Kuuhubb Inc.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
As at and for the three months ended September 30, 2022
(Expressed in U.S. dollars)

NOTICE TO READER

These interim condensed consolidated financial statements of Kuuhubb Inc. as at and for the three months ended September 30, 2022 have been prepared by management of Kuuhubb Inc. The auditors of Kuuhubb Inc. have not audited or reviewed these interim condensed consolidated financial statements.

November 29, 2022

Contents

Kuuhubb Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at September 30, 2022 and June 30, 2022
(Expressed in U.S. dollars) (Unaudited)

	Notes	September 30, 2022	June 30, 2022
		$	$
Assets			
Current Assets			
Cash		**124,270**	224,614
Accounts receivable (net of $Nil allowance)	15	**188,430**	228,392
Other receivables	3, 7(c)	**150,178**	201,071
Total Current Assets		**462,878**	654,077
Non-Current Assets			
Property and equipment	4	**50,191**	57,063
Total Non-current Assets		**50,191**	57,063
Total Assets		**513,069**	711,140
Liabilities and Shareholders' Deficit			
Current Liabilities			
Accounts payable and accrued liabilities	5, 7(b)	**2,451,424**	2,408,400
Deferred revenue	6	**278,414**	306,262
Loans	9	**165,099**	55,103
Taxes payable		**255,706**	261,585
Non-convertible debenture - 2020	10	**1,611,991**	1,533,966
Convertible debenture - 2018	11	**2,259,673**	2,418,268
Restructure 2020 convertible debenture	11	**-**	11,232
Kuuhubb Inc. bridge loan debenture - 2021	12(a)	**502,858**	538,195
Kuuhubb AG bridge loan debenture - 2022	12(b)	**322,220**	344,863
Total Current Liabilities		**7,847,385**	7,877,874
Non-current Liabilities			
Loans	9	**671,567**	566,484
Kuuhubb AG bridge loan debenture - 2022	12(b)	**866,782**	711,115
Restructure 2020 convertible debenture	11	**-**	269,243
Total Non-current Liabilities		**1,538,349**	1,546,842
Total Liabilities		**9,385,734**	9,424,716

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

Kuuhubb Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at September 30, 2022 and June 30, 2022

(Expressed in U.S. dollars) (Unaudited)

	Notes	September 30, 2022	June 30, 2022
		$	$
Shareholders' Deficit			
Share capital	13	**29,444,252**	29,444,252
Contributed surplus		**6,494,877**	6,370,644
Accumulated other comprehensive loss		**(4,603,188)**	(4,926,245)
Deficit		**(40,208,606)**	(39,602,227)
Total Shareholders' Deficit		**(8,872,665)**	(8,713,576)
Total Liabilities and Shareholders' Deficit		**513,069**	711,140
Continuation of Business and Going Concern	1		
Commitments and Contigencies	17		
Subsequent Events	18		
Common shares			
Authorized (Note 13(a))		**Unlimited**	Unlimited
Issued and outstanding		**66,658,043**	66,658,043

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

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 29, 2022.

Signed on behalf of the Board of Directors by:

/s/ Jouni Keranen
Jouni Keranen
Director

/s/ André Lüdi
André Lüdi
Director

Kuuhubb Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the three months ended September 30, 2022 and 2021
(Expressed in U.S. dollars) (Unaudited)

	Notes	Three months ended September 30, 2022	Three months ended September 30, 2021
Revenue		**$ 884,165**	$ 1,001,934
Cost of sales		**215,416**	384,776
Gross margin		**668,749**	617,158
Operating expenses			
Consulting and professional fees		**256,354**	137,607
Office and general		**468,410**	821,248
Sales and marketing		**212,287**	146,276
Depreciation	4	**3,631**	4,945
Share-based compensation	14	**124,233**	50,626
Interest, accretion expenses and deferred gains	16	**128,875**	337,338
Foreign exchange (gain)/loss		**81,338**	91,169
Total operating expenses		**(1,275,128)**	(1,589,209)
Income (loss) before income taxes		**(606,379)**	(972,051)
Deferred tax expense (recovery)		**-**	-
Net income (loss)		**(606,379)**	(972,051)
Translation gain (loss)		**323,057**	514,866
Comprehensive income (loss)		**$ (283,322)**	$ (457,185)
Basic and diluted loss per share	13(c)	**$ (0.009)**	$ (0.015)
Weighted average number of common shares outstanding		**66,658,043**	66,658,043

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

Kuuhubb Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months ended September 30, 2022 and 2021
(Expressed in U.S. dollars) (Unaudited)

		Common Shares					
		Number of Shares	Amount	Contributed Surplus	Accmulated other comprehensive loss	Deficit	Total Shareholders' deficit
	Notes	(Note 12)	$	$	$	$	$
Balance at June 30, 2021		66,658,043	29,444,252	6,186,097	(5,359,889)	(43,799,026)	(13,528,565)
Net loss		-	-	-	-	(972,051)	(972,051)
Translation gain/loss		-	-	-	514,866	-	514,866
Warrants		-	-	54,899	-	-	54,899
Share-based payments		-	-	50,626	-	-	50,626
Balance at September 30, 2021		66,658,043	29,444,252	6,291,622	(4,845,023)	(44,771,077)	(13,880,225)
Net income		-	-	-	-	5,168,850	5,168,850
Translation gain		-	-	-	(81,222)	-	(81,222)
Share-based payments		-	-	79,022	-	-	79,022
Balance at June 30, 2022		66,658,043	29,444,252	6,370,644	(4,926,245)	(39,602,227)	(8,713,576)
Net income		-	-	-	-	(606,379)	(606,379)
Translation gain		-	-	-	323,057	-	323,057
Share-based payments	14	-	-	124,233	-	-	124,233
Balance at September 30, 2022		66,658,043	29,444,252	6,494,877	(4,603,188)	(40,208,606)	(8,872,665)

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

Kuuhubb Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended September 30, 2022 and 2021

(Expressed in U.S. dollars) (Unaudited)

