

# MIMI'S ROCK

**Mimi's Rock Corp.**

**Condensed Consolidated Interim Financial  
Statements**

**For the Three and Nine Months Ended September 30, 2022 and 2021**

**(Expressed in Canadian dollars)**

**(Unaudited)**

#### Notice to Reader

The accompanying unaudited condensed consolidated interim financial statements of Mimi's Rock Corp. have been prepared by and are the responsibility of management. The unaudited condensed consolidated interim financial statements have not been reviewed by the Company's auditors.

**Mimi's Rock Corp.**  
**Condensed Consolidated Interim Statements of Financial Position**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

| <b>As at:</b>                                    | <b>September 30</b>  | <b>December 31</b>   |
|--|----------------------|----------------------|
|  | <b>2022</b>          | <b>2021</b>          |
| <b>Assets</b>                                    |                      |                      |
| <b>Current assets</b>                            |                      |                      |
| Cash   | \$ 186,614           | \$ 170,938           |
| Trade and other receivables                      | 2,373,730            | 2,107,489            |
| Inventories                                      | 1,450,511            | 2,080,195            |
| Income taxes recoverable                         | -                    | 55,361               |
| Prepaid expenses                                 | 146,123              | 223,788              |
|  | <b>4,156,978</b>     | <b>4,637,771</b>     |
| <b>Non-current assets</b>                        |                      |                      |
| Property and equipment <i>note 2</i>             | 118,250              | 146,993              |
| Right of use assets <i>note 3</i>                | 151,832              | 185,994              |
| Intangible assets <i>note 4</i>                  | 14,430,141           | 13,500,701           |
| Goodwill <i>note 5</i>                           | 22,815,188           | 21,227,896           |
| <b>Total assets</b>                              | <b>\$ 41,672,389</b> | <b>\$ 39,699,355</b> |
| <b>Liabilities and Equity</b>                    |                      |                      |
| <b>Current liabilities</b>                       |                      |                      |
| Bank indebtedness                                | \$ -                 | \$ 168,595           |
| Operating lines <i>note 6</i>                    | 3,880,000            | 3,900,000            |
| Accounts payable and accrued liabilities         | 2,758,926            | 2,736,081            |
| Income taxes payable                             | 1,081,950            | 197,741              |
| Provisions <i>note 7</i>                         | 32,239               | 40,718               |
| Current portion of lease liability <i>note 8</i> | 46,191               | 56,946               |
| Current portion of debt <i>note 9</i>            | 9,458,050            | 11,967,947           |
|  | <b>17,257,356</b>    | <b>19,068,028</b>    |
| <b>Non-current liabilities</b>                   |                      |                      |
| Lease liability <i>note 8</i>                    | 122,774              | 144,290              |
| Debt <i>note 9</i>                               | 1,466,666            | 1,364,176            |
| Deferred income taxes                            | 4,179,326            | 3,861,401            |
| <b>Total liabilities</b>                         | <b>23,026,122</b>    | <b>24,437,895</b>    |
| <b>Equity</b>                                    |                      |                      |
| Share capital <i>note 11</i>                     | 22,267,464           | 22,267,464           |
| Contributed surplus                              | 2,395,722            | 2,272,718            |
| Deficit  | (7,385,488)          | (7,830,792)          |
| Accumulated other comprehensive income           | 1,368,569            | (1,447,930)          |
| <b>Total equity</b>                              | <b>18,646,267</b>    | <b>15,261,460</b>    |
| <b>Total liabilities and equity</b>              | <b>\$ 41,672,389</b> | <b>\$ 39,699,355</b> |

Approved on behalf of the Board:

(signed) Telfer Hanson

Director

(signed) Norman Betts

Director

**Mimi's Rock Corp.**  
**Condensed Consolidated Interim Statements of Operations**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

