

FILING STATEMENT

RAINY HOLLOW VENTURES INC.

(to be renamed Freshlocal Solutions Inc.)

IN RESPECT OF

THE QUALIFYING TRANSACTION OF RAINY HOLLOW VENTURES INC.

INVOLVING THE ARRANGEMENT OF

SUSTAINABLE PRODUCE URBAN DELIVERY INC.

DATED APRIL 9, 2021

Neither the TSX Venture Exchange Inc. nor any securities regulatory authority has in any way passed upon the merits of the Qualifying Transaction described in this filing statement.

TABLE OF CONTENTS

	Page
GLOSSARY	1
CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION	12
INFORMATION PERTAINING TO SPUD.....	13
NOTICE TO INVESTORS.....	13
Date of Information	13
Reporting Currencies	13
Market Data.....	13
SUMMARY	15
The Companies.....	15
Rainy Hollow.....	15
SPUD	15
Summary of the Qualifying Transaction	15
Arrangement Agreement	16
Pre-Arrangement Steps.....	16
Terms and Conditions of the Arrangement Agreement	18
Post-Arrangement Resulting Issuer Share Capital.....	21
Interests of Insiders, Promoters or Control Persons	22
Arm’s Length Qualifying Transaction	23
Estimated Available Funds and Principal Purposes	24
Estimated Available Funds	24
Principal Purposes.....	24
Selected Pro Forma Financial Information.....	25
Details Respecting Rainy Hollow’s TSXV Listing.....	26
Market Price of Rainy Hollow Common Shares.....	26
Conditional Approval.....	26
Securities Laws Matters	26
Sponsorship and Relationships	26
Experts	26
Risk Factors.....	27
PART I - INFORMATION CONCERNING RAINY HOLLOW	29
Name, Incorporation and Intercompany Relationships.....	29
General Development of the Business	29
Qualifying Transaction	29
Arrangement Agreement	30
SPUD Private Placement	34
Pre-Arrangement Steps.....	34
Consideration for the Transfer of SPUD Common Shares	35

Payment of Consideration Shares.....	37
Arm’s Length Qualifying Transaction.....	37
Court Procedure and the SPUD Meeting	37
Name Change.....	37
The Resulting Issuer	37
TSX and TSXV Approval.....	37
Finder’s Fee or Commission Paid	38
Securities Laws Matters.....	38
Share Capital Post-Arrangement	38
Management’s Discussion and Analysis	39
Description of Securities	39
Rainy Hollow Stock Option Plan.....	40
Prior Sales	41
Trading Price and Volume	41
Legal Proceedings.....	41
Auditor, Transfer Agent and Registrar.....	41
Auditor	41
Transfer Agent and Registrar.....	41
Material Contracts	42
PART II - INFORMATION CONCERNING SPUD.....	43
Name and Incorporation.....	43
General Development of the Business	43
About SPUD	43
Corporate History.....	44
Significant Acquisitions and Dispositions	48
Industry Overview.....	48
Online Grocery in North America.....	48
Online Grocery in Europe.....	49
Competitive Advantages.....	49
Principal Products and Services	51
Technology and Product Development.....	53
Approach to Suppliers, Sustainability and Community	53
Facilities	54
Employees	55
Social, Environmental and Community Policies	55
Competitive Conditions.....	55
Seasonality and Cyclicity.....	56
Intellectual Property	56
Lending.....	57
No Bankruptcy.....	57

Material Reorganization	57
Selected Consolidated Financial Information and Management’s Discussion and Analysis of Financial Condition and Results of Operations	57
Selected Financial Information	57
Management’s Discussion and Analysis	58
Description of Securities	58
SPUD Common Shares	58
SPUD Options.....	58
SPUD Warrants.....	58
SPUD Broker Warrants	59
SPUD Convertible Debentures	59
SPUD Subscription Receipts	59
SPUD Convertible Notes.....	60
SPUD Note Warrants	60
Consolidated Capitalization.....	61
Prior Sales	61
Executive Compensation.....	62
Compensation Discussion and Analysis	62
Elements of Compensation	62
External Compensation Consultants.....	63
Assessment of Risks Associated with Compensation Practices	63
Summary Compensation Table	64
SPUD Stock Option Plan.....	65
Incentive Plan Awards – Outstanding Share-Based Awards and Option-Based Awards	66
Incentive Plan Awards – Value Vested or Earned During Year.....	67
Termination and Severance under SPUD NEO Employment Agreements.....	67
Director Compensation	69
Director Compensation Table	69
Incentive Plan Awards – Outstanding Share-Based Awards and Option-Based Awards	70
Incentive Plan Awards – Value Vested or Earned During Year.....	71
Non Arm’s Length Party Transactions.....	71
Legal Proceedings.....	71
Material Contracts	72
PART III - INFORMATION CONCERNING THE RESULTING ISSUER	73
Corporate Structure.....	73
Name and Incorporation	73
Intercorporate Relationship.....	73
Narrative Description of the Business.....	73
Description of the Securities.....	74
Pro Forma Consolidated Capitalization.....	74