	Three months ended September 30, 2022	Three months ended September 30, 2021
	$	$
Cash flows from operating activities		
Net income (loss)	**(606,379)**	(972,051)
Non-cash item		
Depreciation	**3,631**	4,945
Share-based compensation	**124,233**	50,626
Accretion, interest and deferred gains	**128,096**	337,427
Foreign exchange loss	**-**	91,169
Changes in non-cash working capital, net		
Accounts receivable	**39,962**	224,947
Prepaid expense	**-**	9,658
Other receivables	**50,893**	76,917
Accounts payable and accrued liabilities	**43,024**	(44,884)
Deferred revenues	**(27,848)**	(106,886)
Net cash used in operating activities	**(244,388)**	(328,132)
Cash flows from financing activities		
Proceeds from Kuuhubb AG bridge loan	**206,875**	-
Proceeds from non-convertible debenture	**-**	591,109
Loan repayment	**(33,569)**	(28,854)
Net cash provided by financing activities	**173,306**	562,255
Effect of change in foreign exchange rate	**(29,262)**	169,231
Net increase/(decrease) in cash during the year	**(100,344)**	403,354
Cash, beginning of the year	**224,614**	23,871
Cash, end of the year	**124,270**	427,225

Supplementary cash flow information:

	Three months ended September 30, 2022	Three months ended September 30, 2021
	$	$
Cash interests paid	**-**	-

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

1. CONTINUATION OF BUSINESS AND GOING CONCERN

The principal business of Kuuhubb Inc. ("Kuuhubb" or the "Company") is to acquire, develop and distribute a portfolio of products in the digital entertainment space that focuses mainly on lifestyle and mobile game applications for the female audience. Kuuhubb's objective is to create sustainable shareholder value through acquisition of proven, yet under-appreciated assets with long-term global potential.

These interim condensed consolidated financial statements as at and for the three months ended September 30, 2022, and the consolidated statements of financial position as at June 30, 2022 and the interim condensed consolidated statement of loss and comprehensive loss for the three months ended September 30, 2021 include the accounts of the Company and of its wholly-owned subsidiary Kuuhubb Oy, incorporated in Finland. Kuuhubb Oy has five wholly-owned subsidiaries, Kemojo Kuuhubb Studios Inc. ("Kemojo"), Recolor Oy ("Recolor"), Neybers AB ("Neybers"), Kuuhubb Publishing BV and Recolor India Private Limited. Kuuhubb Oy is a Finnish recreational application company that operates the mobile game application called MyHospital. Kemojo is incorporated under the Business Corporations Act (British Columbia). Recolor is a Finnish lifestyle application company that created the digital coloring book application called Recolor. Neybers is an interior design game created by a Swedish start-up based in Stockholm and fits well with Kuuhubb's strategy of building a portfolio of female oriented niche lifestyle community and design applications. Kuuhubb Publishing BV is a Dutch mobile game/app publishing company that is tasked with all publishing activities for Kuuhubb Oy's portfolio of titles. During the year ended June 30, 2021, the Company dissolved Kuuhubb Publishing BV. Recolor India Private Limited ("Recolor India") carried on the business activities of the Incolour application, a variance of the Recolor app tailored towards the Indian market. Due to the financial constraint faced by the Company, Kemojo, Neybers and Recolor India are inactive. In fiscal 2021, Kuuhubb Ag was incorporated in Switzerland for future acquisition and management of companies that are mainly active in the video game industry. Kuuhubb AG has certain publishing and IP agreements with Kuuhubb Oy and Recolor Oy to publish and further develop the apps held by Kuuhubb Oy and Recolor Oy.

The Company is a publicly traded company whose outstanding common shares are listed for trading on the TSX Venture Exchange. The registered office of the Company is located at 390 Bay Street, Suite 700A, Toronto, Ontario M5H 2Y2 Canada. The head office of the Company's subsidiary, Kuuhubb Oy, is located at Dagmarinkatu 6, 00100 Helsinki, Finland.

During the three months ended September 30, 2022 and 2021, the Company incurred net losses of $606,379 and $972,051 and negative cash flow from operating activities of $244,388 and $328,132, respectively. As at September 30, 2022, the Company had negative working capital of $7,384,507 and a deficit of $40,208,606 (as at June 30, 2022: negative working capital of $7,223,797 and a deficit of $39,602,227).

Due to the negative operating results, the Company has undertaken several costs reduction activities, is in the process of developing and launching new apps and actively seeking for additional financing. The recent debt restructure in Kuuhubb Oy has alleviated certain immediate liquidity pressure for the Company (Note 8). However, there are defaulted loans and liabilities at Kuuhubb Inc. The Company still has to restructure these liabilities. The Company's ability to continue operations in the normal course of business is dependent on several factors, including its ability to generate revenues and positive cash flows from operations, restructure remaining defaulted loans and secure additional funding. These factors represent a material uncertainty which may cast significant doubt on the Company's the ability to continue as a going concern.

These interim condensed consolidated financial statements do not include any additional adjustments to the recoverability and classification of certain recorded asset amounts, classification of certain liabilities and changes to the interim condensed consolidated statements of loss and comprehensive loss that might be necessary if the Company was unable to continue as a going concern. Such adjustments could be material.

(Expressed in U.S. Dollars) (Unaudited)

2. BASIS OF PREPARATION

a) Statement of compliance

These interim condensed consolidated financial statements as at and for the three months ended September 30, 2022 have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The disclosure contained in these interim condensed consolidated financial statements does not include all the requirements in IAS 1 Presentation of Financial Statements ("IAS 1"). Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements as at and for the year ended June 30, 2022, which include information necessary to understand the Company's business and financial statement presentation.

b) Basis of Consolidation

Subsidiaries

Subsidiaries consist of companies over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are deconsolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-company balances and transactions.

The table below lists the Company's subsidiaries that are consolidated in these financial statements:

Transactions eliminated on consolidation
All intercompany group transactions, balances, income and expenses are eliminated in full on consolidation.

