$ 1.40	155,490	-
November 1, 2021	November 1, 2023	$ 2.00	1,526,357	-
			9,181,847	7,500,000

Commented [ST1]: Footing error

(a) The exercise price of the warrants issued on September 2, 2020 increased to $0.60 from $0.004 and the exercise price of the warrants issued September 11, 2020 increased to $1.00 from $0.04 (collectively these warrants are referred to as the “2020 warrants”) upon the Company listing on a public stock exchange. Given the repricing terms of these 2020 warrants and the embedded derivative thereof, the Company estimated the fair value of these warrants (classified as financial liabilities at FVTPL) at grant date and at December 31, 2020 to be $nil. At the point of completing a listing in November 2021, the Company remeasured the fair value of these warrants to be $3,117,856 which was recorded as a loss on remeasurement of warrant liability within the consolidated statements of loss and comprehensive loss. Pursuant to the repricing adjustment, the Company determined that the 2020 warrants met the criteria for classification as equity instruments and accordingly, at December 31, 2021 $3,117,856 has been reclassified within contributed surplus. The fair value of the 2020 warrants was remeasured using the Black-Scholes Option Pricing model, with the following estimated inputs: risk free rate of interest of 1.36%, expected volatility of 54.11% and expected life of 4 years.

Commented [ST2]: Weighted average exercise price?

Commented [DF3R2]: Added section below

(b) The weighted average exercise price of warrants outstanding is $0.96 at the end of the period September 30, 2022.

(Expressed in Canadian dollars) (unaudited)

17. REVENUE

Revenue arises from the sales of goods to customers through online store orders on the Company's marketplaces. 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.

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.

The following table summarizes revenue disaggregated by Marketplace revenue and Services revenue for the periods presented:

	September 30, 2022		September 30, 2021	
Major service lines revenue				
Marketplace	$	3,187,989	$	782,600
Marketing services		119,190		636
	$	**3,307,179**	**$**	**783,236**

The following table summarizes revenue disaggregated by distribution channel for the periods presented:

	September 30, 2022		September 30, 2021	
Distribution Channel:				
Direct-to-consumer	$	1,904,097	$	783,236
Business-to-business		1,403,082		-
	$	**3,307,179**	**$**	**783,236**

Deferred revenues

The Company records deferred revenues when payments are received prior to the satisfaction of performance obligations. Deferred revenue for the nine months ended September 30, 2022 amounted to $168,194 (December 31, 2021 – $78,665).

18. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses are comprised of the following:

	September 30, 2022		September 30, 2021	
Marketing and advertising	$	186,504	$	1,185,930
Freight, packaging and warehousing		1,376,486		1,298,051
Contract services		64,630		230,939
Other		184,766		34,802
	$	**1,812,386**	**$**	**2,749,722**

(Expressed in Canadian dollars) (unaudited)

19. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are comprised of the following:

	September 30, 2022	September 30, 2021
Compensation and contract services	$ 1,739,130	$ 2,128,994
Professional services	1,455,415	955,875
Share based compensation	79,720	1,051,457
Software and IT expenses	211,842	168,049
Insurance	75,342	65
Licenses, dues and subscriptions	34,808	4,638
Facilities expenses	118,536	33,489
Depreciation and amortization	279,792	8,545
Legal settlement	50,000	-
Bad debts expense	63,474	-
Lease termination expense	36,440	-
Other	144,610	135,513
	$ 4,289,109	**$ 4,486,624**

20. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted net loss per share for the nine months ended September 30, 2022 was based on the loss attributable to common shareholders of $9,663,910 (2021 - $7,159,773) and the basic and diluted weighted average number of common shares outstanding of 28,584,626 (2021 – 18,719,816).

21. RELATED PARTY TRANSACTIONS AND BALANCES

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

Key management compensation

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 for the period ended:

	September 30, 2022	September 30, 2021
Management wages	$ 368,542	$ 265,839
Directors' fees	-	-
Share based compensation	56,304	106,065
	$ 424,846	**$ 371,904**

Other compensation

During the nine months ended September 30, 2022, the Company incurred salaries and wages of $72,917 (2021 - $56,667) with an individual related to the President and Chief Operating Officer of the Company.

Due to related Parties

As at September 30, 2022, the Company owed Kory Zelickson, Chief Executive Officer and director a total of $2,464,552 (2021 - $500,000) for funds and loans advanced by Mr. Zelickson (See note 13)

22. CAPITAL MANAGEMENT

The Company's objectives in managing its capital are as follows:

- To safeguard its ability to continue as a going concern; and
- To have sufficient capital to be able to meet its strategic objectives including the continued expansion of its services offerings and locales.

Given the current start-up phase, the Company's primary source of capital is derived from debt and equity issuances. Capital consists of equity attributable to common shareholders.

The Company has no externally imposed capital requirements and manages its capital structure in accordance with its strategic objectives and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue new shares in the form of private placements and/or secondary public offerings. There has been no change in the Company's approach to capital management during the period ended September 30, 2022.

