

November 24, 2021



Humble & Fume Inc.

Consolidated Financial Statements  
Three Months Ended  
September 30, 2021 and 2020

**humble**  
**+ fume**

**Humble & Fume Inc.**

**Interim Condensed Consolidated Financial Statements**

**Three Months Ended September 30, 2021 and 2020**

**(Unaudited - Expressed in Canadian dollars)**

# Humble & Fume Inc.

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September 30, 2021 and 2020

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# **Humble & Fume Inc.**

September 30, 2021 and 2020

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## **NOTICE TO READER**

These interim condensed consolidated financial statements of the Company have been prepared by management and approved by the Board of Directors of the Company. In accordance with National Instrument – 51-102, Part 4, subsection 4.3(3)(3), released by the Canadian Securities Administrators, the Company discloses that its external auditor has not reviewed these interim condensed consolidated financial statements, notes to the interim condensed consolidated financial statements, or the related Management’s Discussion and Analysis.

**Humble & Fume Inc.**

## Interim Condensed Consolidated Statements of Financial Position

(unaudited) (in Canadian dollars)

As at September 30, 2021 and June 30, 2021

		September 30, 2021	June 30, 2021
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 6,473,220	\$ 9,654,551
Accounts receivable	Note 5	4,703,495	2,718,873
Prepaid expenses and deposits	Note 6	2,471,621	2,290,440
Inventories	Note 7	17,818,394	16,750,812
Taxes recoverable		257,628	875,242
Due from related parties	Note 12	384,067	382,580
		<b>32,108,425</b>	<b>32,672,498</b>
<b>Non-current Assets</b>			
Right of use assets	Note 8	1,622,283	1,758,796
Property, plant and equipment	Note 8	2,128,586	2,223,138
<b>TOTAL ASSETS</b>		<b>\$ 35,859,294</b>	<b>\$ 36,654,432</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 6,085,342	\$ 5,250,454
Lease liability-current portion	Note 9	630,188	622,219
		<b>6,715,530</b>	<b>5,872,673</b>
<b>Non-current Liabilities</b>			
Lease liability-long term portion	Note 9	1,332,305	1,473,639
<b>Total Liabilities</b>		<b>8,047,835</b>	<b>7,346,312</b>
<b>Shareholders' equity</b>			
Share capital	Note 10	71,716,755	71,245,135
Contributed surplus	Note 10	9,871,542	9,966,664
Warrants	Note 10	1,649,563	1,649,563
Cumulative translation adjustment		50,683	256,069
Deficit		(55,477,084)	(53,809,311)
<b>Shareholders' Equity</b>		<b>27,811,459</b>	<b>29,308,120</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 35,859,294</b>	<b>\$ 36,654,432</b>

Commitments and contingencies (Note 11)

Subsequent events (Note 18)

On behalf of the board of directors.

Jakob Ripshtein

Director

Shawn Dym

Director

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

**Humble & Fume Inc.**

## Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

(unaudited) (in Canadian dollars)

For The Three months ended September 30, 2021 and 2020

	2021	2020
Sale of products revenue	17,144,671	\$ 19,186,499
Service revenue	906,961	232,825
Total Revenue	Note 13 18,051,632	19,419,324
Cost of sale of product revenue	13,864,725	16,202,182
Gross Margin	4,186,907	3,217,142
<b>Operating Expenses</b>		
General and administration	1,432,461	857,276
Sales and marketing	355,541	100,604
Salaries and wages	3,412,682	2,593,002
Operations and customer support	284,387	416,585
Depreciation and amortization	Note 8 260,506	185,798
Share based payments	Note 10 495,924	626,976
	6,241,501	4,780,241
Loss from operations	(2,054,594)	(1,563,099)
<b>Other (income) expenses:</b>		
Finance expenses	Note 14 62,883	1,195,205
Fair value adjustment	-	782,000
Other (income) expenses	(2,273)	45,874
Foreign exchange (gain) loss	(437,160)	385,421
Total other (income) expense	(376,550)	2,408,500
Loss before provision for income taxes	(1,678,044)	(3,971,599)
Current income tax expense (recovery)	(10,271)	(22,563)
Deferred income tax recovery	-	-
Provision for (recovery of) income taxes	(10,271)	(22,563)
<b>Net loss for the period</b>	(1,667,773)	\$ (3,949,036)
Cumulative translation adjustment	(205,386)	86,562
<b>Comprehensive loss for the period</b>	(1,873,159)	(3,862,474)
Loss per share	\$(0.02)	\$(0.07)
Weighted average number of common shares	104,535,607	56,998,112

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

## Humble & Fume Inc.

### Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

(unaudited) (in Canadian dollars)

For The Three Months ended September 30, 2021 and 2020

	Number of shares	Share capital	Warrants	Contributed surplus	Cumulative translation adjustment	Retained earnings (Deficit)	Total
<b>Balance, June 30, 2020</b>	<b>56,998,112</b>	<b>39,121,792</b>	<b>2,472,924</b>	<b>1,003,652</b>	<b>(209,259)</b>	<b>(40,810,892)</b>	<b>1,578,217</b>
Share-based payments	—	—	—	626,976	—	—	626,976
Cumulative translation on foreign operation	—	—	—	—	86,562	—	86,562
Net loss for the period	—	—	—	—	—	(3,949,036)	(3,949,036)
<b>Balance, September 30, 2020</b>	<b>56,998,112</b>	<b>39,121,792</b>	<b>2,472,924</b>	<b>1,630,628</b>	<b>(122,697)</b>	<b>(44,759,928)</b>	<b>(1,657,281)</b>
	Number of shares	Share capital	Warrants	Contributed surplus	Cumulative translation adjustment	Retained earnings (Deficit)	Total
<b>Balance, June 30, 2021</b>	<b>103,937,304</b>	<b>71,245,135</b>	<b>1,649,563</b>	<b>9,966,664</b>	<b>256,069</b>	<b>(53,809,311)</b>	<b>29,308,120</b>
Exercise of stock options	202,500	135,858	—	(77,133)	—	—	58,725
Share-based payments	—	—	—	495,925	—	—	495,925
Shares issued on vesting RSUs	439,825	335,762	—	(513,914)	—	—	(178,152)
Cumulative translation on foreign operation	—	—	—	—	(205,386)	—	(205,386)
Net loss for the period	—	—	—	—	—	(1,667,773)	(1,667,773)
<b>Balance, September 30, 2021</b>	<b>104,579,629</b>	<b>71,716,755</b>	<b>1,649,563</b>	<b>9,871,542</b>	<b>50,683</b>	<b>(55,447,084)</b>	<b>27,811,459</b>