|   | Three Months Ended September 30 |                     | Nine Months Ended September 30 |                   |
|---|---------------------------------|---------------------|--------------------------------|-------------------|
|   | 2022                            | 2021                | 2022                           | 2021              |
| Revenues  | \$ 10,223,891                   | \$ 8,613,814        | \$ 29,797,006                  | \$ 28,115,428     |
| Cost of goods sold  | 2,453,399                       | 2,743,727           | 7,564,666                      | 8,303,979         |
| <b>Gross margin</b>   | <b>7,770,492</b>                | <b>5,870,087</b>    | <b>22,232,340</b>              | <b>19,811,449</b> |
| <b>Operating expenses:</b>  |                                 |                     |                                |                   |
| Selling and marketing   | 5,499,070                       | 4,638,410           | 16,386,717                     | 14,836,409        |
| General and administrative  | 1,105,276                       | 1,013,711           | 2,993,329                      | 3,418,310         |
| Share-based compensation  | 61,133                          | 28,052              | 123,004                        | 91,398            |
| Depreciation  | 19,339                          | 41,302              | 63,382                         | 124,058           |
| Foreign exchange losses   | 437,619                         | 130,503             | 419,687                        | 156,195           |
|   | <b>7,122,437</b>                | <b>5,851,978</b>    | <b>19,986,119</b>              | <b>18,626,370</b> |
| <b>Income before undernoted</b>                                       | <b>648,055</b>                  | <b>18,109</b>       | <b>2,246,221</b>               | <b>1,185,079</b>  |
| Interest expense and financing costs                                  | 291,069                         | 180,243             | 763,215                        | 554,307           |
| <b>Income (loss) before income taxes</b>                              | <b>356,986</b>                  | <b>(162,134)</b>    | <b>1,483,006</b>               | <b>630,772</b>    |
| Income tax expense (recovery) - current                               | 366,930                         | 111,108             | 992,572                        | 646,171           |
| - deferred  | 45,597                          | (14,357)            | 45,130                         | (25,841)          |
| <b>Net (loss) income for the period</b>                               | <b>\$ (55,541)</b>              | <b>\$ (258,885)</b> | <b>\$ 445,304</b>              | <b>\$ 10,442</b>  |
| <b>Earnings per share</b>   |                                 |                     |                                |                   |
| Basic   | \$ -                            | \$ -                | \$ 0.01                        | \$ -              |
| Diluted   | \$ -                            | \$ -                | \$ 0.01                        | \$ -              |
| <b>Weighted average number of common shares outstanding - basic</b>   | <b>53,086,589</b>               | <b>52,525,883</b>   | <b>53,086,589</b>              | <b>52,525,883</b> |
| <b>Weighted average number of common shares outstanding - diluted</b> | <b>53,086,589</b>               | <b>52,525,883</b>   | <b>53,086,589</b>              | <b>52,549,301</b> |

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

**Mimi's Rock Corp.**  
**Condensed Consolidated Interim Statements of Comprehensive Income**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

|   | <b>Three Months Ended September 30</b> |                   | <b>Nine Months Ended September 30</b> |                     |
|---|--|-------------------|---------------------------------------|---------------------|
|   | <b>2022</b>                            | <b>2021</b>       | <b>2022</b>                           | <b>2021</b>         |
| <b>Net (loss) income for the period</b>                 | \$ (55,541)                            | \$ (258,885)      | \$ 445,304                            | \$ 10,442           |
| <b>Other comprehensive income (loss):</b>               |  |                   |                                       |                     |
| Items that may be reclassified to income:               |  |                   |                                       |                     |
| Currency translation differences                        | <u>2,329,317</u>                       | <u>646,999</u>    | <u>2,816,499</u>                      | <u>(186,911)</u>    |
| <b>Other comprehensive income (loss) for the period</b> | <u>2,329,317</u>                       | <u>646,999</u>    | <u>2,816,499</u>                      | <u>(186,911)</u>    |
| <b>Total comprehensive income (loss)</b>                | <u>\$ 2,273,776</u>                    | <u>\$ 388,114</u> | <u>\$ 3,261,803</u>                   | <u>\$ (176,469)</u> |

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**Mimi's Rock Corp.**  
**Condensed Consolidated Interim Statements of Cash Flows**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

|   | <b>Nine Months Ended September 30</b> |                   |
|---|---------------------------------------|-------------------|
|   | <b>2022</b>                           | <b>2021</b>       |
| <b>Operating activities</b>                             |                                       |                   |
| Net income for the period                               | \$ 445,304                            | \$ 10,442         |
| <b>Adjustments for the following items:</b>             |                                       |                   |
| Depreciation  | 63,382                                | 124,058           |
| Interest expense  | 763,215                               | 554,307           |
| Income tax expense                                      | 1,037,702                             | 620,330           |
| Unrealized foreign exchange losses (gains)              | 627,539                               | (6,232)           |
| Share-based compensation                                | 123,004                               | 91,398            |
| Interest paid   | (675,822)                             | (566,220)         |
| Income taxes paid                                       | (108,456)                             | (486,892)         |
| <b>Net change in non-cash working capital balances:</b> |                                       |                   |
| Provisions  | (8,479)                               | 56                |
| Trade and other receivables                             | (266,241)                             | (1,739)           |
| Prepaid expenses  | 77,665                                | (92,123)          |
| Inventories   | 629,684                               | (130,129)         |
| Accounts payable and accrued liabilities                | 22,845                                | 387,106           |
| <b>Net cash provided by operating activities</b>        | <b>2,731,342</b>                      | <b>504,362</b>    |
| <b>Financing activities</b>                             |                                       |                   |
| (Repayments) advances on operating lines                | (20,000)                              | 1,388,000         |
| Repayment of short term bank indebtedness               | (168,595)                             | -                 |
| Payment of lease obligations                            | (32,271)                              | (74,192)          |
| Issuance of promissory note                             | -                                     | 500,000           |
| Repayment of debt                                       | (2,494,800)                           | (2,494,800)       |
| <b>Net cash used in financing activities</b>            | <b>(2,715,666)</b>                    | <b>(680,992)</b>  |
| <b>Net change in cash</b>                               | <b>\$ 15,676</b>                      | <b>(176,630)</b>  |
| <b>Cash, beginning of period</b>                        | <b>170,938</b>                        | <b>539,534</b>    |
| <b>Cash, end of period</b>                              | <b>\$ 186,614</b>                     | <b>\$ 362,904</b> |

