PLANT VEDA FOODS LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended June 30, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company for the six months ended June 30, 2021 have been prepared by and are the responsibility of the Company’s management, and have not been reviewed by the Company’s auditors.

PLANT VEDA FOODS LTD.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
As at June 30, 2021 and December 31, 2020
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

		June 30, 2021		December 31, 2020
ASSETS				
Current				
Cash	$	1,858,917	$	44,495
Accounts and other receivable – Note 5		105,160		13,785
Prepaid expenses and deposits – Note 10		704,807		23,537
Inventory – Note 6		28,479		20,008
		2,697,363		101,825
Property and equipment – Note 7		286,510		-
Right of use asset – Note 10		2,050,914		-
Total Assets	$	5,034,787	$	101,825
LIABILITIES				
Current				
Accounts payable and accrued liabilities – Notes 8 and 12	$	346,870	$	13,647
Due to related parties – Note 12		22,405		22,384
Lease liabilities – Note 10		183,262		-
		552,537		36,031
Lease liabilities – Note 10		1,762,282		-
CEBA loan – Note 9		36,470		20,148
Total Liabilities		2,351,289		56,179
SHAREHOLDERS' EQUITY				
Share capital – Note 11		3,857,376		250,090
Reserve – Note 11		1,738,711		-
Deficit		(2,912,589)		(204,444)
Total Shareholders' Equity		2,683,498		45,646
Total Liabilities and Shareholders' Equity	$	5,034,787	$	101,825

Going Concern – Note 2
Subsequent Events – Note 11

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

"Michael Yang" Director *"Geoff Balderson"* Director

See accompanying notes to the condensed interim financial statements

PLANT VEDA FOODS LTD.
CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the six months ended June 30, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Revenue – Note 15	$ 64,243	$ 32,173	$ 115,442	$ 48,336
Costs of sales	73,351	25,754	112,670	40,371
Gross profit (loss)	(9,108)	6,419	2,772	7,965
Expenses				
Automotive and logistics	16,732	807	21,992	1,258
Depreciation – Notes 7 and 10	66,296	-	82,354	-
General and administrative – Note 12	80,304	9,995	98,447	14,962
Marketing and investor relations	258,682	3,603	308,172	5,743
Professional fees – Note 12	231,900	-	372,326	20,000
Share based compensation – Note 11	1,290,025	-	1,676,357	-
Wages and benefits – Note 12	75,477	1,253	113,939	1,253
	2,019,416	15,658	2,673,587	43,216
Loss before other income (expenses)	(2,028,524)	(9,239)	(2,670,815)	(35,251)
Other income (expenses)				
Other income – Note 10	22,019	-	29,089	-
Income from government assistance – Note 9	-	-	10,429	-
Interest accretion – Notes 9 and 10	(57,450)	-	(76,848)	-
Net and comprehensive loss for the period	$ (2,063,955)	$ (9,239)	$ (2,708,145)	$ (35,251)
Loss per share - basic and diluted	$ (0.13)	$ (0.00)	$ (0.18)	$ (0.00)
Weighted average number of shares outstanding – basic and diluted	15,371,226	12,750,000	14,973,868	12,750,000

See accompanying notes to the condensed interim financial statements

PLANT VEDA FOODS LTD.
CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the six months ended June 30, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Share capital Issued Shares	Amount	Special Warrants	Reserve	Accumulated Deficit	Total
Balance, December 31, 2019	12,750,000	$ 9	$ -	$ -	$ (92,523)	$ (92,514)
Net and comprehensive loss for the period	-	-	-	-	(35,251)	(35,251)
Balance, June 30, 2020	12,750,000	$ 9	$ -	$ -	$ (127,774)	$ (127,765)
Balance, December 31, 2020	14,572,095	$ 250,090	$ -	$ -	$ (204,444)	$ 45,646
Special warrants issued	-	-	1,095,227	-	-	1,095,227
Share purchase warrants issued	-	-	-	909,435	-	909,435
Agent's warrants issued	-	-	-	70,956	-	70,956
Share-based compensation	-	-	-	782,072	-	782,072
Private placement	4,829,393	4,104,984	(1,062,785)	-	-	3,042,199
Share issue cost	-	(575,450)	(32,442)	-	-	(607,892)
Exercise of stock options	40,000	34,000	-	-	-	34,000
Exercise of warrants	100,000	20,000	-	-	-	20,000
Transfer of fair value on stock options exercised	-	17,749	-	(17,749)	-	-
Transfer of fair value on warrants exercised	-	6,003	-	(6,003)	-	-
Net and comprehensive loss for the period	-	-	-	-	(2,708,145)	(2,708,145)
Balance, June 30, 2021	19,541,488	$ 3,857,376	$ -	$ 1,738,711	$ (2,912,589)	$ 2,683,498