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

**Humble & Fume Inc.****Interim Condensed Consolidated Statements of Cash Flows**

(unaudited) (in Canadian dollars)

For The Three Months Ended September 30, 2021 and 2020

	2021	2020
<b>Cash flows from (used in) operating activities:</b>		
Consolidated net loss for the period	\$ (1,667,773)	\$ (3,949,036)
Adjustments to reconcile Net income to net cash flows from operating activities:		
Depreciation and amortization (Note 8)	260,506	295,451
Credit loss (Note 5)	(1,882)	(7,351)
Provision for (reversal of) obsolete inventory (Note 9)	10,366	(13,711)
Interest and accretion not paid in cash	76,027	1,203,565
Share based compensation (Note 10)	495,924	626,976
Change in fair value of conversion feature	-	782,000
Change in non-cash operating working capital (Note 15)	(1,789,366)	(216,000)
Net cash used in operating activities	(2,616,198)	(1,278,106)
<b>Cash flows generated from (used in) investing activities</b>		
Additions to property, plant and equipment (Note 8)	(7,468)	(34,581)
Advances to (repayment of advances from) related parties (Note 12)	(1,487)	98,127
Net cash provided from (used in) investing activities	(8,955)	63,546
<b>Cash flows from (used in) financing activities:</b>		
Proceeds from exercise of stock options	58,725	-
Shares issued on vesting RSUs	(178,152)	-
Lease payments	(225,521)	(251,998)
Net cash provided from (used in) financing activities	(344,948)	(251,998)
Increase (decrease) in cash	(2,970,101)	(1,466,558)
Exchange rate changes	(211,230)	(31,164)
Cash, beginning of period	9,654,551	6,354,167
<b>Cash, end of period</b>	<b>6,473,220</b>	<b>4,856,445</b>

For the period ended September 30, 2021, the Company paid interest of \$nil (September 30, 2020- \$nil) and tax of \$nil (September 30, 2020- \$nil).

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



## **Humble & Fume Inc.**

### **Notes to Interim Condensed Consolidated Financial Statements**

(in Canadian dollars)

For The Three Months Ended September 30, 2021 and 2020

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#### **1. Nature of operations and background information**

Humble & Fume Inc. (formerly Canada Iron Inc.) (the “Company”) is a North American distributor of cannabis related accessories and was incorporated on February 15, 2007 under the Business Corporations Act of Ontario. The Company is principally engaged in the wholesale of cannabis related accessories to businesses, as well as retail sales directly to consumers. The Company’s head and registered office is located at 179G Degrassi Street, Toronto, Ontario M4M 2K8. The Company’s U.S. head office is located at 100 E San Antonio Street, Suite 103, San Marcos, Texas 78666.

On June 14, 2021, Canada Iron Inc. (“Canada Iron”) and a private Manitoba company named Humble & Fume Inc. (“Private Humble & Fume”) completed an amalgamation structured as a three-cornered amalgamation whereby Private Humble & Fume was amalgamated with a newly incorporated subsidiary of Canada Iron, forming the Company. Immediately prior to the amalgamation, Canada Iron completed a consolidation of the Canada Iron common shares on the basis of one post- consolidated Canada Iron share for every 243 pre-consolidation Canada Iron common shares and changed its name from “Canada Iron Inc.” to “Humble & Fume Inc.”. Each Private Humble & Fume share was exchanged to one common share of the Company. Due to the terms of the exchange ratio, the previous shareholders of Private Humble & Fume acquired a controlling interest in Canada Iron and as such, the amalgamation has been accounted for as a reverse takeover transaction with Private Humble & Fume being the resulting issuer for financial reporting purposes. The amalgamation resulted in all the issued and outstanding shares of Private Humble & Fume being exchanged for one common share of the Company. Holders of Private Humble & Fume stock options received one replacement stock option, with each option exercisable for one common share of the Company. As a result of the completion of this transaction, the former holders of Private Humble & Fume shares hold approximately 97.86% of the issued and outstanding common shares and former holders of Canada Iron shares now hold 2.14% of the common shares of the Company. The Company resumed trading on the Canadian Stock Exchange on June 16<sup>th</sup>, 2021 under the new trading symbol “HMBL”.

These interim condensed consolidated financial statements were approved and authorized by the Board of Directors of the Company on November 24, 2021.

#### **Impacts of COVID-19**

The global outbreak of COVID-19 has had a significant impact on businesses through the restrictions put in place by the Canadian and American authorities regarding travel, business operations and isolation/quarantine orders. The Company’s business is dependent on a number of factors which could be adversely disrupted by, among others, major health issues or pandemics. In particular, major health issues and pandemics, such as the global impact of COVID-19. Given the ongoing and dynamic nature of the circumstances, it is difficult to predict the impact of the COVID-19 outbreak on the Company’s business. These factors are beyond the Company’s control, may adversely affect us and our suppliers or cause disruptions to their and the Company’s businesses and may impact their ability to supply us.

The overall North American cannabis retail, headshop, and smoke shop markets experienced lower customer volumes due to a myriad of factors. Given the uncertainties associated with the pandemic, numerous retail channels and customers in both Canada and the U.S. began closing or pivoted to a “click and collect” model with curbside pickup or delivery. The onset of these obstacles to retail channels, further compounded by disruptions to global and local economies due to ‘stay at home’ orders, quarantine policies, restrictions on travel, and lower consumer discretionary spending, ultimately resulted in lower sales volumes than forecasted. The Company’s Canadian business rebounded strongly from the COVID-19 impact as there was continued growth of retail channels.