Fully Diluted Share Capital	75
Estimated Available Funds and Principal Purposes	75
Estimated Available Funds	75
Principal Purposes.....	76
Dividend Policy	76
Principal Securityholders	77
Board of Directors, Officers and Promoters	77
Board of Directors.....	77
Management	78
Management and Director Biographies	79
Chair of the Board.....	80
Resulting Issuer Board Mandate	81
Ethical Business Conduct	81
Committees of the Board of Directors.....	81
Audit Committee.....	81
Compensation Committee.....	81
Sustainability and Governance Committee.....	82
Corporate Cease Trade Orders or Bankruptcies.....	83
Penalties or Sanctions.....	83
Personal Bankruptcies	83
Conflicts of Interest.....	83
Other Reporting Issuer Experience	84
Executive Compensation.....	84
Compensation Philosophy and Objectives.....	84
Compensation Process.....	85
Analysis of Elements.....	85
External Compensation Consultants.....	91
Assessment of Risks Associated with the Resulting Issuer’s Compensation Policies and Practices	91
Summary of the Compensation of the Resulting Issuer NEOs.....	91
Termination and Change of Control Benefits	92
Director Compensation	92
Indebtedness of Directors and Officers	93
Investor Relations Arrangements.....	93
Options to Purchase Securities	93
Escrowed Securities.....	95
Contractual Agreements	95
Auditors, Transfer Agent and Registrar	96
PART IV- RISK FACTORS	97
Risks Relating to the Resulting Issuer’s Business	97
SPUD may not achieve its business objectives	97

SPUD has a history of losses and may continue to incur losses in the future	97
Key management.....	97
Management of growth.....	97
Online disruption, collection of information and security	97
Protection of intellectual property	98
Reliance on hardware and software.....	98
Data Security Incidents.....	99
Third-party data transmission	99
Limited data centers	99
Operating risk and insurance coverage	99
Conflicts of interest	100
Litigation	100
Grocery industry	100
Limited operating history as a SaaS platform	100
Health risks and quality control	100
Regulatory compliance.....	100
Product recalls.....	101
Transportation disruption.....	101
Evolving industry.....	101
Competition	101
COVID-19.....	101
Risks Relating to the Ownership of Resulting Issuer Shares.....	102
Potential Volatility of Share Price.....	102
No Assurance of Active Market for Shares	102
Dividends.....	102
Global Financial Conditions	103
Future Sales of Resulting Issuer Shares by Existing Shareholders.....	103
Use of Proceeds from the SPUD Private Placement.....	103
Dilution of Shareholders of the Resulting Issuer.....	103
Publication of Inaccurate or Unfavourable Research and Reports	103
Risks to Rainy Hollow Shareholders Relating to the Arrangement	104
Conditions Precedent to the Proposed Transaction	104
The Transaction May Not be Completed.....	104
Operating History.....	104
Management and Conflicts of Interest.....	104
PART V - GENERAL MATTERS.....	105
Sponsorship and Relationships.....	105
Experts	105
Other Material Facts	105
Rainy Hollow Board Approval.....	105

Acknowledgement – Personal Information	106
EXHIBIT “A” FINANCIAL STATEMENTS OF RAINY HOLLOW FOR THE YEAR ENDED NOVEMBER 30, 2020, NOVEMBER 30, 2019 AND FOR THE PERIOD FROM INCORPORATION ON JANUARY 17, 2018 TO NOVEMBER 30, 2018.....	A-1
EXHIBIT “B” MANAGEMENT’S DISCUSSION AND ANALYSIS OF RAINY HOLLOW FOR THE YEAR ENDED NOVEMBER 30, 2020, NOVEMBER 30, 2019 AND FOR THE PERIOD FROM INCORPORATION ON JANUARY 17, 2018 TO NOVEMBER 30, 2018	B-1
EXHIBIT “C” AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SPUD FOR YEARS ENDED OCTOBER 3, 2020, SEPTEMBER 28, 2019 AND SEPTEMBER 29, 2018.....	C-1
EXHIBIT “D” MANAGEMENT’S DISCUSSION AND ANALYSIS OF SPUD FOR THE YEARS ENDED OCTOBER 3, 2020, SEPTEMBER 28, 2019 AND SEPTEMBER 29, 2018.....	D-1
EXHIBIT “E” PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE RESULTING ISSUER	E-1
EXHIBIT “F” UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF SPUD FOR THE THREE-MONTH PERIODS ENDED JANUARY 2, 2021 AND DECEMBER 28, 2019... 	F-1
EXHIBIT “G” MANAGEMENT’S DISCUSSION AND ANALYSIS OF SPUD FOR THE THREE-MONTH PERIODS ENDED JANUARY 2, 2021 AND DECEMBER 28, 2019.....	G-1
EXHIBIT “H” CERTIFICATE OF RAINY HOLLOW VENTURES INC.....	H-1
EXHIBIT “I” CERTIFICATE OF SUSTAINABLE PRODUCE URBAN DELIVERY INC.....	I-1

GLOSSARY

Unless otherwise indicated, whenever used in this Filing Statement, the following words and terms have the indicated meanings or, if not defined herein, have the meanings set out in Policy 1.1 - *Interpretation* of the TSXV. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders. All dollar amounts are in Canadian dollars, unless otherwise stated.