See accompanying notes to the condensed interim financial statements

PLANT VEDA FOODS LTD.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
For the six months ended June 30, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Six months ended June 30, 2021	Six months ended June 30, 2020
Operating Activities		
Net loss for the period	$ (2,708,145)	$ (35,251)
Adjustments for items not involving cash		
Amortization and depreciation	82,354	-
Income from government assistance	(10,429)	-
Interest accretion	76,848	-
Share based compensation	1,676,357	-
Changes in non-cash working capital balances related to operations:		
Accounts receivable	(91,375)	(5,952)
Prepaid expenses and deposit	(681,270)	-
Inventory	(8,471)	(3,825)
Accounts payable and accrued liabilities	333,223	26,352
Cash flows used in operating activities	(1,330,908)	(18,676)
Investing Activities		
Equipment purchase	(299,342)	-
Prepayments on right of use asset	(249,464)	-
Cash flows used in investing activity	(548,806)	-
Financing Activities		
Advances by shareholders	21	17,543
CEBA loan	24,475	10,000
Proceeds from private placement net of issuance costs	2,537,705	-
Proceeds from issuance of share purchase warrants	15,150	-
Proceeds from issuance of special warrants net of issuance costs	1,062,785	-
Proceeds from exercise of stock options	34,000	-
Proceeds from exercise of warrants	20,000	-
Cash flows provided by financing activities	3,694,136	27,543
Increase in cash during the period	1,814,422	8,867
Cash, beginning of period	44,495	2,022
Cash, ending of period	$ 1,858,917	$ 10,889

Supplemental cash flow information:		
Fair value of special warrants issued	$ 894,285	$ -
Fair value of stock options issued	$ 782,072	$ -
Fair value of agent warrants issued	$ 70,956	$ -

The Company made no cash payments for interest or income taxes.

See accompanying notes to the condensed interim financial statements

1. Nature of operations

Plant Veda Foods Ltd. (the "Company") was incorporated under the British Columbia Business Corporations Act on April 5, 2019 and its principal activity is a plant-based beverage and food company specializing in low-processed, all natural, nutritious, allergen free and delicious dairy alternatives. On June 17, 2021, the Company received a receipt from the British Columbia Securities Commission for its long-form prospectus dated June 4, 2021 and commenced trading on the Canadian Securities Exchange ("CSE") on June 21, 2021 under the trading symbol "MILK".

The Company's head office is located at 14640 64 Ave, Unit 313, Surrey, British Columbia V3S 1X7. The Company's registered office is located at 1400—128 West Pender Street, Vancouver, BC V6B 1R8.

2. Basis of preparation

a) Statement of Compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting.

The condensed interim financial statements were authorized for issue by the Board of Directors on August 27, 2021.

b) Going Concern

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. As at June 30, 2021, the Company has not achieved profitable operations, has accumulated losses of $2,912,589 since inception and expects to incur further losses in the development of its business. The aforementioned conditions have resulted in material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations and management is intending to secure additional financing as may be required, there is no assurance it will be able to do so in the future. These financial statements do not include any adjustments that might result from the outcome of this uncertainty. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amount on its statement of financial position.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. At this time, it is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

c) Basis of Measurement

The preparation of financial statements in compliance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. See Note 4 for use of estimates and judgments made by management in the application of IFRS.

The financial statements have been prepared on a historical cost basis, except for financial instruments measured at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The financial statements are presented in Canadian dollars which is the functional currency of the company.

3. Summary of significant accounting policies

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited financial statements as at December 31, 2020. The accompanying unaudited condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2020.