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**Mimi's Rock Corp.**  
**Condensed Consolidated Interim Statements of Changes in Equity**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

|                                    | Share capital        | Contributed surplus | Accumulated deficit   | Accumulated other comprehensive income (AOCI) | Total equity         |
|------------------------------------|----------------------|---------------------|-----------------------|---|----------------------|
| <b>Balance, December 31, 2020</b>  | <b>\$ 22,110,464</b> | <b>\$ 2,166,577</b> | <b>\$ (2,814,170)</b> | <b>\$ (1,270,092)</b>                         | <b>\$ 20,192,779</b> |
| Share-based compensation           | -                    | 91,398              | -                     | -   | 91,398               |
| Net income for the period          | -                    | -                   | 10,442                | -   | 10,442               |
| Other comprehensive loss           | -                    | -                   | -                     | (186,911)                                     | (186,911)            |
| <b>Balance, September 30, 2021</b> | <b>\$ 22,110,464</b> | <b>\$ 2,257,975</b> | <b>\$ (2,803,728)</b> | <b>\$ (1,457,003)</b>                         | <b>\$ 20,107,708</b> |
| <b>Balance, December 31, 2021</b>  | <b>\$ 22,267,464</b> | <b>\$ 2,272,718</b> | <b>\$ (7,830,792)</b> | <b>\$ (1,447,930)</b>                         | <b>\$ 15,261,460</b> |
| Share-based compensation           | -                    | 123,004             | -                     | -   | 123,004              |
| Net income for the period          | -                    | -                   | 445,304               | -   | 445,304              |
| Other comprehensive income         | -                    | -                   | -                     | 2,816,499                                     | 2,816,499            |
| <b>Balance, September 30, 2022</b> | <b>\$ 22,267,464</b> | <b>\$ 2,395,722</b> | <b>\$ (7,385,488)</b> | <b>\$ 1,368,569</b>                           | <b>\$ 18,646,267</b> |

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

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**Mimi's Rock Corp.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

**For the three and nine months ended September 30, 2022 and 2021**

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**1. Presentation of Financial Statements**

Nature of Business

Mimi's Rock Corp., formerly known as Commerce Acquisition Corp. ("the Company"), was incorporated under the Ontario Business Corporations Act ("OBCA") on March 27, 2017. The Company and its subsidiaries operate in Canada and Europe. The head office of the Company is 610 Chartwell Road, Suite 202, Oakville, Ontario. The Company is a marketer and distributor of dietary supplements, vitamins, skin care and other wellness products through online channels to its customers in the United States, Canada and Europe.

Going Concern

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will, in the foreseeable future realize on its assets and discharge its liabilities in the normal course of business as they come due. Accordingly, the consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in these consolidated financial statements. Such adjustments could be material.

As at September 30, 2022, the Company had negative working capital of \$13,100,378 and negative working capital of \$14,430,257 at December 31, 2021. The accumulated deficit as at September 30, 2022 was \$7,385,488.

The Company anticipates it will have sufficient cash on hand to service its liabilities and fund operating costs as they come due; however, there is uncertainty with respect to compliance with lending covenants which, in turn, create uncertainty around the ability to repay the loan should such a demand be made. The application of the going concern assumption is dependent upon the Company's ability to continue to generate future profitable operations and/or obtain additional financing. While the Company was successful in obtaining waivers and financing in prior periods, there can be no assurance that a waiver would be obtained or additional funds could be raised in the future should they be required. The above events and conditions indicate there is a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern.