“1933 Act” means the United States Securities Act of 1933, as amended from time to time.

“569672” means 569672 BC Ltd., a corporation valid and existing under the BCBCA.

“A&R Equity Participation Right” has the meaning ascribed to that term under *“Part II – Information Concerning SPUD - General Development of the Business – Corporate History”*.

“ABCA” means the *Business Corporations Act* (Alberta), including the regulations promulgated thereunder, in each case, as amended or replaced from time to time.

“Affiliate” means a Company that is affiliated with another Company as described below.

A Company is an “Affiliate” of another Company if:

- (a) one of them is the subsidiary of the other, or
- (b) each of them is controlled by the same Person.

A Company is “controlled” by a Person if:

- (a) voting securities of the Company are held, other than by way of security only, by or for the benefit of that Person, and
- (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the Company.

A Person beneficially owns securities that are beneficially owned by:

- (a) a Company controlled by that Person, or
- (b) an Affiliate of that Person or an Affiliate of any Company controlled by that Person.

“Agency Agreement” means the agency agreement dated December 23, 2020 among the Agents, Rainy Hollow and SPUD, entered into in connection with the SPUD Private Placement.

“Agents” means the Canaccord, Cormark Securities Inc., Desjardins and PI Financial Corp.

“Agents’ Commission” means the cash commission in an aggregate amount of \$1,446,367.50 paid to the Agents in connection with the SPUD Private Placement, representing 6% of the aggregate gross proceeds of the SPUD Private Placement, except that such percentage was reduced to 3.0% of the aggregate gross proceeds from the investors pre-identified on the president’s list.

“Alternative Transaction” means with respect to a Party, an agreement which constitutes, or may reasonably be expected to lead to (in either case whether in one transaction or a series of transactions): (a) a direct or indirect acquisition from such Party or from its shareholders of 20% or more of the voting securities of such Party; (b) a direct or indirect acquisition of assets of such Party representing 20% or more of the book value (on a consolidated basis) of such Party; (c) an amalgamation, arrangement, merger, or consolidation involving such Party; (d) any take-over bid, issuer bid, exchange offer, recapitalization, liquidation, dissolution, reorganization into a royalty trust or income fund or similar transaction involving such Party; or (e) any other transaction, the consummation of which would or could

reasonably be expected to materially impede, interfere with, prevent or delay the transactions contemplated by the Arrangement Agreement or which would or could reasonably be expected to materially reduce the benefits under the Arrangement Agreement or the Arrangement. Notwithstanding the foregoing, an “Alternative Transaction” will not include the SPUD Private Placement, an equity or debt financing of SPUD to a maximum of \$40,000,000 or a refinancing of any credit or similar debt facility of SPUD or any of the SPUD Subsidiaries existing as of December 21, 2020; provided, however, that any such equity or debt financing is on customary commercial terms.

“**Amended and Restated Equity Participation Right Agreement**” has the meaning ascribed to that term under “*Part II – Information Concerning SPUD - General Development of the Business – Corporate History*”.

“**ARCA**” means the amended and restated credit agreement dated July 31, 2020, as amended September 10, 2020 and March 12, 2021, among Fonds Agro as the initial lender and the agent, SPUD as borrower and the Subsidiaries named therein as guarantors, for a loan in the principal amount of \$28,000,000 bearing an interest rate of 15% calculated annually and compounded monthly, for which the principal amount plus interest is convertible into SPUD Common Shares at a price per SPUD Share equal to a 20% discount to the listing price of the Resulting Issuer Shares on either the TSXV or the TSX. This loan is evidenced by SPUD Convertible Notes.

“**Arrangement**” means an arrangement under the provisions of Section 288 of the BCBCA, on the terms and conditions set forth in the Plan of Arrangement, as amended or varied from time to time in accordance with the terms of the Arrangement Agreement, the Plan of Arrangement or at the direction of the Court in the Final Order, with the prior written consent of Rainy Hollow and SPUD, each acting reasonably.

“**Arrangement Agreement**” means the arrangement agreement dated December 21, 2020, as amended on March 9, 2021, between Rainy Hollow, and SPUD, setting forth the terms pursuant to which SPUD and Rainy Hollow have agreed to complete the Plan of Arrangement on the terms and conditions set forth therein.