The Company adopted the following significant accounting policies:

Property and equipment
Property and equipment are stated at historical cost less accumulated amortization and accumulated impairment losses. Cost includes costs paid to acquire assets from third parties.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of loss. Amortization is calculated on a straight-line basis as follows:

- Computer equipment – 3 years;
- Equipment – 5 years;
- Automotive – 5 years; and
- Leasehold improvements and facility upgrade costs – Lease term
- Right of use assets – Lease term

Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a lease liability and a right-of-use asset at the lease commencement date. The lease liability is initially measured as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's applicable incremental borrowing rate. The incremental borrowing rate is the rate which the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the Company expects to exercise an option to terminate the lease.

The lease liability is subsequently measured by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The right-of-use asset is initially measured at cost, which comprises the following:

- the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Company; and
- an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The right-of-use asset is subsequently measured at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. It is depreciated in accordance with the Company's accounting policy for property and equipment, from the commencement date to the earlier of the end of its useful life or the end of the lease term. Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to net earnings over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are presented as property and equipment and the lease liabilities are presented as loans on the combined statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for the short-term leases that have a lease term of 12 months or less and recognizes the lease payments as an expense to profit or loss on a straight-line basis over the term of the lease.

Share-based payments

The Company grants share options to acquire common shares of the company to directors, officers, employees, and consultants. The fair value of share-based payments to employees is measured at the grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded vesting method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

For both employees and no-employees, the fair value of share-based payments is recognized as an expense with a corresponding increase in reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in reserves is transferred to share capital.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the medication, is also charged to profit or loss over the remaining vesting period.

When a grant of options is cancelled and settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense. The amounts recorded in reserves for unexercised share options are transferred from reserves to deficit upon their expiry or cancellation.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity. Equity instruments are valued at either the fair value of the goods or services received or at the fair value of the equity instruments granted.

The proceeds from the issuance of units are allocated between common shares and warrants based on the residual method. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced, and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in share capital, and any related amount recorded in warrants reserve is transferred to share capital.

(Expressed in Canadian Dollars)

4. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.
Critical estimates which are most subject to uncertainty and have the most significant risk of resulting in a material adjustment to the carrying values of assets and liabilities within the next twelve months are as follows:

Recoverability of accounts receivable and allowance for doubtful accounts

The Company provides allowances for lifetime expected credit losses based on an assessment of the recoverability of account receivables. Allowances are applied to account receivables at initial recognition based on the probability of default by the customers. Management analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgment to evaluate the adequacy of the allowance for lifetime expected credit losses. Where the expectation is different from the original estimate, such difference will impact the carrying value of accounts receivable.

Going concern

The assessment of the Company's ability to continue as a going concern requires significant judgment. The financial statements have been prepared on the basis of accounting principles applicable to a going concern, as disclosed in Note 2.

Interest rate

The Company estimates a market interest rate in determining the fair value of its right-of-use assets. The determination of the market interest rate is subjective and could materially affect the fair value estimate.

5. Accounts and other receivable

	June 30, 2021	December 31, 2020
Accounts receivable	$ 55,874	$ 12,785
Other receivable	-	1,000
GST receivable	49,286	-
	$ 105,160	$ 13,785

6. Inventory

	June 30, 2021	December 31, 2020
Raw materials	$ 18,164	$ 10,840
Packaging	9,416	7,156
Finished goods	899	2,012
	$ 28,479	$ 20,008

(Expressed in Canadian Dollars)

7. Property and equipment

	Computer	Equipment	Automotive	Leasehold	Total
Cost					
Balance at Dec. 31, 2019 and 2020	$ -	$ -	$ -	$ -	$ -
Additions	3,823	283,430	8,400	3,689	299,342
Balance at June 30, 2021	3,823	283,430	8,400	3,689	299,342
Accumulated Amortization					
Balance at Dec. 31, 2019 and 2020	-	-	-		-
Amortization	339	11,740	630	123	12,832
Balance at June 30, 2021	339	11,740	630	123	12,832
Net Book Value					
At December 31, 2020	$ -	$ -	$ -	$ -	$ -
At June 30, 2021	$ 3,484	$ 271,690	$ 7,770	$ 3,566	$ 286,510

8. Accounts payable and accrued liabilities

	June 30, 2021	December 31, 2020
Accounts payable	$ 346,870	$ 12,221
Accrued liabilities	-	1,426
	$ 346,870	$ 13,647

9. CEBA loan

On May 13, 2020, the Company was approved and received a $40,000 line of credit (“CEBA loan”) under the Canada Emergency Business Account (“CEBA”) program funded by the Government of Canada. The CEBA loan is non-interest bearing and can be repaid without penalty at any time.