Basis of Preparation

These unaudited condensed consolidated interim financial statements ("interim financial statements") of the Company have been prepared on a historical cost basis, except for certain financial assets which are presented at fair value, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") ("IFRS") for interim financial statements. The interim financial statements have been prepared on a basis consistent with the Company's annual audited consolidated financial statements for the year ended December 31, 2021. These condensed consolidated interim financial statements are prepared on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they become due. The interim financial statements are in compliance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). Accordingly, certain information and note disclosure normally included in annual financial statements prepared in accordance with IFRS, have been omitted or condensed. During the quarter ended September 30, 2022, there were no significant changes in accounting policies or their application.



**Mimi's Rock Corp.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
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**For the three and nine months ended September 30, 2022 and 2021**

The preparation of the Company's interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in Note 2 of the Company's annual audited consolidated financial statements for the year ended December 31, 2021. These interim financial statements should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2021.

Since September 30, 2022, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide continuing to enact various emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. While the Company has so far been able to maintain normal operation without significant disruption, it remains unknown the extent of the impact the COVID-19 outbreak may have going forward as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence.

These interim financial statements were authorized for issue by the Company's Board of Directors on November 4, 2022.

**2. Property and equipment**

Continuity of property and equipment for the period ended September 30, 2022 was as follows:

|   | <b>Computer<br/>Equipment</b> | <b>Furniture and<br/>Fixtures</b> | <b>Leasehold<br/>Improvements</b> | <b>Total</b>      |
|---|-------------------------------|-----------------------------------|-----------------------------------|-------------------|
| Cost at December 31, 2021                                 | \$ 74,916                     | \$ 51,171                         | \$ 216,537                        | \$ 342,624        |
| Foreign exchange differences                              | 2,518                         | -                                 | -                                 | 2,518             |
| <b>Cost at September 30, 2022</b>                         | <b>\$ 77,434</b>              | <b>\$ 51,171</b>                  | <b>\$ 216,537</b>                 | <b>\$ 345,142</b> |
| Accumulated Depreciation at<br>December 31, 2021          | \$ 62,035                     | \$ 46,590                         | \$ 87,006                         | \$ 195,631        |
| Depreciation charge                                       | 5,561                         | 4,581                             | 19,079                            | 29,220            |
| Foreign exchange differences                              | 2,041                         | -                                 | -                                 | 2,041             |
| <b>Accumulated Depreciation at<br/>September 30, 2022</b> | <b>\$ 69,636</b>              | <b>\$ 51,171</b>                  | <b>\$ 106,085</b>                 | <b>\$ 226,892</b> |
| Net book value at<br>December 31, 2021                    | \$ 12,881                     | \$ 4,581                          | \$ 129,531                        | \$ 146,993        |
| <b>Net book value at<br/>September 30, 2022</b>           | <b>\$ 7,798</b>               | <b>\$ -</b>                       | <b>\$ 110,452</b>                 | <b>\$ 118,250</b> |

**Mimi's Rock Corp.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

**For the three and nine months ended September 30, 2022 and 2021**

Continuity of property and equipment for the period ended September 30, 2021 was as follows:

|   | Computer<br>Equipment | Furniture and<br>Fixtures | Leasehold<br>Improvements | Total             |
|---|-----------------------|---------------------------|---------------------------|-------------------|
| Cost at December 31, 2020                                 | \$ 72,694             | \$ 51,171                 | \$ 241,663                | \$ 365,328        |
| Additions   | -                     | -                         | -                         | -                 |
| Foreign exchange differences                              | (335)                 | -                         | -                         | (335)             |
| <b>Cost at September 30, 2021</b>                         | <b>\$ 71,159</b>      | <b>\$ 51,171</b>          | <b>\$ 241,663</b>         | <b>\$ 364,993</b> |
| Accumulated Depreciation at<br>December 31, 2020          | \$ 37,884             | \$ 32,530                 | \$ 53,282                 | \$ 123,696        |
| Depreciation charge                                       | 13,508                | 10,616                    | 26,852                    | 50,976            |
| Foreign exchange differences                              | (185)                 | 8                         | -                         | (177)             |
| <b>Accumulated Depreciation at<br/>September 30, 2021</b> | <b>\$ 51,207</b>      | <b>\$ 43,154</b>          | <b>\$ 80,134</b>          | <b>\$ 174,495</b> |
| Net book value at<br>December 31, 2020                    | \$ 34,610             | \$ 18,641                 | \$ 188,381                | \$ 241,632        |
| Net book value at<br>September 30, 2021                   | \$ 20,952             | \$ 8,017                  | \$ 161,529                | \$ 190,498        |

**3. Right of use assets**

The Company's right-of-use assets primarily relate to the lease of office space. Leases are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. The weighted average incremental borrowing rate applied to the lease liabilities is 7.4%.