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest
Kuuhubb Oy	Finland	100%
Kemojo Kuuhubb Studios Inc.	Canada	100%
Neybers AB	Sweden	100%
Recolor Oy	Finland	100%
Recolor India Private Limited	India	100%
Kuuhubb AG	Swizerland	100%

c) Basis of measurement

The policies set out were consistently applied to all the periods presented unless otherwise noted below. The preparation of these interim condensed consolidated financial statements in conformity with IFRS as issued by the IASB requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

These interim condensed consolidated financial statements have been prepared in their functional currency on a historical cost basis except for long-term liabilities, loans receivable, and derivatives, which are measured at amortized cost or fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether the price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

2. BASIS OF PREPARATION (CONTINUED)

d) Summary of Significant Accounting Policies

These interim condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as presented in Note 3 of the annual consolidated financial statements of the Company as at and for the year ended June 30, 2022, except for those newly adopted accounting standards noted below.

e) Functional and Presentation Currency

The functional currency of Kuuhubb Inc. is the Canadian dollar (“C”).

Except for Kemojo, whose functional currency is Canadian dollar (“C”), Kuuhubb AG, whose functional currency is the Swiss Franc (“CHF”) and Neybers AB, whose functional currency is the Swedish Krona (“SEK”), all other subsidiaries of the Company use the European Union’s Euro (“€”) as their functional currency.

These consolidated financial statements are presented in U.S. Dollars (“$”).

The exchange rates used were as follows:

	September 30, 2022	June 30, 2022	September 30, 2021
CAD / USD exchange rate			
Closing at the reporting date	0.7296	0.7760	0.7849
Average rate for the three month ended	0.7658	NA	0.7936
EUR / USD exchange rate			
Closing at the reporting date	0.9764	1.0450	1.1617
Average rate for the three month ended	1.0062	NA	1.1787
CHF / USD exchange rate			
Closing at the reporting date	1.0204	1.0467	1.0717
Average rate for the three month ended	1.0344	NA	1.0891

f) Newly Adopted Accounting Standards

No new accounting policies were adopted by the Company during the year.

g) New Accounting Standards Not Yet Effective

Changes and amendments to the following accounting standards applicable for the Company will be effective in future years and are not expected to have a significant impact:

IAS 1 — Presentation of Financial Statements
IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors
IAS 12 — Income Taxes
IAS 16 — Property, Plant and Equipment
IAS 37 — Provisions, Contingent Liabilities and Contingent Assets

(Expressed in U.S. Dollars) (Unaudited)

3. OTHER RECEIVABLES

Other receivables

As at September 30, 2022, the Company has other receivables which consist of VAT receivables and short-term deposits in the amount of $150,178 (€39,334 and CHF 100,365), (June 30, 2022 - $201,071(€113,748 and CHF 69,280)).

4. PROPERTY AND EQUIPMENT

The Company's property and equipment movement during the period, which are depreciated under 25% declining method, are summarized as follows:

	Furniture & fixtures	Office & communication equipment	Total
	$	$	$
Cost			
Balance at June 30, 2022	83,811	123,980	207,791
Additions	-	-	-
Foreign exchange translation gain/(loss)	(5,503)	(7,341)	(12,844)
Balance at September 30, 2022	78,308	116,639	194,947
Accumulated Depreciation			
Balance at June 30, 2022	69,215	81,513	150,728
Depreciation	1,541	2,090	3,631
Foreign exchange translation gain/(loss)	(4,589)	(5,013)	(9,602)
Balance at September 30, 2022	66,166	78,590	144,756
Net Book Value			
Net book value at June 30, 2022	**14,596**	**42,467**	**57,063**
Net book value at September 30, 2022	**12,142**	**38,049**	**50,191**

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding relating to the operations of the Company:

As at	**September 30, 2022**	June 30, 2022
	$	$
Accounts payable	**481,926**	491,921
Accrued liabilities and other	**1,969,498**	1,916,479
	2,451,424	2,408,400

The following is an aged analysis of accounts payable and accrued liabilities:

As at	**September 30, 2022**	June 30, 2022
	$	$
Less than 1 month	**299,751**	321,430
1 to 3 months	**153,466**	163,482
Greater than 3 months	**1,998,207**	1,923,488
	2,451,424	2,408,400

(Expressed in U.S. Dollars) (Unaudited)

6. DEFERRED REVENUE

The Company's deferred revenue by offerings are as follows:

	Year ended September 30, 2022	Year ended June 30, 2022
	$	$
Recolor - Subscription Revenue	**275,414**	303,262
My Hospital - Virtual Currency Revenue	**3,000**	3,000
	278,414	306,262

7. RELATED PARTY TRANSACTIONS AND BALANCES

a) Key Management Remuneration

The Company's related parties include key management such as officers (CEO, CFO, and COO) and directors. The remuneration and fees incurred for these related parties, as defined above, during the three months ended September 30, 2022 and 2021 was as follows:

	3-month ended September 30, 2022	3-month ended September 30, 2021
Consulting	**$ 125,195**	$ 129,742
Director fees	**18,379**	33,331
Salaries	**-**	-
Stock-based compensation	**107,831**	21,124
	$ 251,405	$ 184,197

b) Accounts Payable and Accrued Liabilities

As at September 30, 2022, amounts of $1,154,108 (C$1,581,837) (June 30, 2022 - $472,931 (C$1,077,855 (C$1,388,988)) accumulated from unpaid fees to directors and officers are recorded under accounts payable and accrued liabilities.

c) Other Receivables

As at September 30, 2022, amounts of $102,414 and $5,561 (CHF 100,365 and €5,695) (June 30, 2022 - $72,518 and $5,952 (CHF 69,280 and €5,695)) relate to advanced salaries and expense allowances to certain officers of the Company.

There is sufficient related party accounts payable and accrued liabilities to offset the related party other receivables.

8. RESTRUCTURE OF KUUHUBB OY

Kuu Hubb Oy applied to undertake Finnish restructuring proceedings under the jurisdiction of the District Court of Helsinki, Finland in accordance with the Finnish Restructuring of Enterprises Act (25.1.1993/47 "REA") on September 7, 2021.