On June 30, 2021 the outstanding balance on the CEBA loan will automatically convert to a 2-year interest free term loan (“CEBA term loan”). If 75% of the CEBA term loan on June 30, 2021 is repaid on or before December 31, 2022, the repayment of the remaining 25% shall be forgiven.

If on December 31, 2022, the Company exercises the option for a 3-year term extension, interest of 5% per annum will apply to any remaining balance during the extension period.

The Company recorded the CEBA loan at fair value using an effective interest rate of 15%. The difference between the amount received and the fair value of the CEBA loan of $16,658 has been recorded as income from government assistance during the year ended December 31, 2020.

As at December 31, 2020, the Company had utilized $35,525 of the of the available $40,000. During the year-ended December 31, 2020, the Company recorded interest accretion expense of $1,281, and the carrying value of the loan was $20,148 as at December 31, 2020.

(Expressed in Canadian Dollars)

During the month of January 2021, the Company applied for an additional $20,000 CEBA loan and received $24,475 in funding for a total of $60,000. The Company recorded the additional CEBA loan at fair value using the effective interest rate of 15%. The difference between the amount received and the fair value of the additional CEBA loan of $10,429 has been recorded as income from government assistance as at June 30, 2021. The Company recorded interest accretion expense of $2,276, and the carrying value of the loan was $36,470 as at June 30, 2021.

10. Right of use asset and lease liabilities

On March 5, 2021, the Company entered into a five-year lease agreement with a five-year renewal option for 15,381 square foot warehouse and production facility with 9,325 square feet of office space. On the commencement date of the lease, the Company prepaid $249,464 of rent which was capitalized to the right of use asset.

Right of use office lease	**June 30, 2021**	**December 31, 2020**
Balance, opening	$ -	$ -
Additions	2,120,437	-
Depreciation	(69,522)	-
Balance, ending	$ 2,050,915	-

The lease liability was measured at the present value of the remaining lease payments with a ten-year lease term and discounted using the Company's incremental borrowing rate of 12% per annum. As at June 30, 2021, the remaining lease term is approximately 9.84 years. As the prepaid rent will be applied to the first seven months, the first lease payment is due on December 1, 2021.

Lease liabilities	**June 30, 2021**	**December 31, 2020**
Balance, opening	$ -	$ -
Lease liability addition	1,870,972	-
Interest accretion	74,572	-
Balance, ending	$ 1,945,544	$ -
Current portion	$ 183,262	-
Long Term	1,762,282	-
Balance, ending	$ 1,945,544	$ -

(Expressed in Canadian Dollars)

The maturity analysis of the undiscounted contractual balances of the lease liabilities is as follows:

Maturity analysis		**2021**
Less than one year	$	206,489
One to three years		1,097,431
Three to five years		725,331
Greater than five years		1,350,039
Total undiscounted lease liabilities		3,379,290
Amount representing implicit interest		(1,433,746)
Lease liabilities		**$1,945,544**

On May 1, 2021, the Company entered into a one-year sublease agreement, expiring on April 30, 2022, with a third-party to use a portion of the warehouse and office space in exchange for monthly payments of $11,000. The Company has recognized this sublease agreement as an operating lease and recognizes the rental income as other income in the statement of loss and comprehensive loss.

11. Share capital

a) Authorized:

Unlimited voting common shares without par value.
Unlimited non-voting common shares without par value.
Unlimited preferred shares without par value.