|  | <b>September 30<br/>2022</b> | September 30<br>2021 |
|--|------------------------------|----------------------|
| Cost, beginning of period                      | \$ 307,459                   | \$ 675,543           |
| Foreign exchange differences                   | -                            | (41,914)             |
| <b>Cost, end of period</b>                     | <b>\$ 307,459</b>            | <b>\$ 633,629</b>    |
| Accumulated Depreciation, beginning of period  | \$ 121,465                   | \$ 192,657           |
| Depreciation charge                            | 34,162                       | 73,082               |
| Foreign exchange differences                   | -                            | (26,293)             |
| <b>Accumulated Depreciation, end of period</b> | <b>\$ 155,627</b>            | <b>\$ 239,446</b>    |
| Net book value, beginning of period            | \$ 482,886                   | \$ 482,886           |
| <b>Net book value, end of period</b>           | <b>\$ 151,832</b>            | <b>\$ 394,183</b>    |

**Mimi's Rock Corp.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

**For the three and nine months ended September 30, 2022 and 2021**

**4. Intangible assets**

Continuity of intangible assets for the nine months ended September 30, 2022 and 2021 was as follows:

|                               | September 30<br>2022 | September 30<br>2021 |
|-------------------------------|----------------------|----------------------|
| <b>Brand and Trademarks</b>   |                      |                      |
| Balance, beginning of period  | \$ 13,500,701        | \$ 13,565,606        |
| Foreign exchange differences  | 929,440              | (69,232)             |
| <b>Balance, end of period</b> | <b>\$ 14,430,141</b> | <b>\$ 13,496,374</b> |

There have been no impairment losses recognized against intangible assets in current or prior periods.

**5. Goodwill**

The continuity of goodwill for the nine months ended September 30, 2022 and 2021 was as follows:

|                               | September 30<br>2022 | September 30<br>2021 |
|-------------------------------|----------------------|----------------------|
| Balance, beginning of period  | \$ 21,227,896        | \$ 25,583,076        |
| Foreign exchange differences  | 1,587,292            | (118,234)            |
| <b>Balance, end of period</b> | <b>\$ 22,815,188</b> | <b>\$ 25,464,842</b> |

There were no impairment losses recognized against goodwill during the nine months period ended September 30, 2022.

**6. Operating lines**

The Company maintains an operating line of credit with its lender allowing for revolving credit up to a maximum of \$900,000. Advances against the operating line bear interest at the bank prime rate (currently 6.70%), with interest payable monthly and is secured by a general security interest in the assets of the Company as well as an assignment of trade receivables and inventory. Drawings against this facility at September 30, 2022 were \$880,000 (December 31, 2021: \$900,000).

The Company also maintains an additional borrowing facility under a guarantee program with Export Development Canada (EDC), for day-to day operational purposes and to manage any cashflow challenges presented by COVID-19. \$1,500,000 of the EDC facility matures in July 2023, with an additional \$1,500,000 maturing in March 2023 with available renewal periods. Advanced funds bear interest at bank prime plus 1% and are secured by EDC. Drawings against this facility at September 30, 2022 were \$3,000,000 (December 31, 2021: \$3,000,000).

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**Notes to Condensed Consolidated Interim Financial Statements**  
**(Unaudited)**  
(Expressed in Canadian dollars)  
**For the three and nine months ended September 30, 2022 and 2021**

**7. Provisions**

|  | September 30<br>2022 | September 30<br>2021 |
|--|----------------------|----------------------|
| Balance at beginning of period           | \$ 40,718            | \$ 32,611            |
| Charges                                  | 18,930               | 33,394               |
| Utilization                              | (29,322)             | (26,708)             |
| Foreign exchange                         | 1,913                | (6,630)              |
| <b>Balance at end of period</b>          | <b>\$ 32,239</b>     | <b>\$ 32,667</b>     |
| Less: current portion of provisions      | (32,239)             | (32,667)             |
| <b>Non-current portion of provisions</b> | <b>\$ -</b>          | <b>\$ -</b>          |

**8. Lease Liability**

|   | September 30<br>2022 | September 30<br>2021 |
|---|----------------------|----------------------|
| Balance, beginning of period                  | \$ 201,236           | \$ 507,802           |
| Interest expense                              | 10,391               | 24,581               |
| Lease payments                                | (42,662)             | (98,773)             |
| Foreign exchange                              | -                    | (38,549)             |
| <b>Balance, end of period</b>                 | <b>\$ 168,965</b>    | <b>\$ 395,061</b>    |
| Less: current portion of lease liability      | (46,191)             | (79,497)             |
| <b>Non-current portion of lease liability</b> | <b>\$ 122,774</b>    | <b>\$ 315,564</b>    |