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

## Humble & Fume Inc.

### Notes to Interim Condensed Consolidated Financial Statements

(in Canadian dollars)

For The Three Months Ended September 30, 2021 and 2020

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## 2. Basis of presentation

### 2.1 Statement of compliance

The Company's interim condensed consolidated financial statements have been prepared in accordance with and using accounting policies in full compliance with the International Financial Reporting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB").

These interim condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended June 30, 2021, prepared in accordance with International Financial Reporting Standards ("IFRS"). The accounting policies adopted in these interim condensed consolidated financial statements are consistent with those disclosed in the Company's audited financial statements for the year ended June 30, 2021. Refer to these audited financial statements for significant accounting policies and future changes in accounting policies which remained unchanged as at September 30, 2021.

### 2.2 Basis of measurement

These interim condensed consolidated financial statements have been prepared on the going concern basis, under the historical cost convention, except for certain financial instruments which are measured at fair value. Historical cost is generally based on fair value of the consideration given in exchange for assets.

### 2.3 Basis of consolidation

The interim condensed consolidated financial statements for the three months ended September 30, 2021 and September 30, 2020 include the accounts of the Company, its wholly-owned subsidiaries, on a consolidated basis after elimination of intercompany transactions and balances.

Control exists when the Company has power over an investee, when the Company is exposed, or has rights, to variable returns from the investee, and when the Company has the ability to affect those returns through its power over the investee.

The following are the Company's subsidiaries and a combined entity that are included in these interim condensed consolidated financial statements as of September 30, 2021 and 2020:

<b>Subsidiaries</b>	<b>Jurisdiction</b>	<b>September 30, 2021</b>	<b>September 30, 2020</b>
B.O.B. Headquarters Inc. ("BOB HQ")	Manitoba	100%	100%
Fume Labs Inc.	Ontario	100%	100%
PWF Holdco Inc. ("PWF")	Delaware	100%	100%
Humble Cannabis Solutions Inc.	Ontario	100%	100%
Windship Trading, LLC ("Windship")	Texas	100%	100%

The functional currency of the Company is the Canadian Dollar which is also the presentation currency of the interim condensed consolidated financial statements. The functional currency of BOB HQ, Humble Cannabis Solutions Inc. and Fume Labs Inc. is the Canadian dollar and the functional currency of PWF and Windship is the US dollar.

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

## **Humble & Fume Inc.**

### **Notes to Interim Condensed Consolidated Financial Statements**

(in Canadian dollars)

For The Three Months Ended September 30, 2021 and 2020

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#### **2. Basis of presentation (continued)**

In 2020, Fume Labs Inc. entered into a joint arrangement with another party for the production and sale of certain products. The Company's participation in the joint arrangement classified as a joint operation, is accounted for in the interim condensed consolidated financial statements by reflecting the Company's share of the assets, liabilities, revenues and expenses arising from the joint operations of Fume Labs Inc.

#### **3. Use of management estimates, judgments and measurement uncertainty**

The preparation of these interim condensed consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the interim condensed consolidated financial statements and reported amounts of revenues and expenses during the reported period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenues, and expenses. Management uses various factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes differ from these estimates under different assumptions and conditions.

The critical judgements and significant estimates in applying accounting policies that have the most significant effect on the amounts recognized in the interim condensed consolidated financial statements are:

##### Expected credit loss

Management determines the expected credit loss by evaluating individual receivable balances and considering a member's financial condition and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. All accounts and other receivables are expected to be collected within one year of the statement of financial position date.

##### Estimated useful lives and depreciation of property, plant and equipment

The Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates.

##### Leases

Management applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease. Leases that are recognized are subject to further management judgment and estimation in various areas specific to the arrangement, including lease term and discount rate. In determining the lease term to be recognized, management considers all facts and circumstances that create an economic incentive to exercise an extension operation, or not to exercise a termination option. Where the rate implicit in a lease is not readily determinable, the discount rate of lease obligations are estimated using a discount rate similar to the Company's specific incremental borrowing rate. This rate represents the rate that the Company would incur to obtain the funds necessary to purchase an asset of a similar value, with similar payment terms and security in a similar economic environment.

##### Inventory valuation

The net realizable value of inventories represents the estimated selling price for inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. The

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

## **Humble & Fume Inc.**

### **Notes to Interim Condensed Consolidated Financial Statements**

(in Canadian dollars)

For The Three Months Ended September 30, 2021 and 2020

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#### **3. Use of management estimates, judgments, and measurement uncertainty (continued)**

determination of net realizable value requires significant judgment, including consideration of factors such as shrinkage, the aging of and future demand for inventory, expected future selling price the Company

expects to realize by selling the inventory, and the contractual arrangements with customers. Reserves for excess and obsolete inventory are based upon quantities on hand, projected volumes from demand forecasts and net realizable value. The estimates are judgmental in nature and are made at a point in time, using available information, expected business plans, and expected market conditions. As a result, the actual amount received on sale could differ from the estimated value of inventory. Periodic reviews are performed on the inventory balance. The impact of changes in inventory reserves is reflected in cost of goods sold.

#### Impairment of non-financial assets

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

#### Share-based payment transactions and warrants.

The Company measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield of the share option and forfeiture rate. Similar calculations are made in order to value warrants. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

#### Fair value of financial instruments- convertible debenture.

The individual fair values attributed to the different components of a financing transaction, and/or derivative financial instruments, are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to derivative liability at the time of their issuance; (b) the fair value measurements for derivative liability that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

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

## Humble & Fume Inc.

### Notes to Interim Condensed Consolidated Financial Statements

(in Canadian dollars)

For The Three Months Ended September 30, 2021 and 2020

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#### 3. Use of management estimates, judgments, and measurement uncertainty (continued)

Provision for income taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Going Concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures and meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

#### 4. New standards and interpretations to be adopted in future periods

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. Updates that are not applicable or are not consequential to the Company have been excluded.