“**Associate**” when used to indicate a relationship with a person or Company, means:

- (a) an issuer of which the person or company beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer;
- (b) any partner of the person or Company;
- (c) any trust or estate in which the person or Company has a substantial beneficial interest or in respect of which a person or Company serves as trustee or in a similar capacity;
- (d) in the case of a person, a relative of that person, including:
 - (i) that person’s spouse or child, or
 - (ii) any relative of the person or of his spouse who has the same residence as that person;

but,

- (e) where the TSXV determines that two persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding Company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D with respect to that Member firm, Member corporation or holding Company.

“**Audit Committee**” means the audit committee of the Resulting Issuer Board.

“**BCBCA**” means the *Business Corporations Act* (British Columbia), including the regulations promulgated thereunder, in each case, as amended or replaced from time to time.

“**Be Fresh**” means Be Fresh (AB) Inc., a corporation valid and existing under the ABCA.

“Belgium SaaS Agreement” has the meaning ascribed to that term under *“Part II – Information Concerning SPUD - General Development of the Business – Corporate History”*.

“Blush Lane Marda Loop” means Blush Lane Marda Loop Ltd., a corporation valid and existing under the ABCA.

“Blush Lane Organic Produce” means Blush Lane Organic Produce Ltd., a corporation valid and existing under the ABCA.

“Blush Lane Windsor” means Blush Lane Windsor Ltd., a corporation valid and existing under the ABCA.

“Business Day” means any day other than a Saturday or Sunday or statutory holiday in the Province of British Columbia, upon which banks generally are open for business in the city of Vancouver, British Columbia.

“Canaccord” means Canaccord Genuity Corp.

“CEO” means Chief Executive Officer.

“CFO” means Chief Financial Officer.

“Co-Lead Agents” means, collectively, Canaccord and Desjardins.

“Company” unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

“Compensation Committee” means the compensation committee of the Resulting Issuer Board.

“Completion of the Qualifying Transaction” means the moment on which the Final QT Exchange Bulletin is issued by the TSX or the TSXV, as applicable.

“Consolidation” means the consolidation of the Rainy Hollow Common Shares on the basis of one post-consolidation Rainy Hollow Common Share for every eight (8) pre-consolidation Rainy Hollow Common Shares, which consolidation shall occur prior to completion of the Arrangement, such that the number of Rainy Hollow Common Shares outstanding immediately prior to the Completion of the Qualifying Transaction shall be equal to 536,766 (subject to adjustment for permitted rounding under the BCBCA).

“Consolidation Ratio” means eight (8) for one (1).

“Contemplated SaaS Agreement” has the meaning ascribed to that term under *“Part II – Information Concerning SPUD - General Development of the Business – Corporate History”*.

“Control Person” means any Person or Company that holds or is one of a combination of Persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting shares of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.

“Corporate Finance Fee” means the corporate finance fee payable to Canaccord in the amount of \$100,000, plus applicable taxes, being comprised of the Corporate Finance Fee Cash Payment and the Corporate Finance Fee Shares.

“Corporate Finance Fee Cash Payment” means an amount of \$50,000 plus applicable taxes payable to Canaccord from the Escrowed Funds upon satisfaction of the Escrow Release Conditions.

“Corporate Finance Fee Shares” means the 6,666 SPUD Common Shares issuable to Canaccord at a deemed price of \$7.50 per share on the Escrow Release Date.

“Court” means the Supreme Court of British Columbia.

“**CPC**” or “**Capital Pool Company**” means a corporation or trust:

- (a) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with the CPC Policy; and
- (b) in regard to which the completion of a Qualifying Transaction has not yet occurred.

“**CPC Policy**” means Policy 2.4 - *Capital Pool Companies* of the TSXV.

“**CTO**” means Chief Technology Officer.

“**Depository**” means the depository engaged by SPUD and Rainy Hollow in connection with the Arrangement, namely Computershare Investor Services Inc.

“**Desjardins**” means Desjardins Securities Inc.

“**Dissent Rights**” means the rights of dissent of the SPUD Shareholders in respect of the Arrangement described in the Plan of Arrangement.

“**Dissenting Shares**” means SPUD Common Shares held by a Dissenting Shareholder who has demanded and perfected Dissent Rights in respect of its SPUD Common Shares in accordance with the Plan of Arrangement and the Interim Order and who, as of the Effective Time, has not effectively withdrawn or lost such Dissent Rights.

“**DRS Advice Statement**” means Direct Registration System advice statement.

“**Earlston**” means Earlston Management Corp.

“**Effective Date**” means the date on which the Arrangement becomes effective.

“**Effective Time**” means 12:01 a.m. (Vancouver Time) on the Effective Date, or such other time as agreed upon by SPUD and Rainy Hollow.