23. FINANCIAL INSTRUMENTS

Carrying value and fair value

The Company's financial instruments comprise cash, short term investments, accounts receivable, amounts due from related party, loans and borrowings, accounts payable and accrued liabilities and amounts due to related parties.

Financial instruments recognized at fair value on the consolidated statement of financial position are classified in fair value hierarchy levels as follows:

- Level 1: Valuation based on unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques based on inputs other than Level 1 quoted prices that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices)
- Level 3: Valuation techniques with unobservable market inputs (involves assumptions and estimates by management).

Cash, short-term investments, accounts receivable and amounts due from related party are recorded at amortized cost.

Accounts payable and accrued liabilities, short-term debt, long-term debt and amounts due to related parties are classified as other financial liabilities and are recorded at amortized cost.

Fair value

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

24. LEGAL PROCEEDINGS

The Company accrues for liabilities when it is probable and the amount can be reasonably estimated.

A Statement of Claim was filed on April 16, 2021 by Lettuce Holdit Ltd. and Freshii Inc. (as plaintiffs) against the Company and Vejii Inc. (as defendants) alleging a trademark infringement due to the Company's use of "Vejii" as a trademark, tradename and branding (the "Infringement Claim"). The plaintiffs sought to restrain the Company from using the "Vejii" mark and indicated they were seeking damages in excess of $50,000. The Company filed a Statement of Defense in respect of the Infringement Claim on May 21, 2021. Set out below is a summary of the Company's position in Statement of Defense in respect of the Infringement Claim:

(a) "FRESHII" and "VEJII" do not share visual, aural or conceptual similarities as taking the marks as a whole, the only similarity between the marks is the “II” suffix and consumers pay more attention to the beginning of a word than the end, the phonetic sound “II” is not distinctive of any one entity and the "FR" at the beginning of "FRESHII" and "V" at the beginning of "VEJII" are aurally different;

(b) "FRESHII" and "VEJII" do not share conceptual similarities as "VEJII" is a play on the idea of 'vegetables' as it sounds the same as the common abbreviation of "veggie" for vegetables and by contrast, FRESHII is not an abbreviation of, or a play on, another word as its dominant element the word "FRESH" (as consumers pay closer attention to the beginning of a word than the end) which is neither a synonym nor a common association of the word 'vegetables' or any other similar words in this space; and

(c) while there is very limited overlap in the services covered by "VEJII" and "FRESHII", taking into account the lack of similarity between the marks and the different target consumers, there is no likelihood of confusion between the marks as a result of this very limited overlap in services.

On July 11, 2022, the Company made a payment of $50,000 in settlement of the claim.

The Company is not aware of any other material legal proceedings involving the Company nor are any such proceedings known by the Corporation to be contemplated.

25. RISK MANAGEMENT AND LIQUIDITY

The Company’s activities expose it to a variety of financial risks, including foreign exchange risk, credit risk and interest rate risk.

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.

The carrying amount of the Company’s financial assets represents the Company’s maximum exposure to credit risk. 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.

25. RISK MANAGEMENT AND LIQUIDITY (continued)

Foreign Exchange Risk

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$ as outlined below. 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.

The Company held the following foreign currency denominated balances as at September 30, 2022 and December 31, 2021:

	September 30, 2022		December 31, 2021	
Cash (US $)	$	5,962	$	79,516
Accounts receivable (US $)		2,190		51,602
Accounts payable and accrued liabilities (US $)		(1,413,246)		(1,635,515)
Lease obligation (US $)		(15,439)		(135,785)
Loans and borrowings (US $)		(1,226,904)		(392,470)
Total (US $)	$	(2,647,437)	$	(2,032,652)
Foreign exchange rate		1.3707		1.2698
Equivalent in Canadian dollars	$	(3,628,841)	$	(2,581,062)

Based on the balances held as at September 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 period ended of approximately $363,000 (December 31, 2021 – $258,000).

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.

Liquidity Risk

Liquidity risk arises from the Company's general and capital financing needs. The Company continuously monitors and reviews both actual and forecasted cash flows and matches the maturity profile of financial assets and liabilities, when feasible.

26. SUBSEQUENT EVENTS

On October 17, 2022, the Company completed the sale of its domain, VeganEssentials.com and certain associated intellectual property and assets to PlantX Life Inc. ("PlantX") and its wholly owned subsidiary, PlantX Lifestyle USA Inc. The Company received an aggregate purchase price of $893,000. The purchase price consisted of a cash payment of $143,000 and 1,071,428 common shares of PlantX issued at a deemed price of $0.70 per common share. The common shares of PlantX issued as part of the purchase price are subject to a statutory hold period expiring February 15, 2023.

On November 9, 2022, the Company announced plans to wind-down the remainder of its US operations including Veg Essentials LLC, and VEDGEco USA Inc., the Company's B2B division.