On January 18, 2021, the Company completed a forward stock split on the basis of 1.5 new for 1 old. The forward stock split has been retroactively presented in the financial statements and all share amounts, including per share amounts, reflect the forward stock split.

b) Issued:

<u>Shares issued during the six months ended June 30, 2021</u>

In the month of February 2021, the Company, issued 1,288,493 special warrants at a price of $0.85 per warrant for gross proceeds of $1,095,220. The special warrants will automatically convert into one unit of the Company upon the earlier of (i) four months and one day following the closing of the special warrant financing and (ii) two business days after the date on which the Company receives a receipt from the British Columbia Securities Commission on the Company's final long form prospectus. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant is exercisable into one common share of the Company at a price of $2.50 for a period of two year's following the conversion of the special warrants. The Company recorded $32,442 in share issue cost in connection with the issuance of the special warrants.

On June 15, 2021, 1,288,493 special warrants were converted into 1,288,493 units. Each unit is comprised of one common share of the Company and one-half common share purchase warrant, exercisable into one common share of the company at an exercise price of $2.50 and expiring on June 15, 2023.

On March 18, 2021, the company completed a brokered private placement of 3,540,900 subscription receipts at $0.85 per subscription receipts for gross proceeds of $3,009,765. Upon the Company's shares being listed on the Canadian Securities Exchange, the subscription receipts will be automatically exchanged into one unit of the Company consisting of one common share and one-half of one share purchase warrant, with each whole share purchase warrant exercisable into one common share of the Company at an exercisable price of $2.50 per share purchase warrant for a period of two years from the listing date. Should the Company fail to list its common shares within two years of the subscription receipt issuance date on the Canadian Securities Exchange, the subscription receipt proceeds will be repayable to the holders of the subscription receipts. In connection with the subscription receipts, the Company paid $77,076 in agent's expenses and out-of-pocket costs, incurred $220,150 in legal costs, paid $207,268 in broker commissions, and issued agent warrants valued at $70,956 for total share issue costs of $575,450.

In connection with the subscription receipts, the Company issued 194,733 agent warrants exercisable at $1.25 for a period of two years from the date of issuance. The agents' warrants were determined to have a fair value of $70,956 using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 0.26%; dividend yield of 0%; annualized volatility of 100% and expected life of two years.

On June 15, 2021, 3,540,900 subscription receipts were converted into 3,540,900 units. Each unit is comprised of one common share of the Company and one-half common share purchase warrant, with each whole warrant exercisable into one common share of the Company at an exercise price of $2.50 and expiring on June 15, 2023.

During the six months ended June 30, 2021, the Company issued 40,000 common shares for proceeds of $34,000 on the exercise of 40,000 stock options. The weighted average share price was $1.60 when the stock options were exercised, and the fair value of contributed surplus transferred to share capital on the exercise of stock options was $17,749.

During the six months ended June 30, 2021, the Company issued 100,000 common shares for proceeds of $20,000 on the exercise of 100,000 warrants. The weighted average share price was $1.60 when the warrants were exercised, and the fair value of contributed surplus transferred to share capital on the exercise of warrants was $6,003.

<u>Shares issued during the year ended December 31, 2020</u>

On November 13, 2020, the Company issued 1,045,160 common shares for gross proceeds of $143,447 to a director and a company controlled by a former director of the Company.

On November 13, 2020, the Company issued 281,484 common shares to settle outstanding debt of $38,634 with directors of the Company.

On November 28, 2020, the Company issued 495,451 common shares to settle outstanding debt of $68,000 with a director of the Company and a company controlled by a director of the Company.

c) Share Purchase Warrants

On February 3, 2021, the Company issued 15,150,000 warrants at a price of $0.001 for gross proceeds of $15,150. Each warrant is exercisable into one common share of the Company at a price of $0.20, vest on the date the Company's shares are listed on the Canadian Securities Exchange and are exercisable for a period of two years following the date the Company's shares are listed on the Canadian Securities Exchange. If the Company fails to complete the listing of its common shares within two years of the date of issuance, the warrants will expire unexercised. The grant date fair value of the warrants was determined to be $909,435 using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 0.17%; dividend yield of 0%; annualized volatility of 100% and an expected life of two years.

(Expressed in Canadian Dollars)

During the three months ended March 31, 2021, the Company recorded share-based compensation related to the vesting of the warrants of $386,332. During the six months ended June 30, 2021, the Company commenced trading on the CSE and recorded additional share-based compensation of $507,953 related to the vesting of the remainder of the fair value of the warrants, resulting in a total share-based compensation of $894,285.