“**eGMS**” means eGrocery management solution.

“**Engagement Letter**” means the engagement letter dated September 18, 2020 among the Co-Lead Agents and SPUD.

“**Equity Participation Right Agreement**” has the meaning ascribed to that term under “*Part II – Information Concerning SPUD - General Development of the Business – Corporate History*”.

“**Escrow Release Conditions**” means the following, collectively:

- (a) the Arrangement Agreement regarding the Arrangement shall have been entered into by SPUD and Rainy Hollow on terms acceptable to the Co-Lead Agents, acting reasonably;
- (b) all conditions precedent to the completion of the Arrangement, other than any condition precedent requiring the release of the Escrowed Funds to SPUD pursuant to the Subscription Receipt Agreement, shall have been satisfied to the satisfaction of, or waived by, the Co-Lead Agents including, without limitation: (A) any necessary government and regulatory approvals; (B) any required shareholder approvals of each of SPUD and Rainy Hollow, as applicable, and (C) the conditional approval of the TSX and/or TSXV (as applicable) of the Arrangement and the listing of Resulting Issuer Shares to be issued to the Subscription Receiptholders upon completion of the Arrangement, and the completion, satisfaction or waiver of all conditions precedent to such listing, other than the release of the Escrowed Funds;
- (c) the distribution of: (a) the SPUD Common Shares underlying the SPUD Subscription Receipts, and; (b) the Resulting Issuer Shares to be issued in exchange for the SPUD Common Shares pursuant to

the Arrangement being exempt from applicable prospectus and registration requirements of applicable Securities Laws;

- (d) the Agents having received an officer's certificate from SPUD's Chief Executive Officer that it has irrevocably instructed its counsel upon release of the Escrowed Funds to SPUD, to issue the underlying SPUD Common Shares issued upon exchange of the SPUD Subscription Receipts and to complete the Arrangement; and
- (e) the Release Notice having been delivered to the Subscription Receipt Agent.

"Escrow Release Date" means the date on which the Escrow Release Conditions are satisfied.

"Escrowed Funds" has the meaning ascribed to that term under *"Part I – Qualifying Transaction - SPUD Private Placement"*.

"Escrowed Proceeds" has the meaning ascribed to that term under *"Part I – Qualifying Transaction - SPUD Private Placement"*.

"Filing Statement" means this filing statement, together with all schedules attached hereto and including the summary hereof.

"Final Order" means the order of the Court approving the Arrangement under Section 291 of the BCBCA, after being informed of the intention to rely upon the exemption from the registration requirements under Section 3(a)(10) of the 1933 Act with respect to the issuance of the post-Consolidation Resulting Issuer Shares issuable as consideration and the issuance of the Resulting Issuer Replacement Options and Resulting Issuer Replacement Warrants pursuant to the Arrangement, in form and substance acceptable to the SPUD and Rainy Hollow, each acting reasonably, after a hearing upon the procedural and substantive fairness of the terms and conditions of the Arrangement, as such order may be affirmed, amended, modified, supplemented or varied by the Court (with the consent of both the SPUD and Rainy Hollow, each acting reasonably) at any time prior to the Effective Date or, if appealed, as affirmed or amended (provided that any such amendment, modification, supplement or variation is acceptable to both the SPUD and Rainy Hollow, each acting reasonably) on appeal unless such appeal is withdrawn, abandoned or denied.

"Final QT Exchange Bulletin" means the bulletin issued by the TSX or the TSXV, as applicable, following closing of the Qualifying Transaction and the submission of all required documentation and that evidences the final acceptance of the Qualifying Transaction by the TSX or the TSXV, as applicable.

"Fonds Agro" means Fonds Agro WF S.E.C./WF Agro Fund L.P.

"Food-X" means Food-X Technologies Inc., a corporation valid and existing under the BCBCA.

"Food-X (eGMS)" means Food-X Technologies (eGMS) Inc., a corporation valid and existing under the BCBCA.

"Food-X Urban Delivery" means Food-X Urban Delivery Inc., a corporation valid and existing under the BCBCA.

"Insider" means, if used in relation to an issuer:

- (a) a director or senior officer of an issuer;
- (b) a director or senior officer of a Company that is an Insider or subsidiary of the issuer;
- (c) a person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the issuer; or
- (d) the issuer itself if it holds any of its own securities.

“Interim Order” means the interim order of the Court issued following the application relating to the Arrangement in form and substance acceptable to SPUD and Rainy Hollow, each acting reasonably, providing for, among other things, the calling and holding of the SPUD Meeting, as such order may be affirmed, amended, modified, supplemented or varied by the Court with the consent of both SPUD and Rainy Hollow, each acting reasonably.

“IPO” means the initial public offering of Rainy Hollow Common Shares completed on May 29, 2018, pursuant to which Rainy Hollow issued and sold 1,350,000 Rainy Hollow Common Shares at \$0.20 per Rainy Hollow Common Share for gross proceeds of \$270,000.