Amendments to IAS 1 – Presentation of financial statements: classifications of liabilities as current or noncurrent

In January 2020, the IASB issued amendments to clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions that exist at the end of a reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective January 1, 2024, with early adoption permitted. The amendments are to be applied retrospectively. The Company does not intend to early adopt these amendments and is currently assessing the impact of these amendments on its interim condensed consolidated financial statements.

#### 5. Accounts receivable

	September 30, 2021	June 30, 2021
Accounts receivable	\$4,859,731	\$2,876,991
Expected credit loss	(156,236)	(158,118)
	<u>\$4,703,495</u>	<u>\$2,718,873</u>

Expected credit loss

	September 30, 2021	June 30, 2021
Balance at beginning of the period	158,118	52,140
Provided during the period		204,449
Written off during the period as uncollectible	(1,882)	(98,471)
Balance at end of the period	<u>156,236</u>	<u>158,118</u>

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

**Humble & Fume Inc.****Notes to Interim Condensed Consolidated Financial Statements**

(in Canadian dollars)

For The Three Months Ended September 30, 2021 and 2020

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**6. Prepaid expenses and deposits**

	September 30, 2021	June 30, 2021
Deposits on inventory	\$ 2,051,873	\$ 1,843,387
Other Prepaid Expenses	419,748	447,053
	<u>\$ 2,471,621</u>	<u>\$ 2,290,440</u>

The Company paid deposits for inventory that was received subsequent to quarter end.

**7. Inventories**

	September 30, 2021	June 30, 2021
Finished goods and components	\$20,079,484	\$19,001,536
Inventory provision	(2,261,090)	(2,250,724)
	<u>\$17,818,394</u>	<u>\$16,750,812</u>

During the three months ended September 30, 2021, the Company recognized \$ 13,159,927 (2020 - \$15,011,014) of inventories as an expense and recorded a net (pick up) write down of inventory of \$10,366, 2020 – (\$13,711) to net realizable value. These expenses are included in cost of sale of product revenue on the Interim Condensed Statements of Loss and Comprehensive Loss.

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

## Humble & Fume Inc.

### Notes to Interim Condensed Consolidated Financial Statements

(in Canadian dollars)

For The Three Months Ended September 30, 2021 and 2020

#### 8. Property, plant and equipment

Cost	Computer Hardware	Leasehold Improvements	Automobiles and Trailer	Computer Software	Furniture & Equipment	Right of use Asset	Total
<b>As at June 30, 2020</b>	<b>122,828</b>	<b>1,569,595</b>	<b>60,405</b>	<b>7,734</b>	<b>1,595,872</b>	<b>3,292,070</b>	<b>6,648,504</b>
Additions	49,460	-	-	-	34,059	-	83,519
Disposals	(192)	-	-	-	-	-	(192)
Currency translation	-	-	-	-	(21,544)	(72,040)	(93,584)
<b>As at June 30, 2021</b>	<b>172,096</b>	<b>1,569,595</b>	<b>60,405</b>	<b>7,734</b>	<b>1,608,387</b>	<b>3,220,030</b>	<b>6,638,247</b>
Additions	7,468	-	-	-	-	-	7,468
Disposals	-	-	-	-	-	-	-
Currency translation	-	-	-	-	8,733	13,239	21,972
<b>As at September 30, 2021</b>	<b>179,564</b>	<b>1,569,595</b>	<b>60,405</b>	<b>7,734</b>	<b>1,617,120</b>	<b>3,233,269</b>	<b>6,667,687</b>

Accumulated Depreciation	Computer Hardware	Leasehold Improvements	Automobiles and Trailer	Computer Software	Furniture & Equipment	Right of use Asset	Total
<b>As at June 30, 2020</b>	<b>82,542</b>	<b>204,532</b>	<b>46,714</b>	<b>1,917</b>	<b>317,210</b>	<b>795,082</b>	<b>1,447,997</b>
Disposals	-	-	-	-	-	-	-
Depreciation	36,979	225,206	4,289	1,092	274,598	666,152	1,208,316
<b>As at June 30, 2021</b>	<b>119,521</b>	<b>429,738</b>	<b>51,003</b>	<b>3,009</b>	<b>591,808</b>	<b>1,461,234</b>	<b>2,656,313</b>
Disposals	-	-	-	-	-	-	-
Depreciation	6,454	47,834	683	236	55,548	149,752	260,506
<b>As at September 30, 2021</b>	<b>125,974</b>	<b>477,572</b>	<b>51,686</b>	<b>3,245</b>	<b>647,356</b>	<b>1,610,986</b>	<b>2,916,820</b>

Net Carrying Amount	Computer Hardware	Leasehold Improvements	Automobiles and Trailer	Computer Software	Furniture & Equipment	Right of use Asset	Total
As at June 30, 2020	40,286	1,365,063	13,691	5,817	1,278,662	2,496,988	5,200,507
As at June 30, 2021	52,575	1,139,857	9,402	4,725	1,016,579	1,758,796	3,981,934
<b>As at September 30, 2021</b>	<b>53,590</b>	<b>1,092,023</b>	<b>8,719</b>	<b>4,489</b>	<b>969,764</b>	<b>1,622,283</b>	<b>3,750,868</b>

The right of use assets relate to leased properties.

#### 9. Lease liability

The Company leases assets, including office buildings and equipment. The lease liability as at June 30, 2021 and 2020 are as follows:

<b>Balance, June 30, 2020</b>	<b>\$ 2,785,927</b>
Additions	-
Interest expense	359,853
Lease payments	(964,082)
Effects of foreign exchange	(85,840)
<b>Balance, June 30, 2021</b>	<b>\$ 2,095,858</b>
Additions	-
Interest expense	75,869
Lease payments	(225,521)
Effects of foreign exchange	16,287
<b>Balance, September 30, 2021</b>	<b>\$ 1,962,493</b>

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

## Humble & Fume Inc.

### Notes to Interim Condensed Consolidated Financial Statements

(in Canadian dollars)

For The Three Months Ended September 30, 2021 and 2020

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#### 9. Lease liability (continued)

Current	630,188
Non-current	1,332,305
<b>Balance, September 30, 2021</b>	<b>\$ 1,962,493</b>

The following table sets out a maturity analysis of the lease payments payable, showing the undiscounted lease payments to be paid on an annual basis, reconciled to the lease liability. The Company used rates between 14%-15% in the valuation of the building and equipment leases.