**9. Debt**

|   | September 30<br>2022 | December 31<br>2021  |
|---|----------------------|----------------------|
| <b>Current</b>  |                      |                      |
| Senior secured facility   | \$ 7,440,091         | \$ 9,949,982         |
| Short term promissory notes   | 2,017,959            | 2,017,965            |
| <b>Total</b>  | <b>\$ 9,458,050</b>  | <b>\$ 11,967,947</b> |
| <b>Non-Current</b>  |                      |                      |
| Debenture, net of unamortized transaction costs of \$131,504<br>(2021: \$216,044) | \$ 1,466,666         | \$ 1,364,176         |
| <b>Total</b>  | <b>\$ 1,466,666</b>  | <b>\$ 1,364,176</b>  |

**Mimi's Rock Corp.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

**For the three and nine months ended September 30, 2022 and 2021**

Senior secured facility

The facility is secured by all assets of the Company and contains affirmative and negative covenants including compliance with laws and restrictions on additional debt, as well as traditional financial covenants such as debt to earnings and other coverage ratios. As measured at September 30, 2022, the Company was not in compliance with certain financial covenants of the senior secured facility. The Company has received waivers with respect to covenants in prior periods and during the current period, received waivers from its lender with respect to the covenants at March 31 and June 30, 2022. As the Company was not in compliance at September 30, 2022, the full balance of the loan has been presented as due within the current period.

Short term promissory notes

In connection with the acquisition of each of All Natural and Maritime Naturals, a portion of the purchase price was paid via the issuance of a promissory note to the vendor. The principal amount of the promissory note to the vendor of All Natural was \$1,120,770, while the principal amount of the note to the vendor of Maritime Naturals was \$869,230, for a total principal of \$2,000,000. Both notes were originally due one year from the acquisition date, or December 13, 2020, and remain outstanding and due on demand. The notes accrue interest at 3%, are subordinated to the senior secured facility and are unsecured other than by written guarantees of the acquired companies.

**10. Share capital**

(a) Authorized:

Unlimited common shares without par value. Unlimited preferred shares.

Issued:

|  | Nine months ended   |                      | Year ended          |               |
|--|---------------------|----------------------|---------------------|---------------|
|  | September 30, 2022  |                      | December 31, 2021   |               |
|  | Number of<br>shares | Amount               | Number of<br>shares | Amount        |
| <b>Balance, beginning of period</b>                  | <b>53,086,589</b>   | <b>\$ 22,267,464</b> | 52,525,883          | \$ 22,110,464 |
| Common shares issued in connection<br>with Debenture | -                   | -                    | 560,706             | 157,000       |
| <b>Balance, end of period</b>                        | <b>53,086,589</b>   | <b>\$ 22,267,464</b> | 53,086,589          | \$ 22,267,464 |

(b) Stock option plan

The Company offers equity-based compensation under its stock option plan. Under the plan, the options are exercisable for one common share and the exercise price of the option must equal the market price of the underlying share at the grant date. The options have vesting periods ranging from the date of grant up to two years. Once vested, options are exercisable at any time until expiry.

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There were no options granted during the nine months ended September 30, 2022 (2021: nil). Outstanding options have terms of one to five years from the date of grant and vest over periods of one to two years.

Share based compensation expense is based on the estimated number of awards that will eventually vest and adjustments are made for forfeitures as they occur. For the three and nine months ended September 30, 2022, the Company recognized stock based compensation expense of \$nil and \$12,307 (2021: \$28,052 and \$91,398) respectively, relating to current and prior period option grants and has been included in equity as contributed surplus. The remaining expense will be recognized over the balance of the vesting periods.

(c) RSU plan

During the period, the Company approved for issuance 451,779 RSUs under its RSU plan in lieu of cash compensation to several directors. Share based compensation expense is recognized based on the expected number of awards that will eventually vest. RSUs vest in full on termination of service. For the three and nine months ended September 30, 2022, the Company recognized stock based compensation expense of \$61,163 and \$112,598 (2021: \$nil) related to these RSUs.

(d) Details of outstanding options are as follows:

|  | Number of<br>options | Weighted average<br>exercise price per share |
|--|----------------------|--|
| Options outstanding at December 31, 2021       | 4,370,000            | \$ 0.62                                      |
| Options expired                                | (25,000)             | (\$1.25)                                     |
| <b>Options outstanding, September 30, 2022</b> | <b>4,345,000</b>     | <b>\$ 0.62</b>                               |
| <b>Options exercisable, September 30, 2022</b> | <b>4,345,000</b>     | <b>\$ 0.62</b>                               |

11. **Warrants**

Details of outstanding warrants are as follows:

|   | Number of<br>warrants | Exercise price<br>per share |
|---|-----------------------|-----------------------------|
| Warrants outstanding at December 31, 2021       | 66,000                | \$ 0.50                     |
| <b>Warrants outstanding, September 30, 2022</b> | <b>66,000</b>         | <b>\$ 0.50</b>              |
| <b>Warrants exercisable, September 30, 2022</b> | <b>66,000</b>         | <b>\$ 0.50</b>              |