“IPO Agent’s Warrants” has the meaning ascribed to that term under *“Part I- Information Concerning Rainy Hollow - General Development of Business”*.

“Letter Agreement” has the meaning ascribed to that term under *“Part I- Information Concerning Rainy Hollow - General Development of Business”*.

“Letter of Transmittal” means the letter of transmittal sent by SPUD to the SPUD Shareholders with the SPUD Information Circular.

“Mainland” means Mainland Fresh Distribution Inc., a corporation valid and existing under the BCBCA.

“Name Change” means the proposed named change of Rainy Hollow from “Rainy Hollow Ventures Inc.” to “Freshlocal Solutions Inc.”

“Named Executive Officers” or **“NEO”** means, in relation to a Company, each of the following individuals:

- (a) any individual who acted as CEO of the company, or acted in a similar capacity, for any part of the most recently completed financial year;
- (b) any individual who acted as CFO of the company, or acted in a similar capacity, for any part of the most recently completed financial year;
- (c) each of the three most highly compensated executive officers of the company, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection Form 51-102F6 – *Statement of Executive Compensation* of NI 51-102, for that financial year; and
- (d) each individual who would be a NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the company, nor acting in a similar capacity, at the end of that financial year.

“NI 41-101” means National Instrument 41-101 *General Prospectus Requirements* or any successor instrument(s).

“NI 45-102” means National Instrument 45-102 - *Resale of Securities* or any successor instrument(s).

“NI 45-106” means National Instrument 45-106 - *Prospectus Exemptions* or any successor instrument(s).

“NI 51-102” means National Instrument 51-102 *Continuous Disclosure Obligations* or any successor instrument(s).

“NI 52-110” means National Instrument 52-110 - *Audit Committees* or any successor instrument(s).

“NI 58-101” means National Instrument 58-101 - *Disclosure of Corporate Governance Practices* or any successor instrument(s).

“Non Arm’s Length Party” means:

- (a) in relation to a Company, (a) a Promoter, officer, director, other Insider or Control Person of that Company and any Associates or Affiliates of any of such Persons; or (b) another entity or an Affiliate of that entity, if that entity or its Affiliate have the same Promoter, officer, director, Insider or Control Person as the Company; and
- (b) in relation to an individual, means any Associate of the individual or any Company of which the individual is a Promoter, officer, director, Insider or Control Person.

“Non Arm’s Length Qualifying Transaction” means a proposed Qualifying Transaction where the same party or parties or their respective Associates or Affiliates are Control Persons in both the CPC and in relation to the Significant Assets which are to be the subject of the proposed Qualifying Transaction.

“NP 46-201” means National Policy 46-201 - *Escrow for Initial Public Offerings* or any successor instrument(s).

“Organics” means Organics Express Inc., a corporation valid and existing under the ABCA.

“Outside Date” means April 22, 2021.

“Parties” means Rainy Hollow and SPUD, and **“Party”** means either SPUD or Rainy Hollow, as the context requires.

“Person” means a Company or an individual.

“Plan of Arrangement” means the plan of arrangement under the BCBCA between SPUD and Rainy Hollow, and any amendments or variations thereto made in accordance with such plan of arrangement or upon direction of the Court in the Final Order with the consent of each of SPUD and Rainy Hollow, each acting reasonably, substantially in the form of the Plan of Arrangement set out as Exhibit A to the Arrangement Agreement and any amendment or variation thereto.

“principal securityholder” has the meaning ascribed to that term under *“Part III - Information Concerning the Resulting Issuer - Available Funds and Principal Purposes - Principal Securityholders”*.

“Promoter” means the definition prescribed by applicable Securities Laws.

“Qualifying Transaction” means a transaction where a CPC acquires Significant Assets other than cash, by way of purchase, amalgamation, merger or arrangement with another company or by other means, and, specifically in the case of Rainy Hollow, means the Arrangement all as more particularly described herein.

“Rainy Hollow” means Rainy Hollow Ventures Inc., a corporation incorporated under the BCBCA.

“Rainy Hollow Common Shares” has the meaning ascribed to that term under *“Part I - Information Concerning Rainy Hollow - Description of Securities”*.

“Rainy Hollow Escrow Agreement” means the escrow agreement dated as of April 26, 2018 among Rainy Hollow, Computershare Investor Services Inc. and certain securityholders of Rainy Hollow.

“Rainy Hollow Lock-Up Agreement” means the lock-up agreement for an aggregate of 175,000 Rainy Hollow Common Shares, on a post-Consolidation basis, to be signed by Ionic Securities Ltd. in relation to the Arrangement and addressed to the Co-Lead Agents and SPUD.

“Rainy Hollow Options” has the meaning ascribed to that term under *“Part I – Information Concerning Rainy Hollow – Description of Securities”*.