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Six Months Ended June 30, 2021		**Year Ended December 31, 2020**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	-	$ -	-	$ -
Issued	17,564,703	$ 0.52	-	$ -
Exercised	(100,000)	$ 0.20	-	$ -
Outstanding, end of period	17,464,703	$ 0.52	-	$ -

The following warrants were outstanding and exercisable at June 31, 2021:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Outstanding	Exercisable
June 15, 2023	1.96	$ 2.50	2,414,703	2,414,703
June 21, 2023	1.98	$ 0.20	15,050,000	15,050,000
	1.97		17,464,703	17,464,703

Subsequent to the six months ended June 30, 2021, the Company issued 155,700 common shares pursuant to the exercise of 155,700 share purchase warrants with an exercise price of $0.20 for gross proceeds of $31,140.

d) Agent Warrants

Agent warrant transactions and the number of agent warrants outstanding are summarized as follows:

	Six Months Ended June 30, 2021		**Year Ended December 31, 2020**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	-	$ -	-	$ -
Issued	194,733	$ 1.25	-	$ -
Outstanding, end of period	194,733	$ 1.25	-	$ -

(Expressed in Canadian Dollars)

The following warrants were outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Outstanding	Exercisable
March 19, 2023	1.72	$ 1.25	194,733	194,733
	1.72		194,733	194,733

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its agent warrants granted. During the six months ended June 30, 2021, 194,733 (year ended December 31, 2020 – NIL) agent warrants were issued with a fair value of $70,956 (year ended December 31, 2020 – NIL).

The fair value of agent warrants issued was calculated using the following weighted average assumptions:

	Six Months Ended June 30, 2021	**Year Ended December 31, 2020**
Expected life (years)	2	N/A
Risk-free interest rate	0.26%	N/A
Annualized volatility	100%	N/A
Dividend yield	0.00%	N/A
Stock price at issue date	$0.85	N/A
Exercise price	$1.25	N/A
Weighted average issue date fair value	$0.36	N/A

The annualized volatility was determined using the average of three comparable entities' historical volatility in share price.

d) Stock Options

The Company has a stock option plan to grant incentive stock options to directors, officers, employees, and consultants. Under the plan, the aggregate number of common shares that may be subject to option at any one time may not exceed 10% of the issued common shares of the company as of that date, including options granted prior to the adoption of the plan. Options granted have a term determined by the Board and the term will be reduced to one year following the date of death of the optionee. All options vest when granted unless otherwise specified by the Board of Directors.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Six Months Ended June 30, 2021		**Year Ended December 31, 2020**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	-	$ -	-	$ -
Issued	1,762,500	$ 0.85	-	$ -
Exercised	(40,000)	$ 0.85	-	$ -
Outstanding, end of period	1,722,500	$ 0.85	-	$ -

(Expressed in Canadian Dollars)

The following stock options were outstanding and exercisable at June 30, 2021:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Outstanding	Exercisable
May 31, 2023	1.92	$ 0.85	1,722,500	1,722,500
	1.92		1,722,500	1,722,500

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. During the six months ended June 30, 2021, 1,762,500 (year ended December 31, 2020 – NIL) stock options were issued with a fair value of $782,072 (year ended December 31, 2020 – NIL).

The fair value of stock options issued was calculated using the following weighted average assumptions:

	Six Months Ended June 30, 2021	**Year Ended December 31, 2020**
Expected life (years)	2	N/A
Risk-free interest rate	0.26%	N/A
Annualized volatility	100%	N/A
Dividend yield	0.00%	N/A
Stock price at issue date	$0.85	N/A
Exercise price	$1.25	N/A
Weighted average issue date fair value	$0.36	N/A

The annualized volatility was determined using the average of three comparable entities' historical volatility in share price.