Less than one year	\$ 878,427
One to two years	454,064
Two to three years	335,005
Three to four years	281,590
Four to five years	280,322
Thereafter	588,067
Total undiscounted lease payments payable	\$ 2,814,174
Less: impact of present value	(854,983)
<b>Balance, September 30, 2021</b>	<b>\$ 1,962,493</b>

#### 10. Share capital

Authorized – Unlimited number of common shares.

Issued and outstanding – common shares

The share activity for the three months ended September 30, 2021 and period ended June 30, 2021 is as follows:

	Number of shares	Share capital
Balance as at June 30, 2020	56,998,112	\$39,121,792
Exercise of stock options	110,333	98,486
Shares issued on RTO transaction	1,250,000	1,025,000
Shares issued on private placement	10,221,000	7,376,917
Shares issued on conversion of debt	35,037,008	23,353,425
Shares issued on vesting of RSUs	320,851	269,515
<b>Outstanding as at June 30, 2021</b>	<b>103,937,304</b>	<b>\$71,245,135</b>
Exercise of stock options	202,500	135,858
Shares issued on vesting of RSUs	439,825	335,762
<b>Outstanding as at September 30, 2021</b>	<b>104,579,629</b>	<b>71,716,755</b>

- During the period ended June 30, 2021, employees exercised 45,000 stock options for total proceeds of \$30,000. In addition, 233,333 compensation options were converted into 65,333 common shares by way of a 3.57 options to 1 share.

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



## Humble & Fume Inc.

### Notes to Interim Condensed Consolidated Financial Statements

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#### 10. Share capital (continued)

- Upon completion of the reverse acquisition 303,257,870 Canada Iron common shares were consolidated into 1,250,000 common shares of post-consolidated entity for every 243 pre-consolidation shares. The consideration relating to the deemed shares issued in the reverse acquisition was based on the fair value of common shares of \$0.82 per share with an aggregate value of \$1,025,000. A total of 19,563,771 Canada Iron warrants were also consolidated into 84,000 warrants of post-consolidated entity valued at \$0.36 per warrant. The fair value of the

common shares and warrants was based on an iterative Black-Scholes calculation using a \$1 per unit valuation as detailed below.

- The company entered into a private placement agreement on April 1, 2021. The funds were held in escrow and released at close of RTO with 10,221,000 units at a price of \$1 per unit with gross proceeds of \$10,221,000. A single unit carries one common share and one half common share purchase warrant exercisable at \$1.40 per share for a period of 36 months following the release date of funds. The completion of the private placement resulted in the issuance of 10,221,000 common shares and 5,110,500 common share purchase warrants.

The common shares and the purchase warrants were valued at \$8,381,220 and \$1,839,780, respectively. The common shares were valued at fair market of \$0.82 per share and the purchase warrants were valued at \$0.36 using Black-Scholes valuation model with the following assumptions: share price \$0.82, volatility 90%, risk-free rate 0.43%, dividend yield 0%. The expected volatility was estimated using the volatility of publicly traded companies the Company considered to be comparable. The risk-free interest rate is based on the government bonds with a term equal to the expected life of the warrants.

The unit's issuance cost consisted of a cash issuance cost of \$834,957 and a non-cash issuance cost of \$389,802 on 645,200 compensation options valued at approximately \$0.60 each. The compensation options were valued using Black-Scholes valuation model with the following assumptions: unit price \$1, volatility 96.26%, risk-free rate 1.44%, dividend yield 0%. Each unit of compensation option carries one common share and one half common share warrant exercisable at \$1.40 for a period of 36 months following the release date of funds. The fair value of the cash and non-cash issuance cost was deducted from the share capital and warrants based on the relative fair value of \$1,004,303 and \$220,457 respectively. For a net common share and warrant cost of \$7,376,917 and \$1,619,323 respectively.

- On June 14, 2021 a total of 35,037,008 common shares were issued as a result of an exercise by debenture holders to convert the total of principal and unpaid/accrued interest into common shares. The principal of \$20,000,000, accrued and unpaid interest of \$3,352,451 was converted at the discounted price of approximately \$0.67 (see Note 14) and recorded in share capital. The fair value of \$5,376,922 of the derivative liability was discharged to contributed surplus on the conversion date.
- During the three months ended September 30, 2021, employees exercised 202,500 stock options for total proceeds of \$58,725.

#### Warrants

The changes in the number of warrants outstanding during the period ended September 30, 2021, June 30, 2021 and 2020 were as follows:

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

**Humble & Fume Inc.****Notes to Interim Condensed Consolidated Financial Statements**

(in Canadian dollars)

For The Three Months Ended September 30, 2021 and 2020

**10. Share capital (continued)**

	Number of warrants	Weighted average exercise price
Outstanding as at June 30, 2020	7,999,998	\$1.25
Expired	(7,999,998)	\$1.25
Issued	5,110,500	\$1.40
Issued	84,000	\$1.40
Outstanding as at September 30, 2021, June 30, 2021	5,194,500	\$1.40

**Share-based payments**

The maximum number of shares issued under the plan shall not exceed 10% of the issued and outstanding shares. Equity incentives granted generally vest over one to three years, and typically have a life of ten years. Option grants are determined by the Compensation Committee of the Board with the option price set at no less than 100% of the fair market value of a share on the date of the grant. The continuity of stock options is as follows:

Weighted Average	Weighted Average Number	Exercise Price (CAD)	Contractual Life
Balance at June 30, 2020	2,257,000	\$0.68	8.19
Granted	1,449,000	\$1.00	9.91
Exercised	(45,000)	\$0.67	-
Balance at June 30, 2021	3,661,000	\$0.80	8.28
Granted	1,750,000	\$0.54	9.75
Exercised	(202,500)	\$0.29	-
Granted	15,000	\$0.35	9.83
Granted	75,000	\$0.39	9.92
Granted	45,000	\$0.39	9.92
Granted	20,000	\$0.43	9.83
Expired	(202,500)	\$0.67	-
Expired	(75,000)	\$0.54	-
Expired	(37,500)	\$0.84	-
Expired	(37,500)	\$1.00	-
Expired	(12,000)	\$2.25	-
Expired	(45,000)	\$1.00	-
Expired	(10,000)	\$1.00	-
Balance at Sept 30, 2021	4,944,000	\$0.71	8.80

The Company used the Black-Scholes option pricing model to estimate the fair value of the options at the grant date using the following ranges of assumptions:

	September 30, 2021	June 30, 2021
Risk-free interest rate	1.44%	1.01%-1.44%
Expected dividend yield	0%	0%
Expected volatility	96.26%	123%-96.26%
Expected option life	10 years	10 years
Share price	\$0.54	\$0.82

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

**Humble & Fume Inc.****Notes to Interim Condensed Consolidated Financial Statements**

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For The Three Months Ended September 30, 2021 and 2020

**10. Share capital (continued)**

The volatility rate was based on comparable companies within the same industry. The share price of \$0.82 was determined based on units financing in April 2021 as detailed above.

The stock-based compensation expense was \$299,542 for the three months ended September 30, 2021 and \$27,801 for the three months ended September 30, 2020. The number of options exercisable at September 30, 2021 was 1,157,500 (June 30, 2021- 2,192,500).

During the period a total of 1,905,000 options were granted, these options vest over a period of 3 years from the date of grant and come with an expected life of 10 years.

The following schedule summarizes options outstanding as at September 30, 2021:

Options Outstanding			Options Exercisable		
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Exercise Price	Number Exercisable	
\$0.29	405,000	6.51	\$0.29	405,000	
\$0.67	225,000	6.76	\$0.67	112,500	
\$0.67	450,000	7.33	\$0.67	225,000	
\$1.00	265,000	7.60	\$1.00	265,000	
\$1.00	300,000	7.87	\$1.00	150,000	
\$0.84	45,000	9.37	\$0.84	-	
\$1.00	1,349,000	9.71	\$1.00	-	
\$0.54	1,750,000	9.75	\$0.54	-	
\$0.35	15,000	9.83	\$0.35	-	
\$0.39	75,000	9.92	\$0.39	-	
\$0.39	45,000	9.92	\$0.39	-	
\$0.43	20,000	9.83	\$0.43	-	
\$0.71	4,944,000	8.84	\$0.66	1,157,500	

The following schedule summarizes options outstanding as at June 30, 2021:

Options Outstanding			Options Exercisable		
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Exercise Price	Number Exercisable	
\$0.29	607,500	6.76	\$0.29	607,500	
\$0.67	202,500	6.76	\$0.67	202,500	
\$0.67	225,000	7.01	\$0.67	112,500	
\$0.67	450,000	7.33	\$0.67	225,000	
\$1.00	265,000	7.60	\$1.00	265,000	
\$1.00	300,000	7.87	\$1.00	150,000	
\$1.00	150,000	7.84	\$1.00	150,000	
\$2.25	12,000	-	\$2.25	12,000	
\$0.84	45,000	9.62	\$0.84	-	
\$1.00	1,404,000	9.96	\$1.00	468,000	
\$0.81	3,661,000	8.28	\$0.73	2,192,500	

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

## Humble & Fume Inc.

### Notes to Interim Condensed Consolidated Financial Statements

(in Canadian dollars)

For The Three Months Ended September 30, 2021 and 2020

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#### 10. Share capital (continued)

On July 1, 2020, the Company issued 1,552,756 Restricted Share Units (RSU), where one-third vested at completion of the reverse take over, one-third vests on July 1, 2021 and one-third vests on July 1, 2022. The Company also issued 14,962 RSUs where one-third vests on July 1, 2021, one-third vests on July 1, 2022 and one-third vests on July 1, 2023. The RSUs are to be settled with the issuance of common shares once vested. They were valued at a share price of \$0.84 (fair value determined on the most recent private financing as at date of grant).

On July 5<sup>th</sup>, the company issued 250,000 RSUs, where all units vested on the date of issue. The RSUs were valued at a share price of \$0.55 (fair value determined on the most recent private financing as at date of grant).

For the three months ended September 30, 2021, the share based payments expense was \$196,382 (September 30, 2020 – \$599,175) for the RSUs.

The RSU activity during the period is as follows:

	Number of RSUs
June 30, 2020	20,000
Granted	1,567,448
Vested	(532,320)
June 30, 2021	1,055,128
Granted	250,000
Vested	(767,257)
September 30, 2021	537,871

The following table displays the vesting for outstanding RSUs:

	Vested	Unvested	Total
June 30, 2020	—	20,000	20,000
Granted	532,320	1,035,128	1,567,448
June 30, 2021	532,320	1,055,128	1,587,448
Granted	1,299,257	537,871	1,837,128
September 30, 2021	1,299,257	537,871	1,837,128

Of the total 767,257 shares vested, all units were settled in shares with a total of 327,433 units withheld in lieu of tax withholdings resulting in a net share release of 439,825.

#### 11. Commitments and contingencies

Office and Operating leases:

The Company leases certain business facilities and equipment from third parties under lease agreements that contain minimum rental provisions and expire through 2029. Some of these leases also contain renewal provisions. These lease commitments were recorded as lease liabilities under IFRS 16. Rent was also paid in situations where an agreement did not exist or were short term in nature. Such leases were excluded from IFRS 16 treatment. Rent expense is calculated on straight-line basis over the terms of the leases. The Company's net rent expense for the three months ended September 30, 2021 and 2020 totaled approximately \$26,788 and \$14,194 respectively.