“Rainy Hollow Preferred Shares” has the meaning ascribed to that term under *“Part I – Information Concerning Rainy Hollow – Description of Securities”*.

“Rainy Hollow Shareholders” means holders of issued Rainy Hollow Common Shares.

“Rainy Hollow Stock Option Plan” means the stock option plan of Rainy Hollow approved by Rainy Hollow Shareholders on October 8, 2020.

“Release Notice” means a written notice executed by SPUD and the Co-Lead Agents (on their own behalf and on behalf of the Agents) addressed to the Subscription Receipt Agent confirming that the Escrow Release Conditions have been satisfied.

“Resulting Issuer” means the corporation continuing from the Arrangement and existing upon issuance of the Final QT Exchange Bulletin, to be known as “Freshlocal Solutions Inc.” or such other name as may be agreed to by SPUD and Rainy Hollow and accepted by the relevant regulatory authorities.

“Resulting Issuer Board” means the board of directors of the Resulting Issuer, anticipated to be comprised of Todd Cherniak, Eric Phaneuf, Peter van Stolk, Terry Vanderkruyk and Monique Wilberg.

“Resulting Issuer Broker Warrants” means the Resulting Issuer Replacement Broker Warrants.

“Resulting Issuer DSU” means a deferred share unit issued pursuant to the Resulting Issuer DSU Plan.

“Resulting Issuer DSU Plan” means the deferred share unit plan of the Resulting Issuer.

“Resulting Issuer Legacy Stock Option Plan” means the Rainy Hollow Stock Option Plan following the Completion of the Qualifying Transaction.

“Resulting Issuer Options” means options issued pursuant to the Resulting Issuer Stock Option Plan and, as the context requires, includes the post-Consolidation Rainy Hollow Options and the Resulting Issuer Replacement Options.

“Resulting Issuer PSU” means a performance share unit issued pursuant to the Resulting Issuer Share Unit Plan.

“Resulting Issuer Replacement Broker Warrants” means the 880,985 broker warrants of the Resulting Issuer that will be issued in exchange for SPUD Broker Warrants upon completion of the Arrangement.

“Resulting Issuer Replacement Options” means the 4,352,900 options of the Resulting Issuer that will be issued in exchange for SPUD Options upon completion of the Arrangement.

“Resulting Issuer Replacement Warrants” means the 2,967,013 warrants of the Resulting Issuer that will be issued in exchange for SPUD Warrants upon completion of the Arrangement.

“Resulting Issuer RSU” means a restricted share unit issued pursuant to the Resulting Issuer Share Unit Plan.

“Resulting Issuer Securities-Based Compensation Plans” means the Resulting Issuer Stock Option Plan, Resulting Issuer Legacy Stock Option Plan, the Resulting Issuer Share Unit Plan and the Resulting Issuer DSU Plan.

“Resulting Issuer Share Unit Plan” means the share unit plan of the Resulting Issuer.

“Resulting Issuer Shareholder” means a holder of Resulting Issuer Shares.

“Resulting Issuer Shares” means the common shares in the capital of the Resulting Issuer, as constituted after giving effect to the Arrangement.

“Resulting Issuer Stock Option Plan” means the stock option plan of the Resulting Issuer to be adopted concurrently with, or shortly after, the Completion of the Qualifying Transaction.

“Resulting Issuer Warrants” means collectively the Resulting Issuer Replacement Warrants and the Resulting Issuer Replacement Broker Warrants.

“SaaS” means Software as a Service.

“Section 3(a)(10) Exemption” means the exemption from the registration requirements of the 1933 Act set forth in section 3(a)(10) of the 1933 Act.

“Securities Laws” means securities legislation, securities regulation and securities rules, as amended, and the policies, notices, instruments and blanket orders in force from time to time that are applicable to an issuer.

“Significant Assets” means one or more assets or businesses which, when purchased, optioned or otherwise acquired by the CPC, together with any other concurrent transactions, would result in the CPC meeting the minimum listing requirements of the TSXV.

“Sponsor” has the meaning specified in TSXV Policy 1.1 – *Interpretation*.

“SPUD” means Sustainable Produce Urban Delivery Inc., a corporation incorporated under the BCBCA.

“SPUD Arrangement Resolution” means the Special Resolution approving the Arrangement considered at the SPUD Meeting.

“SPUD Board” means the board of directors of SPUD, being comprised of Todd Cherniak, Eric Phaneuf, Peter van Stolk, Terry Vanderkruyk and Monique Wilberg.

“SPUD Broker Warrants” means the following series of common share purchase warrants issued by SPUD to brokers or agents of SPUD: (a) the broker warrants issued to various brokers of SPUD in tranches on November 20, 2013, April 30, 2015 and November 9, 2016 and exercisable in respect of 564,136 SPUD Common Shares; (b) 124,000 agent warrants issued to the Co-Lead Agents on October 21, 2020 as part of their compensation in relation to the offering of SPUD Convertible Debentures completed on October 21, 2020; and (c) the 192,849 SPUD Compensation Warrants issued to the Agents on December 23, 2020 as part of their compensation in relation to the SPUD Private Placement.