Kuuhubb Oy and its creditors have entered into an agreement to restructuring debt, certified on May 12, 2022. The key indicative terms of the final creditor resolution are as follows:

(Expressed in U.S. Dollars) (Unaudited)

8. RESTRUCTURE OF KUUHUBB OY (CONTINUED)

Total nominal debt amount of €7,619,788 (approximately US$7.9 million) would undergo the following restructuring:

- All prior defaults, penalties are waived;
- 80% of the above existing debt nominal amount with creditors will be forgiven;
- 20% of existing debt nominal amount with creditors will be classified as "Debt Under Restructuring";
- Debt Under Restructuring will total €1,523,958;
- Eight payments will be paid over a period of 84 months (7 years), on September 30th of each year:
  - First payment of 2.5% of the Debt Under Restructuring (or €38,098) in 2022 (paid), Second payment of 10.42% of the Debt Under Restructuring (or €158,745) in 2023, Third payment of 15.83% of the Debt Under Restructuring (or €241,293) in 2024, Fourth payment of 15.83% of the Debt Under Restructuring (or €241,293) in 2025, Fifth payment of 15.83% of the Debt Under Restructuring (or €241,293) in 2026, Sixth payment of 15.83% of the Debt Under Restructuring (or €241,293) in 2027, Seventh payment of 15.83% of the Debt Under Restructuring (or €241,293) in 2028, and final payment of 7.93% of the Debt Under Restructuring (or €120,646) in 2029.
- No interest or overdue interest is paid to unsecured restructuring debt; and
- No option to extend payment period.

However, if Kuuhubb Oy were to be disposed of within 9 years, the proceeds will be used to repay the original (undiscounted) debts nominal amount.

As a result of the Debt Restructuring Program, all legal matters related to Cherry Pick Games (Note 9a) have been resolved and settled.

The restructure of the Kuuhubb Oy debts is considered to be extinguishment of existing debts. The related gains are recognized immediately in the profit and loss. As such, the Company recorded a gain of $6,797,418 representing the write down of the carrying value of the Kuuhubb Oy debts to the Debt Under Restructure with parties outside of Kuuhubb Inc. group which amount to approximately €1,414,390.

In addition, a gain of $565,293 (€501,391) was recorded to accounted for the present value of the Debt Under Restructure (reduction of the Debt Under Restructure) at a 13% discount rate, Kuuhubb Oy's incremental borrowing rate.

These restructure gain and valuation were recorded during the fourth quarter of prior fiscal year.

9. LOANS AND DEFERRED GAINS

The following loans are included in the consolidated statement of financial position As at September 30, 2022:

	Kuuhubb Oy Loans				Neybers AB	Total
	My Hospital Acqusition (a)	Business Finland (b)	CT3 (c)	Restructured Conv. Debt (e)	Almi (d)	
	$	$	$	$	$	$
Balance, June 30, 2022	259,804	102,212	228,101	-	31,471	621,586
Recalssified	-	-	-	270,053	-	270,053
Accretion expense	8,130	3,198	7,138	8,777	-	27,243
Repayments and transfer	(10,018)	(3,941)	(8,795)	(10,815)	-	(33,569)
Translation gain/loss	(17,031)	(6,689)	(14,928)	(7,933)	(2,066)	(48,648)
	(18,919)	(7,432)	(16,585)	260,082	(2,066)	215,079
Balance, September 30, 2022	240,885	94,780	211,515	260,082	29,404	836,666
Less: Current portion	(40,489)	(15,940)	(35,573)	(43,692)	(29,404)	(165,099)
Non-current portion	200,396	78,840	175,942	216,389	-	671,567

9. LOANS & DEFERRED GAINS (CONTINUED)

Loans The following loans are included in the consolidated statement of financial position:

a) In May 2018, Kuuhubb Oy acquired the full global rights and revenue to a My Hospital Application for €2.6 million (the "Purchase Price"). The Purchase Price will be repaid with 26 monthly installments of €100,000 commencing April 2019. The purchase price payable and the rights acquired were recorded at the estimated fair value of $2,107,620 (€1,717,195) using an effective interest rate of 23% at the time of acquisition.

   Starting in April 2019, Kuuhubb Oy withheld the €100,000 monthly installment payments due to an ongoing legal dispute over the intellectual property rights of the My Hospital Application. In August 2020, an arbitration result was rendered by the Arbitration Institute of the Finland Chamber of Commerce. Pursuant to the arbitration result, Kuuhubb shall pay to CPG €1,600,000 composed of the scheduled payments plus interest of 10% per annum thereon, in addition to court costs and fees, including the costs of the arbitrator. Kuuhubb shall also pay to CPG legal costs of €297,984.

   Pursuant to the CPG Settlement Agreement now reached between the parties, Kuuhubb shall pay to CPG €750,000 on October 6, 2020, €250,000 on November 15, 2020, and €1,059,707 December 15, 2020. In addition, CPG has agreed to give to Kuuhubb a discount of €450,000 on the remaining twelve €100,000 monthly instalments payable by Kuuhubb to CPG under the terms of the Acquisition, for an aggregate net payment of €550,000, payable on May 31, 2021 (the "Remaining Purchase Price"). In the event Kuuhubb does not pay the Remaining Purchase Price by June 30, 2021, Kuuhubb shall pay to CPG an additional €300,000.

   In summary, the Company promises to repay $2,930,913 (€2,609,707), in four installments between October 6, 2020 to May 31, 2020. Additional accrual of $290,295 was recorded due to the default of the repayment plan in 2021.

   Upon finalization of the Kuuhubb Oy Restructure, a gain of $1,684,154 (€1,592,931) was recorded. Further gain of $158,195 (€149,626) was recorded to accounted for the present value adjustment of this loan (Note 8). The repayment schedule of this loan will follow the same repayment percentage prescribed by the Finnish court as described in Note 8.

   During the three months ended September 30, 2022, an accretion of $8,130 (2021 - $Nil) in connection with the net present value adjustment described in Note 8.

b) In February 2019, Kuuhubb Oy drew $329,575 (€289,000) from Business Finland, a Finnish governmental agency, to support the Company's new game development projects. The loan is expected to have a seven-year maturity period (February 2026) with an interest rate of 1%. The loan was recorded at the estimated fair value of $116,114 (€101,921) using an effective interest rate of 21.92% per annum at the time of issuance with the difference of $213,461 (€187,079) from the face value recorded as a deferred gain. The deferred gain is amortized annually into the Company's consolidated statements of loss and comprehensive loss at the same rate accretion expense is to be recognized on the outstanding loan balance.