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

## Humble & Fume Inc.

### Notes to Interim Condensed Consolidated Financial Statements

(in Canadian dollars)

For The Three Months Ended September 30, 2021 and 2020

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#### 11. Commitments and contingencies (continued)

##### Legal matters

From time to time, the Company is named as a party to claims or involved in proceedings, including legal, regulatory and tax related, in the ordinary course of its business. While the outcome of these matters may not be estimable at the reporting date, the Company makes provisions, where possible, for the estimated outcome of such claims or proceedings. Should a loss result from the resolution of any claims or proceedings that differs from these estimates, the difference will be accounted for as a charge to profit or loss in that period.

#### 12. Due to related parties and related party transactions

##### a) Due from Related Parties

Each of the following related parties are related because of common control across all entities. The Due from Shareholder includes a Promissory Note for \$375,000 (\$375,000-2020) due from one shareholder. Which is due within 2 days at the conclusion of the lockup period -180 days subsequent to equity financing. The Note accrues interest at the rate of 1.59%.

	September 30, 2021	June 30, 2021
Due from Shareholder	384,067	382,580
Due from related parties	\$ 384,067	\$ 382,580

##### b) Related Party Transactions

Key management includes the Company's directors and members of the executive management team. Total compensation of key management personnel and directors was \$602,893 for the quarter ended September 30, 2021 (2020-\$213,405), which included \$283,215 of salaries (2020-\$202,792), and \$319,678 (2020-\$10,613) in stock-based compensation expense.

The Company has entered into Lease Agreements with RKCB Holdings Inc. ("RKCB") for the rental of premises at 915 Douglas St. and 18<sup>th</sup> Street. RKCB is controlled by members of the Company's executive management.

A member of the Board of Directors was granted 500,000 stock options during the year ended June 30, 2021. The options vest over 3 years and have a 10 year expiry and were issued at an exercise price of \$1. The fair value is included in the stock-based compensation amount in the Consolidated Statements of Loss and Comprehensive Loss.

During the three months ended September 30, 2021 the Company purchased \$248,963 (\$323,869 – 2020) of inventory from a company that was owned and controlled by two shareholders.

The Company purchased credit card processing services through a company that purchases services from an intermediary that has a minor ownership stake from a related party. During the three months ended September 30, 2021 and 2020 the Company purchased \$225,845 and \$365,002 respectively of these services, of which \$18,067 (2021) and \$29,200 (2020) of these services are purchased from the entity that the related party has a minor stake.

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## Humble & Fume Inc.

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#### 13. Geographical information

The Company operates in segment in two geographical locations: Canada and USA. The following table presents the Company's revenues by location.

	September 30, 2021	September 30, 2020
<b>Revenue</b>		
Canada	\$ 8,629,843	\$ 6,780,332
USA	9,421,789	12,638,992
Total	\$ 18,051,632	\$ 19,419,324

The following table presents the Company's assets by location.

	September 30, 2021	September 30, 2020
<b>Non-current Assets</b>		
Canada	\$ 3,253,188	\$ 4,105,489
USA	497,681	1,095,018
Total	\$ 3,750,869	\$ 5,200,507

#### 14. Finance (income) expense

	September 30, 2021	September 30, 2020
Interest income	\$ (13,120)	\$ (8,360)
Interest expense	76,003	500,111
Accretion	-	703,454
Net finance expense	\$ 62,883	\$ 1,195,205

Interest income includes interest on interest bearing bank account of \$11,438 (2020- \$3,318), service charge income on delinquent customer accounts of \$49 (2020- \$4,198) and interest income on promissory note to related party of \$1,487 (2020 – nil).

The interest expense and accretion include interest accrued at 8% on the \$20,000,000 Convertible Debenture of \$Nil (2020- \$400,000) and \$Nil (2020- \$703,454) respectively. The interest expense also includes interest on lease liability of \$76,003 (2020- \$100,111).

The fair value adjustment of \$782,000 for the three months ended September 30, 2020 (nil - September 30, 2021) is as a result of the change in fair value of the embedded derivative liability of the conversion option. The convertible debenture was converted to shares on June 14, 2021.

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

## Humble & Fume Inc.

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For The Three Months Ended September 30, 2021 and 2020

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#### 15. Changes in other non-cash operating assets and liabilities

The change in non-cash operating working capital comprises the following:

	September 30, 2021	September 30, 2020
Accounts receivable	\$ (1,982,740)	\$ (2,387,893)
Prepaid expenses and deposits	(181,180)	894,618
Inventories	(1,077,947)	(2,685,650)
Accounts payable and accrued liabilities	834,887	3,999,389
Taxes recoverable	617,614	(36,464)
	<hr/>	<hr/>
	\$ (1,789,366)	\$ (216,000)

#### 16. Management of capital

The Company's objectives when managing capital are:

- To ensure the Company continues to operate as a going concern to maximize the return on investment to shareholders;
- To ensure sufficient liquidity to meet the Company's financial obligations and to execute its operating and strategic plans; and
- To minimize the after-tax cost of capital while taking into consideration current and future industry, markets and economic risks and conditions.

The company defines capital as the aggregate of equity.

The Company manages and adjusts its capital structure considering changes in economic conditions and the risk characteristics of the underlying assets. To maintain and adjust the capital structure, the Company may attempt to issue new shares.

#### 17. Financial instruments

Financial instruments measured at fair value are classified into one of levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data. The derivative liability is valued at fair market value.

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

**Humble & Fume Inc.****Notes to Interim Condensed Consolidated Financial Statements**

(in Canadian dollars)

For The Three Months Ended September 30, 2021 and 2020

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**17. Financial instruments (continued)**

As of September 30, 2021

	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	6,473,220			6,473,220

As of June 30, 2021

	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	9,654,551			9,654,551

At September 30, 2021 and 2020, the Company's financial instruments consist of cash, accounts receivables, due from related parties, accounts payable and accrued liabilities. The fair values of cash, accounts receivables, due from related parties, and accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term to maturity.