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**12. Related party transactions**

At September 30, 2022 and 2021, there were no amounts owing to or from related parties. The remuneration of directors and other members of key management personnel, defined as those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, and recorded in the general and administrative line of operating expenses are as follows:

|                          | Three months ended September 30 |                   | Nine months ended September 30 |                     |
|--------------------------|---------------------------------|-------------------|--------------------------------|---------------------|
|                          | 2022                            | 2021              | 2022                           | 2021                |
| Salaries                 | \$ 300,197                      | \$ 456,338        | \$ 971,303                     | \$ 1,336,948        |
| Share based compensation | 61,163                          | 20,087            | 120,633                        | 60,261              |
|                          | <b>\$ 361,360</b>               | <b>\$ 476,425</b> | <b>\$ 1,091,936</b>            | <b>\$ 1,397,209</b> |

At September 30, 2022, accounts payable and accrued liabilities includes an outstanding a short term loan to the Company from one of its officers in the amount of \$75,000. This amount was repaid by the Company on October 14, 2022.

**13. Income taxes**

The major components of income tax expense for the three months ended September 30, 2022 and 2021 are:

|  | Three months ended September 30 |                  | Nine months ended September 30 |                   |
|--|---------------------------------|------------------|--------------------------------|-------------------|
|  | 2022                            | 2021             | 2022                           | 2021              |
| <b>Income tax recognized in statements of operations</b> |                                 |                  |                                |                   |
| Current tax  | \$ 366,930                      | \$ 111,108       | \$ 992,572                     | \$ 646,171        |
| Deferred tax   | 45,597                          | (14,357)         | 45,130                         | (25,841)          |
| <b>Provision for income taxes</b>                        | <b>\$ 412,527</b>               | <b>\$ 96,751</b> | <b>\$ 1,037,702</b>            | <b>\$ 620,330</b> |

The Company has recognized an estimated current tax expense and adjustment to deferred taxes based on an approximation of tax liabilities due with respect to its operations in Germany, Barbados and Canada. Income taxes recoverable represent withholding taxes paid on intercompany dividends and are expected to be recovered in subsequent periods.

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**14. Management of capital**

The Company includes the following in its definition of capital:

|  | <b>September 30<br/>2022</b> | December 31<br>2021 |
|--|------------------------------|---------------------|
| Debt   | <b>\$ 10,924,716</b>         | \$ 13,332,123       |
| Equity comprised of:                               |                              |                     |
| Share capital                                      | <b>22,267,464</b>            | 22,267,464          |
| Contributed surplus                                | <b>2,395,722</b>             | 2,272,718           |
| Deficit and accumulated other comprehensive income | <b>(6,016,919)</b>           | (9,278,722)         |
|  | <b>\$ 29,570,983</b>         | \$ 28,593,583       |

The Company's objectives when managing capital are:

- (a) to allow the Company to respond to changes in economic and/or marketplace conditions;
- (b) to give shareholders sustained growth in shareholder value by increasing shareholders' equity;
- (c) to ensure that the Company maintains the level of capital necessary to meet the requirements of its debt;
- (d) to comply with financial covenants required under its debt facilities; and
- (e) to maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by:

- (a) raising capital through equity financings;
- (b) utilizing leverage in the form of third party debt; and
- (c) realizing proceeds from the disposition of its investments

The Company is not subject to any capital requirements imposed by a regulator. The Company is subject to certain capital requirements and negative covenants with respect to its debt and other than default and restrictions as discussed in Note 9, there are no other externally imposed restrictions on capital.

There were no changes in the Company's approach to capital management during the year. To date, the Company has not declared any cash dividends to its common or preferred shareholders as part of its capital management program. The Company's management is responsible for the management of capital and monitors the Company's use of various forms of leverage on a regular basis.



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**15. Financial instruments and financial risk management**

a) Fair Value Estimation

The Company's carrying value of cash, short-term investments, trade and other receivables and accounts payable and accrued liabilities approximate their fair values due to the immediate or short term maturity of these instruments. The fair value of long-term liabilities is not materially different than its carrying value due to the recent issuance of these liabilities.