   In September 2019, Kuuhubb Oy drew an additional $273,380 (€247,310) from Business Finland, a Finnish governmental agency, to support the Company's new game development projects. The loan is expected to have the same maturity as the first instalment paid in February 2019 (February 2026), with an interest rate of 1%. The loan was recorded at the estimated fair value of $146,369 (€132,411) using an effective interest rate of 14.52% per annum at the time of issuance with the difference of $127,011 (€114,899) from the face value recorded as a deferred gain. The deferred gain is amortized annually into the Company's consolidated statements of loss and comprehensive loss at the same rate accretion expense is to be recognized on the outstanding loan balance.

   In September 2020, Kuuhubb Oy drew an additional $290,458 (€247,310) from Business Finland, a Finnish governmental agency, to support the Company's new game development projects. The loan is expected to have the same maturity as the first instalment paid in February 2019 (February 2026), with an interest rate of 1%.

   In prior year, all remaining deferred gains were accreted before the Kuuhubb Oy Restructure. Upon finalization of the Kuuhubb Oy Restructure, a gain of $721,853 (€682,754) was recorded. Further gain of $62,237 (€58,866) was recorded to account for the present value adjustment of this loan. The repayment schedule of this loan will follow the same repayment percentage prescribed by the Finnish court as described in Note 8.

   During the three months ended September 30, 2022, an accretion of $3,198 (2021 - $Nil) in connection with the net present value adjustment described in Note 8.

9. LOANS & DEFERRED GAINS (CONTINUED)

c) On July 4, 2019, Kuuhubb Oy entered into a loan agreement with CT3 Issuer Limited ("CT3") to borrow $1,193,859 (€1,080,000). The loan is unsecured, bears interest at 7.50% per annum, and matures on June 28, 2021. The interest is payable quarterly commencing September 30, 2019. $34,489 (€31,200) in financing fees were incurred as a direct cost in the closing of the financing. This balance has been capitalized and netted against the proceeds received from the issuance of the loan.

On October 23, 2019, Kuuhubb Oy drew another $668,776 (€605,000) from CT3. The loan also matures on June 28, 2021 and bears an interest rate of 7.5% per annum, payable at the end of each calendar quarter, starting on December 31, 2019. $15,476 (€14,000) in financing fees were incurred as a direct cost in the closing of the financing. This balance has been capitalized and netted against the proceeds received from the issuance of the loan.

Both loans were recorded at the total estimated fair value of $1,663,228 (€1,504,619) using an effective interest rate of 14.22% per annum at the time of issuance with the difference of $149,442 (€135,191) from the face value recorded as a deferred gain. The deferred gain is amortized annually into the Company's consolidated statements of loss and comprehensive loss at the same rate accretion expense is to be recognized on the outstanding loan balance.

This loan was in default before the Kuuhubb Oy Restructure. Upon finalization of the Kuuhubb Oy Restructure, a gain of $1,478,641 (€1,398,550) was recorded. Further gain of $138,861 (€131,368) was recorded to accounted for the present value adjustment of this loan. The repayment schedule of this loan will follow the same repayment percentage prescribed by the Finnish court as described in Note 8.

During the three months ended September 30, 2022, an accretion of $7,138 (2021 - $Nil) in connection with the net present value adjustment described in Note 8.

d) Neybers AB has an unsecured long-term loan of $65,821 (€58,609) from ALMI Företagspartner (Almi) at an interest rate of 8.75% per annum. The loan was recorded at its estimated fair value using an effective interest rate of 23% per annum at the time of issuance.

e) Upon the Kuuhubb Oy Restructure in Note 8, the 2020 Debenture under Note 11 was reclassified as loans during the first quarter.

During the three months ended September 30, 2022, an accretion of $8,777 (2021 - $Nil) in connection with the net present value adjustment described in Note 8.

10. NON-CONVERTIBLE DEBENTURES

In September 2020, Kuuhubb Inc. has closed a non-convertible debenture financing (the "Offering") for aggregate gross proceeds of $1,300,000 on a non-brokered basis. The Offering is composed of secured debentures (the "Secured Debenture"), each of which has a face value of US$29,500, a Maturity Date twenty-four months from the date of closing, and bears interest at a rate of 12% per annum.

Subscribers to the Offering received a bonus of 50,000 common share purchase warrants ("Warrants") of the Company per Secured Debenture for an aggregate total of 2,200,000 Warrants. Each Warrant shall entitle the holder to purchase one common share ("Warrant Share") for a period of twenty-four months after closing at a price of C$0.10 per Warrant Share. In addition if (i) the Secured Debenture is redeemed or retracted in accordance with the terms therein; or (ii) the trading price of the Shares on the TSX Venture Exchange ("TSXV") closes at a minimum of C$0.30 per Share for a period of ten (10) consecutive trading days, the Company may, upon the written consent of the holder of the Warrant, accelerate the expiry date of the Warrants to the date which is (a) thirty (30) days following the date upon which notice of the accelerated expiry date is provided to the holders of the Warrants, or (b) such other date as may be mutually agreed upon between the Company and the holders of the Warrants.

10. NON-CONVERTIBLE DEBENTURES (CONTINUED)

The debt portion of the Secured Debenture was recorded at the estimated fair value of $1,048,209 using an effective interest rate of 24.54% per annum at the time of issuance with the residual values of $233,887 recorded as contributed surplus for the warrants issued.

As at September 30, 2022, the Debenture balance was accreted to $1,611,991 (June 30, 2022 - $1,533,966), with an accretion and interest expense for the three months ended September 30, 2022 and 2021 of $78,362 and $70,599, respectively, using an effective interest rate of 24.54%.

The Company defaulted on the repayment for this loan. The parties are in negotiation for a potential extension.

11. CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITY

2018 Debenture – Issued by Kuuhubb Inc.

In November 2018, the Company completed a $2,292,785 (€2,000,000) private placement financing (the "Financing") through the issuance of an unsecured convertible debenture (the "2018 Debenture") in the principal amount of €2,000,000. The 2018 Debenture matures on November 7, 2021 and bears an annual interest rate of 5.5% (with the interest payable every six months). The 2018 Debenture is convertible at the option of the holder at any time prior to the earlier of (a) the maturity date, and (b) the date that is five business days following the delivery of the notice of redemption to the holder, into common shares of Kuuhubb Inc. at a price of C$1.10 per share, provided that the holder converts the lesser of €1,000,000 or the remaining outstanding principal balance at the time of conversion.

The Company also has the option to convert the 2018 Debenture after the two-year anniversary of the issuance date, provided that the volume weighted average price of such shares exceeds C$1.10 per share for a period of 30 consecutive days.

$137,567 (€120,000) in financing fees were incurred as a direct cost in the closing of the Financing. This balance has been capitalized and netted against the proceeds received from the issuance of the 2018 Debenture.

Since the number of shares to be issued may vary due to foreign exchange fluctuations, the financial instrument did not meet the "Fixed for Fixed" criteria under IAS 32 – Financial Instruments: Presentation ("IAS 32"). As such, the conversion option was classified as a derivative liability and accounted for at fair value through profit and loss ("FVTPL") and is revalued at each reporting date.

The conversion feature of the 2018 Debenture was valued at $691,368 (C$904,402) on the date of issuance using the Black-Scholes model and the assumptions as follows:

(i) Risk-free interest rate: 2.36% which is based on the Bank of Canada benchmark bonds yield 3-year rate in effect at the time of issuance with maturity dates at the estimated term of the Debenture
(ii) Expected volatility: 150%, which is based on the historical stock prices of peer companies
(iii) Expected life: 3 years
(iv) Expected dividends: $Nil

The remaining $1,463,850 (€$1,277,587) has been allocated to the debt portion of the 2018 Debenture, which will be accreted to the full principal amount over the expected term of the 2018 Debenture.

No interest or accretion are recorded during the three months ended September 30, 2022 (three months ended September 30, 2021 - $79,458) as the Company has missed several interest payments and the repayment on maturity on November 7, 2021 due to financial difficulties and has defaulted on the debenture. The Company is negotiating with the lender on terms and payment of the debenture.

11. CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITY (CONTINUED)

2020 Debenture – Issued by Kuuhubb Oy

In February 2020, Kuuhubb Oy closed a $2,219,985 (€2,000,000) private placement financing (the "Financing") through the issuance of an unsecured convertible debenture (the "2020 Debenture") in the principal amount of €2,000,000. The 2020 Debenture matures on February 3, 2023 and bears an annual interest rate of 10% (with the interest payable every calendar quarter). The 2020 Debenture is convertible at the option of the holder at any time prior to the earlier of (a) the maturity date, and (b) the date that is five business days following the delivery of the notice of redemption to the holder, into common shares of Kuuhubb Inc. at a price of C$0.80 per share, provided that the holder converts the lesser of €1,000,000 or the remaining outstanding principal balance at the time of conversion. For conversion purposes, the foreign exchange rate from € to C$ is fixed at 1.4504.

Since the number of shares to be issued is fixed due to the fixed foreign exchange rate stated in the Financing agreement, the financial instrument meets the "Fixed for Fixed" criteria under IAS 32 – Financial Instruments: Presentation ("IAS 32"). As such, the conversion option was classified as an equity instrument at the issuance date.

Kuuhubb Oy also has the option to convert the 2020 Debenture if at any time the closing price of Kuuhubb Inc. is C$1.50 per share. This conversion option of Kuuhubb Oy is classified as equity.

The debt portion of the 2020 Debenture was recorded at the estimated fair value of $2,018,090 (€1,793,570) using an effective interest rate of 14.22% per annum at the time of issuance with the residual values of $161,446 (€145,483) recorded as contributed surplus and $40,449 (€60,947) recorded as deferred tax liabilities.

This loan was in default before the completion of Kuuhubb Oy restructure due to non-payments. Upon finalization of the Kuuhubb Oy Restructure, a gain of $2,258,931 (€2,003,575) was recorded. Further gain of $182,118 (€161,531) was recorded to accounted for the present value adjustment of this loan. The repayment schedule of this loan will follow the same repayment percentage prescribed by the Finnish court as described in Note 8.

Upon the Kuuhubb Oy Restructure, this 2020 Debenture under was reclassified as loans (Note 9(e)) during the first quarter.

12. BRIDGE LOANS

(a) Bridge loan issued by Kuuhubb Inc.

During fiscal 2022, Kuuhubb Inc. closed a private place on July 19, 2021 with two existing shareholders of the Company. The Company issued $563,725 (€500,000) debentures with 90-day maturity at annual 12% interest and 2,500,000 warrants with C$0.10 exercise price and two-year maturity.

The debt contained certain voluntary and mandatory conversion features where the loan may be converted to 25% of a newly incorporated Puzzle Studio Oy, a wholly owned subsidiary of Kuuhubb Oy incorporated in July 2021, upon maturity or certain bankruptcy events.

The conversion feature is deemed to be $Nil as the conversion is subject to certain conditions, events and regulatory approvals.

The debt portion of the Secured Debenture was recorded at the estimated fair value of $508,826 using an effective interest rate of approximately 50% per annum at the time of issuance with the residual values of $54,899 recorded as contributed surplus for the warrants issued.

In November 2022, TSX-V has advised the Company to cancel both the conversion feature and the warrants (Note 13(b)) effective November 20, 2022 due to delayed approval processes.

The Company defaulted on the repayment for this loan. The parties are in negotiation for a potential extension and new terms.

(Expressed in U.S. Dollars) (Unaudited)

12. BRIDGE LOANS (CONTINUED)

(b) Bridge loan issued by Kuuhubb AG

During fiscal 2022, Kuuhubb AG closed private placements with an existing shareholder of the Company. The Company issued $1,065,440 (€945,000) debentures with maturity between December 28, 2022 and June 30, 2024. Additional $206,785 (€200,000) loan was issued during the three months ended September 30, 2022 with two year maturity. The loan bears annual interest rate of 12%. The loan is unsecured and has a mandatory conversion feature where upon conversion the debt holder would become a significant shareholder of Kuuhubb AG upon maturity.