Subsequent to the six months ended June 30, 2021, the Company granted 10,000 stock options with an exercise price of $1.81 and an expiry date of July 20, 2023.

e) Performance Warrants

On February 3, 2021, the Company issued 6,000,000 performance warrants to management and directors of the Company. 1,000,000 performance warrants are exercisable into one common share of the Company for a period of five years at an exercise price of $0.02 upon the Company reaching cumulative gross revenue from sales of $15,000,000 on or prior to February 3, 2031. 3,000,000 performance warrants are exercisable into one common share of the Company for a period of five years at an exercise price of $0.02 upon the Company reaching cumulative gross revenue from sales of $50,000,000 on or prior to February 3, 2031. 2,000,000 performance warrants are exercisable into one common share of the Company for a period of five years at an exercise price of $0.02 upon the Company reaching cumulative gross revenue from sales of $75,000,000 on or prior to February 3, 2031. The Company recorded $nil in share-based compensation in relation to the performance warrants as the Company determined the likelihood of reaching the performance targets to be remote.

(Expressed in Canadian Dollars)

12. Related party transactions

The Company incurred the following expenses with related parties of the Company:

	Six Months Ended June 30, 2021	2020
Rent	$ 9,000	$ 10,500
Professional fees	67,500	20,000
Wages and benefits	83,560	297
Share-based compensation	302,621	-
	$ 462,681	$ 30,797

During the six months ended June 30, 2021, the Company had sales to a company controlled by a former director of the Company in the amount of $11,849 (June 30, 2020: $15,757).

Accounts payable and accrued liabilities at June 30, 2021 includes $75,603 (December 31, 2020: $1,000) owed to a director and officers of the Company for unpaid consulting fees and $NIL (December 31, 2020: $3,427) owed to a company controlled by a former director of the Company.

Accounts receivable at June 30, 2021 includes $3,925 (December 31, 2020: $2,466) due from a company controlled by a former director of the Company.

At June 30, 2021, the Company had advances of $18,662 (December 31, 2020: $22,384) due to current directors and officers of the Company. The advances are non-interest bearing, unsecured and due on demand.

Key management personnel consist of the CEO, CFO and the President of the Company. During the six months ended June 30, 2021, the Company paid consulting fees of $67,500 (June 30, 2020: $20,000) to key management personnel.

13. Financial instruments

A fair value hierarchy prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities, and due to related parties approximate their fair values due to their short-term nature.

The carrying value of the CEBA loan is not significantly different than its fair value.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

(Expressed in Canadian Dollars)

a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company reduces its credit risk on cash by

placing these instruments with institutions of high credit worthiness. The Company provides credit to its clients in the normal course of operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for contingent losses. The Company's maximum exposure to credit risk is the carrying amounts of cash and accounts receivable on the statements of financial position.

Accounts receivable primarily consist of trade receivables. The Company provides credit to very limited customer base in the normal course of business and has established credit evaluation via an active direct consultation with its customers to mitigate credit risk. Accounts receivable are shown net of any provision made for impairment of receivables. Due to this factor, the Company believes that no additional credit risk, beyond amounts provided for collection loss, is inherent in accounts receivable.

Expected credit loss ("ECL") analysis is performed at each reporting date using an objective approach to measure expected credit losses. The provision amounts are based on direct management interface with the customer. The calculations reflect the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Accounts receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, business failure, the failure of a debtor to engage in a repayment plan, and a failure to make contractual payments over the negotiated contract period.

The aging analysis of accounts receivable is as follows:

	June 30, 2021	December 31, 2020
Current to 3 months	$ 53,851	$ 9,528
Over 6 months	2,023	3,257
Allowance provided	-	-
Trade receivables	$ 55,874	$ 12,785

b) Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due. As at June 30, 2021, the Company has working capital of $2,144,826. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. The Company may seek additional financing through equity and debt offerings and advances from related parties, but there can be no assurance that such financing will be available on terms acceptable to the Company.

c) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not exposed to significant risks associated with the effects of fluctuations in the prevailing levels of market interest rates.

14. Management of capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its business and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' deficit, as well as cash.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

The Company is not subject to any external capital requirements. There were no changes to the Company's approach to capital management during the six months ended June 30, 2021.

15. Major customers

Major customers are defined as customers that each individually account for greater than 10% of the Company's revenues. During the six months ended June 30, 2021 three customers accounted for 65% of the gross revenues of which one was a related company which accounted for 10% of the gross revenues (June 30, 2020 – three customers accounted for 66% of gross revenues of which one was a related company which accounted for 33% of the gross revenues).