Carrying value and fair value of financial assets and liabilities are summarized as follows:

| Classification                             | September 30, 2022 |            |
|--|--------------------|------------|
|  | Carrying value     | Fair value |
|  | \$                 | \$         |
| Loans and receivables                      |                    |            |
| - Cash                                     | 186,614            | 186,614    |
| - Trade and other receivables              | 2,373,730          | 2,373,730  |
| Other financial liabilities                |                    |            |
| - Operating lines                          | 3,880,000          | 3,880,000  |
| - Accounts payable and accrued liabilities | 2,758,926          | 2,758,926  |
| - Debt                                     | 10,924,716         | 11,056,220 |

b) Financial Risk Factors

The use of financial instruments can expose the Company to several risks, including market, credit and liquidity risks. Apart from the risks listed below, management is of the opinion that they are not exposed to any other significant risks. A discussion of the Company's use of financial instruments and its risk management is provided below.

(i) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. In order to mitigate this risk, the Company maintains a sufficient cash balance in order to satisfy short-term liabilities as they come due and actively pursues raising capital through various public and private financing mechanisms to satisfy longer term needs.

The table below analyzes the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and do not include capitalized transaction costs.

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| <b>At September 30, 2022</b>                | <b>2022</b>         | <b>2023</b>         | <b>Year ended December 31</b> |                   |
|---|---------------------|---------------------|-------------------------------|-------------------|
|   |                     |                     | <b>2024</b>                   | <b>Thereafter</b> |
| Debt  | \$ 2,833,420        | \$ 4,896,400        | \$ 3,326,400                  | \$ -              |
| Operating line                              | 3,880,000           | -                   | -                             | -                 |
| Accounts payable and<br>accrued liabilities | 2,758,926           | -                   | -                             | -                 |
| Lease liability                             | 14,286              | 57,144              | 57,144                        | 61,906            |
| <b>Total</b>                                | <b>\$ 9,486,632</b> | <b>\$ 4,953,544</b> | <b>\$ 3,383,544</b>           | <b>\$ 61,906</b>  |

(ii) Market risk:

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate because of changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is not exposed to significant market risk given the low value of its investments.

(iii) Currency risk:

The following financial assets and liabilities were denominated in foreign currencies at September 30, 2022 (U.S. dollar 1.3752, Euro 1.3454) and December 31, 2021 (U.S. dollar 1.2678, Euro 1.4465):

|  | <b>September 30<br/>2022</b> | <b>December 31<br/>2021</b> |
|--|------------------------------|-----------------------------|
| <b>Denominated in U.S. dollars</b>                 |                              |                             |
| Cash   | <b>80,572</b>                | 73,934                      |
| Trade and other receivables                        | <b>689,909</b>               | 789,847                     |
| Accounts payable and accrued liabilities           | <b>(1,664,046)</b>           | (1,769,869)                 |
| <b>Net liabilities denominated in U.S. dollars</b> | <b>(893,565)</b>             | (906,088)                   |
| <b>Denominated in Euros</b>                        |                              |                             |
| Cash   | <b>66,034</b>                | 67,035                      |
| Accounts payable and accrued liabilities           | <b>(10,767)</b>              | (19,367)                    |
| <b>Net assets denominated in Euros</b>             | <b>55,267</b>                | 47,668                      |

The following table shows the estimated sensitivity of the Company's total comprehensive loss for the three months ended September 30, 2022 from a change in foreign currencies with all other variables held constant as at September 30, 2022:

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| Percentage change in foreign currencies | Change in net pre-tax loss from % increase in foreign currencies | Change in net pre-tax loss from % decrease in foreign currencies |
|---|--|--|
| 2%                                      | \$ (16,718)  | \$ 16,718  |
| 4%                                      | (33,436)   | 33,436   |
| 6%                                      | (50,153)   | 50,153   |
| 8%                                      | (66,871)   | 66,871   |
| 10%                                     | (83,589)   | 83,589   |

The Company is subject to currency risk through its sales of products denominated in foreign currencies, purchases of inventory in US dollars and product acquisitions denominated in foreign currencies. As such, changes in the exchange rate affect the operating results of the Company. Dependent on the nature, amount and timing of foreign currency receipts and payments, the Company may from time to time enter into foreign currency derivative contracts to reduce its exposure to foreign currency risks

(iv) Credit risk:

Certain of the Company's financial assets, including cash, short-term investments and accounts receivable are exposed to the risk of financial loss occurring as a result of default of a counterparty on its obligations to the Company. The Company is also exposed, in the normal course of business, to credit risk from customer receivables. These amounts are continually monitored by management for collectability, and, in general, are lower risk as they are typically due from large commercial partners with very limited credit risk.

(v) Interest rate risk:

Interest risk is the impact that changes in interest rates could have on the Company's earnings and liabilities. The Company is exposed to variable interest rates as a result of its senior secured debt, which currently bears interest at the Canadian BA rate plus 3.0%. Given the historical variability in the BA rate, it is management's opinion that the Company is not currently exposed to significant interest rate risk.