However, the conversion feature is deemed to be $Nil as the conversion is subject to certain conditions, events, and regulatory approvals.

At September 30, 2022, the balance with accrued interest is $1,189,002 (June 30, 2022 - $1,055,978).

13. SHARE CAPITAL

a) Authorized and issued

The Company's authorized share capital consists of an unlimited number of common shares with no par value.

Total number of issued and outstanding shares are 64,458,043 (June 30, 2021 - 64,458,043) with 2,200,000 shares from warrants exercised (Note 10) not yet issued.

No changes in outstanding common shares between July 1, 2022 to September 30, 2022.

b) Common share purchase warrants

The Company issued a non-convertible debenture during the period. 2,500,000 Warrants were issued in connection with the debenture (Note 10). The debt portion of the debenture was recorded at the estimated fair value of $536,899 using an effective interest rate of approximately 50% per annum at the time of issuance with the residual values of $54,899 recorded as contributed surplus.

The following table summarizes the movements of the Company's common share purchase warrants outstanding for the three months ended September 30, 2022:

Opening Balance	During the Year		Closing Balance	Date of Issuance	Expiration Date	Remaining contractual life and weighted average contractual life (years)	Exercise Price and weighted average exercise price (C$)
	Granted	Excercised					
2,500,000	-	-	2,500,000	19-Jul-21	20-Nov-22	0.14	0.10

c) Earnings (loss) per share

Earnings (loss) per share was calculated on the basis of the weighted average number of common shares of the Company outstanding for the three months ended September 30, 2022, amounting to 66,658,043 (3 months ended September 30, 2021: 66,658,043 common shares).

(Expressed in U.S. Dollars) (Unaudited)

14. SHARE-BASED PAYMENTS

The Company has an Incentive Stock Option Plan (the "Plan") under which non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees or service providers of the Company. An amendment to the Plan was approved by the shareholders in April 2022 where the Plan provides that the number of common shares that may be issued from time to time pursuant to the exercise of stock options granted under the Plan must not exceed 12,891,608 common shares (up from previous 7,500,000). The terms of the Plan provide that the directors have the right to grant options to acquire common shares of the Company at not less than the closing market price of the shares on the TSX Venture Exchange on the day preceding the grant, at terms of up to ten years.

In August 2022, the Company granted 5,400,000 options to officers and employees of the subsidiaries. The options can be exercised at C$0.07 per share. For 1,450,000 options granted to employees, 1/3 vested immediately, 1/3 will vest at the one year anniversary and the remaining 1/3 will vest at the two year anniversary. For 350,000 options granted to a consultant, 25% vested immediately, for every quarter another 25% will vest.

For the remaining 3,600,000 certain officers, directors and consultants, they vest immediately.

The value of these stock options issued during August 2022 was calculated at $51,910 (C$223,203) using the Black-Scholes model and the assumptions at grant date were as follows:

(i) Grant date share price: C$0.06
(ii) Risk-free interest rate: 3 year 11.06% which is based on the Bank of Canada benchmark bonds yield 1-year rate in effect at the time of grant for bonds with maturity dates at the estimated term of the options
(iii) Expected volatility: 110%, which is based on the historical stock prices of peer companies
(iv) Expected life: 3 years
(v) Expected dividends: $Nil

The following table summarizes the movements of the Company's stock options for the three months ended September 30, 2022:

	During the Period								
Opening Balance	Granted	Exercised	Forfeited/ Cancelled	Expired	Closing Balance	Exercise Price and weighted average exercise price (Cdn$)	Remaining contractual life and weighted average contractual life (years)	Vested & Exercisable	Unvested
450,000	-	-	-	(450,000)	-	1.60	0.00	-	-
2,375,000	-	-	-	-	2,375,000	0.59	1.76	2,375,000	-
350,000	-	-	-	-	350,000	0.62	2.30	311,111	38,889
1,675,000	-	-	-	-	1,675,000	0.08	0.29	1,395,833	279,167
-	5,400,000	-	-	-	5,400,000	0.07	2.88	4,170,833	1,229,167
4,850,000	5,400,000	-	-	(450,000)	9,800,000	0.22	2.15	8,252,778	1,547,222

For the three months ended September 30, 2022, the Company recorded a $124,233 share-based compensation (three months ended September 30, 2021 - $50,626).

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a) Fair value of financial assets and liabilities

The Company's non-derivative financial instruments include cash, accounts receivables, other receivables, accounts payables and accrued liabilities, dues to related parties, loans and convertible debenture. Non-derivative financial instruments are recognized initially at fair value. As at September 30, 2022 and June 30, 2022, the carrying value of cash is recorded at fair value. Accounts receivable, other receivables, accounts payable and accrued liabilities and due to related parties approximate their fair value due to their short-term nature.

Long-term financial instruments of the Company carried on the consolidated financial statements are carried at amortized cost.

There are no significant differences between the carrying amount of derivative financial instruments and their estimated fair values as at September 30, 2022 and June 30, 2022.

Fair value hierarchy

The following provides a description of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

There were no transfers between Level 1 and Level 2 during the reporting periods. Cash is measured as a Level 1 risk.

b) Risk Management Policies

The Company is sensitive to changes in foreign currency fluctuations. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Although the Company has the ability to address its price-related exposures through the use of options, futures and forward contacts, it does not generally enter into such arrangements.

(Expressed in U.S. Dollars) (Unaudited)

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

c) Credit Risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company is exposed to credit risk from its platform partner such as Apple App Store and Google Play Store. However, these counterparties are economically stable organizations with whom the Company transacts with on a regular basis, further reducing the overall credit risk.

The Company reviews its receivable accounts regularly and writes down these accounts to their expected realizable values, by making an expected credit loss ("ECL"), as soon as the account is determined not to be fully collectible. The allowance is charged to the consolidated statements of loss and comprehensive loss. Shortfalls in collections are applied against this provision. ECL determined by a counterparty-by-counterparty evaluation of collectability at each statement of changes in financial position reporting date, taking into account the amounts that are past due and any available relevant information on the customers' liquidity and going concern issues. Normal credit terms for amounts due from customers call for payment within 30 to 45 days.