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including credit risk, interest rate risk and foreign currency risk) and liquidity risk which has not changed throughout the period. The overall risk management program has not changed throughout the period and focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

**a) Market risk:****i. Credit risk:**

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation.

Financial instruments that potentially subject the Company to concentrations of credit risk consist of trade receivables and due from related parties. The Company's trade receivables are disclosed, net of allowance for doubtful accounts, which the Company accounts for at the specific account level. Credit risk associated with the non-performance of these customers can be directly impacted by a decline in economic conditions, which could impair the customers' ability to satisfy their obligations to the Company.

In order to reduce the exposure to this risk, the Company has credit procedures in place, whereby analyses are performed to control the granting of credit to any new or high-risk customers.

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



## Humble & Fume Inc.

### Notes to Interim Condensed Consolidated Financial Statements

(in Canadian dollars)

For The Three Months Ended September 30, 2021 and 2020

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#### 17. Financial instruments (continued)

The Company's cash subjects the Company to credit risk. At September 30, 2021, the Company had cash of approximately \$6.5 million held with a number of financial institutions in various bank accounts as per its practice of protecting its capital rather than maximizing investment yield through additional risk. Approximately 95% of the cash is held with either a major Canadian trust company or a large international bank which the Company believes lessens the degree of credit risk.

Management does not believe there is any significant credit risk from any of the Company's customers which have not already been provided for; however, should one of the Company's main customers be unable to settle amounts due, the impact on the Company could be significant. The maximum exposure to loss arising from accounts receivable is equal to their carrying amounts.

The Company has three customers comprising 42% of trade receivables at September 30, 2021 and one customer comprising 46% of trade receivables at September 30, 2020.

At September 30, 2021 and 2020 the Company does not consider any of its financial assets to be impaired, with the exception of accounts receivable balances for which a provision has been recorded.

At September 30, 2021, \$1,833,796 (2020-\$2,051,849) of accounts receivable was past due based on contractual terms but not impaired.

The definition of items that are past due is determined by reference to payment terms agreed with individual customers. Management believes that amounts outstanding which have not already been provided for are fully collectible in the future. The aging of accounts receivables at the reporting date was:

	September 30, 2021	June 30, 2021
	Gross	Gross
Not past due	\$ 2,869,699	\$ 1,664,797
Past due 1-30 days	1,441,417	849,700
Past due 31-90 days	58,153	47,180
Past due 90+ days	490,462	315,314
	\$ 4,859,731	\$ 2,876,991

Past Due	0 days	1-30 days	31-90	90+	Total
ECL rate	59%	29%	1%	11%	
ECL Allowance	\$92,179	45,308	\$1,562	\$17,187	\$156,236

The Company reviews financial assets past due on an ongoing basis with the objective of identifying potential matters which could delay the collection of funds at an early stage. Once items are identified as being past due, contact is made with the respective customer to determine the reason for the delay in payment and to establish an agreement to rectify the breach of contractual terms.

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## Humble & Fume Inc.

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#### 17. Financial instruments (continued)

i. Interest rate risk:

The Company does not have any interest rate risk as it did not have any borrowings at September 30, 2021 (Nil-June, 2021).

ii. Foreign currency risk:

The Company generates sales of product in Canadian and U.S. dollars and incurs its expenses in both U.S. and Canadian dollars and is therefore exposed to risk from changes in foreign currency rates. In addition, the Company holds financial assets and liabilities in U.S. dollars that expose the Company to foreign exchange risks. The Company has a self-sustaining operation in the U.S. with 52% (65%-2020) of its revenue being U.S. dollar denominated. The Company does not utilize any financial instruments or cash management policies to mitigate the risks arising from changes in foreign currency rates.

At September 30, 2021, the Company had U.S. dollar denominated cash of approximately US\$ 1,313,626 (2020: \$582,786 ) and U.S. dollar denominated net assets of approximately US\$4,286,032 (2020-\$5,985,203). The remaining amounts were denominated in Canadian dollars. Gains and losses arising upon translation of these amounts into Canadian dollars for inclusion in the interim condensed consolidated financial statements are recorded in other income and expenses as foreign exchange.

A 5% strengthening of the U.S. dollar versus the Canadian dollar, at September 30, 2021, would have increased the foreign exchange gain for the period by approximately \$214,300 (2020: \$299,000) while a 5% weakening of the U.S. dollar would have had approximately the equal but opposite effect. This analysis assumes that all other variables remain constant.

**b) Liquidity risk:**

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure it has sufficient liquidity to meet its liabilities, mainly trade and other payables and borrowings, when due.

The Company manages liquidity risk through ongoing review of trade receivables balances, the following up of amounts past due, the management of its cash and its allocation between cash on hand and short-term investments. The Company settles its financial obligations out of cash and relies on collecting its trade receivables in a timely manner to fund operations.

The following are the contractual maturities of financial liabilities, including interest payments as at September 30, 2021.

	Carrying amount	Contractual cash flow	2022	2023	2024	2025	2026	Thereafter
Lease liability	\$1,962,493	\$2,817,475	\$878,427	\$454,064	\$335,005	\$281,590	\$280,322	\$588,067
Trade and other payable	\$6,085,342	\$6,085,342	\$6,085,342	-	-	-	-	-
Total	\$8,047,835	\$8,902,817	\$6,963,769	\$454,064	\$335,005	\$281,590	\$280,322	\$588,067

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

**Humble & Fume Inc.****Notes to Interim Condensed Consolidated Financial Statements**

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For The Three Months Ended September 30, 2021 and 2020

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**18. Subsequent events**

The Company evaluated subsequent events through to November 24, 2021 the date these interim condensed consolidated financial statements were issued.

On October 19, 2021, Humble announced it had signed a share purchase agreement to acquire licensed California cannabis distributor, Cabo Connection.

On November 15, 2021, The Company announced it had completed a US\$8 million private placement by Green Acre Capital Distribution Corp. to acquire 15.23% of Humble, with an LOI to complete definitive agreements for an additional US\$2 million for the formation of a joint venture.

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