The Company's aged accounts receivables are as follows:

As at	September 30, 2022	June 30, 2022
	$	$
Less than 1 month	188,430	228,392
1 to 3 months	-	-
Greater than 3 months	-	-
	188,430	228,392

None of the Company's accounts receivables are impaired at September 30, 2022. The maximum credit risk exposure associated with the accounts receivables is the carrying value of $188,430 (June 30, 2022 - $228,392).

The Company also has VAT receivables reported at $Nil (June 30, 2022 - $31,229 (€29,883) (Note 3). The maximum credit risk exposures associated with VAT receivables are $Nil (June 30, 2022 - $31,229).

d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company attempts to ensure that there is sufficient cash to meet its liabilities when they are due and manages this risk by regularly evaluating its liquid financial resources to fund current and long-term obligations and to meet any capital commitments in a cost-effective manner. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases. The Company's liquidity requirements are met through a variety of sources, including debt financings and equity capital markets.

The following amounts are the contractual maturities of financial liabilities as at September 30, 2022:

	Total	1 year	2 - 5 years
	$	$	$
Accounts payable and accrued liabilities	2,451,424	2,451,424	-
Loans	836,666	165,099	671,567
Non-convertible debenture	1,611,991	1,611,991	-
Convertible debenture	2,259,673	2,259,673	-
Bridge loans	1,691,860	825,078	866,782
	8,851,614	7,313,265	1,538,349

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

e) Market Risk

Market risk is the potential for financial loss from adverse changes in underlying market factors, including foreign-exchange rates and interest rates.

- Interest Rate Risk

Interest rate risk is the potential impact on any Company earnings due to changes in bank lending rates and short-term deposit rates. The Company has some exposure to interest rate risk due to its outstanding interest-bearing loans discussed in Note 10 and 11. However, the interest rates are fixed and therefore the Company does not have significant interest rate risk. The Company does not use derivative instruments to reduce its exposure to interest rate risk.

- Foreign Currency Risk

Foreign currency risk is the risk that a variation in exchange rates between the United States dollar, Canadian dollar, Swedish Krona, European Union Euro or other foreign currencies will affect the Company's operations and financial results. The Company is also exposed to the impact of currency fluctuations on its monetary assets and liabilities. The majority of revenues are transacted in US dollars and Euros and majority of expenditures are transacted in Canadian dollars and Euros and US dollars. The Company maintains the majority of its cash in Euros, but it does hold balances in US dollars and Canadian dollars as well. Significant foreign exchange gains or losses are reflected as a separate component of the consolidated statement of loss and comprehensive loss. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The following table indicates the impact of foreign currency exchange risk on net working capital as at September 30, 2022. The table below also provides a sensitivity analysis of a 10 percent strengthening of the foreign currency against functional currencies as identified which would have increased (decreased) the Company's net loss by the amounts shown in the table below. A 10 percent weakening of the foreign currency against the functional currencies would have had the equal but opposite effect as at September 30, 2022.

	$
Cash	1,987
Receivables	191,127
Payables and other	(452,247)
Loans	(5,563,524)
Total foreign currency financial assets and liabilities	(5,822,657)
Impact of a 10% strengthening or weakening of foreign exchange rate	(582,266)

f) Capital Management

The Company manages its debts and equity as capital. The Company's main objectives when managing its capital are:

- to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk while providing an appropriate return to its shareholders;
- to maintain a sufficient capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business;
- to safeguard the Company's ability to obtain financing; and
- to maintain financial flexibility in order to have access to capital in the event of future acquisitions.

The Company manages its capital structure and makes adjustments to it in accordance with the objectives stated above, as well as responds to changes in economic conditions and the risk characteristics of the underlying assets.

There were no significant changes to the Company's approach to capital management during the three months ended September 30, 2022.

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

(Expressed in U.S. Dollars) (Unaudited)

16. DEFERRED GAINS, INTEREST AND ACCRETION EXPENSES

For the three months ended September 30, 2022 and 2021, the total deferred gains recognized, interest and accretion expenses incurred are as follows:

		3 month ended September 30, 2022	3 month ended September 30, 2021
		$	$
Interest expense - loans	9	-	2,370
Accretion expense - loans	9	**27,685**	16,738
Deferred gains - loans	9	-	(16,738)
Accretion - Non-convertible debenture	10	**78,362**	70,599
Accretion expense - 2018 Debenture	11	-	79,458
Accretion expense - 2020 Debenture	11	-	124,010
Kuuhubb Inc. bridge loan	12(a)	-	60,990
Kuuhubb AG bridge loan	12(b)	**22,828**	-
		128,875	337,427

17. COMMITMENTS AND CONTINGENCIES

The Company and its subsidiaries are parties to various rent and other agreements. However, none of the agreements are subject to the recognition criteria under IFRS 16.

Office Rent

Kuuhubb Oy has rent agreement expiring on December 31, 2022. Kuuhubb Oy pays $7,567 (€7,750) per month (or before expiring on December 31, 2022 - $22,702 (€23,250)).

Kuuhubb AG has rent agreement on a quarterly renewal basis. The monthly rent is $3,347 (CHF 3,280) (or every three months – $10,041 (CHF 9,840)).

Codecacao Acquisition

In January 2020, Recolor Oy, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the “Agreement”) with Codecacao d.o.o. (“Codecacao”), a company incorporated pursuant to the laws of Croatia.

On February 24, 2020, the Company received conditional approval for the Codecacao acquisition. Closing is still subject to shareholder approval. However, due to the financial constraint faced by the Company and changes in circumstances in Codecacao, the acquisition will not be pursued. There are no other obligations upon termination in the Agreement.

18. SUBSEQUENT EVENT

Private Placement

The Company closed private placements subsequent to the year end with a existing shareholder of the Company. The Company issued €100,000 debentures with 2-year maturity at annual 12% interest. The loan bears annual interest rate of 12%. The loan is unsecured and has a mandatory conversion feature where upon conversion the debt holder would become a significant shareholder of Kuuhubb AG upon maturity. The conversion feature is subject to certain conditions, events, and AGM/regulatory approvals.