“SPUD Common Shares” has the meaning ascribed to that term under “*Part II – Information Concerning SPUD – Description of Securities*”.

“SPUD Compensation Warrants” means the 192,849 compensation warrants issued to the Agents upon the closing of the SPUD Private Placement, entitling the holders to purchase one (1) Resulting Issuer Share at a price of \$7.50 per Resulting Issuer Share for a period of 24 months following Escrow Release Date.

“SPUD Convertible Debenture Private Placement” means the brokered private placement by SPUD of SPUD Convertible Debentures.

“SPUD Convertible Debentures” means the issued and outstanding unsecured senior convertible debentures of SPUD in the aggregate principal amount of \$15.5 million issued October 21, 2020.

“SPUD Convertible Note Holders” means holders of the SPUD Convertible Notes.

“SPUD Convertible Notes” means the notes evidencing the loan under the ARCA which are convertible into SPUD Common Shares.

“SPUD Dissenting Shareholder” means a registered SPUD Shareholder who has duly exercised its Dissent Rights in respect of the Arrangement and has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights, but only in respect of the SPUD Common Shares in respect of which Dissent Rights are validly exercised by such SPUD Shareholder.

“SPUD Information Circular” means the information circular sent to SPUD Shareholders in connection with the SPUD Meeting.

“SPUD Lock-Up Agreements” means the lock-up agreements signed by insiders of SPUD and certain shareholders of SPUD in relation to the SPUD Private Placement and the Arrangement and addressed to the Co-Lead Agents.

“SPUD Meeting” means the annual general and special meeting of SPUD Shareholders held on March 29, 2021, to consider and, if thought fit, to approve the Arrangement, together with such other matters as are required to effect the Arrangement.

“SPUD NEOs” means the NEOs of SPUD.

“SPUD Note Warrantholder” means a holder of SPUD Note Warrants.

“SPUD Note Warrants” means the convertible loan warrants exercisable in respect of 3,600,000 SPUD Common Shares issued in connection with the ARCA and the SPUD Convertible Notes.

“SPUD Optionholders” means holders of SPUD Options.

“SPUD Options” means the 4,352,900 issued and outstanding options of SPUD held by management, employees and suppliers of SPUD.

“SPUD Pre-Arrangement Reorganization” means the following restructuring steps to occur in the following order prior to the Escrow Release Date:

- (a) of the outstanding amount due on the SPUD Convertible Notes as of January 31, 2021, being an aggregate amount of \$30,185,097 representing the principal amount and accrued interest thereon, \$7,655,097 will be converted into aggregate of 1,275,849 SPUD Common Shares will be issued to SPUD Convertible Note Holders in consideration therefor, at a deemed price of \$6.00 per SPUD Common Share, and the remaining portion, principal amount of the SPUD Convertible Notes shall be redeemed by SPUD for cash. The balance owed on the SPUD Convertible Notes and the interest earned thereon after January 31, 2021 until the repayment, which will occur prior to the Completion of the Qualifying Transaction, will be redeemed by SPUD with cash on hand and a portion of the net proceeds to be received from the SPUD Private Placement;
- (b) all of the 3,600,000 SPUD Note Warrants will be converted, on a cashless basis, into an aggregate amount of 720,000 SPUD Common Shares;
- (c) issuance of 2,967,013 SPUD Warrants;
- (d) subject to completion of the Escrow Release Conditions, all outstanding SPUD Convertible Debentures will, in accordance with the provisions of the subscription agreements relating to and the trust indenture governing the SPUD Convertible Debentures, and without any further action on the part of any SPUD Convertible Debenture Holder, be converted into 2,431,358 SPUD Common Shares at a deemed price per share of \$6.375, representing a 15% discount to the listing price of the Resulting Issuer Shares on either the TSXV or TSX; and
- (e) subject to completion of the Escrow Release Conditions, all outstanding SPUD Subscription Receipts will, in accordance with the provisions of the subscription agreements relating to, and the Subscription Receipt Agreement governing, the SPUD Subscription Receipts, and without any further action on the part of any SPUD Subscription Receipt Holder, be converted into 3,227,500 SPUD Common Shares at a deemed price per share of \$7.50.

“SPUD Private Placement” means the offering of 3,227,500 SPUD Subscription Receipts at a price of \$7.50 per SPUD Subscription Receipt for aggregate gross proceeds of \$24,206,250, on a brokered private placement basis, which closed on December 23, 2020.

“**SPUD Shareholders**” means holders of SPUD Common Shares from time to time.

“**SPUD Stock Option Plan**” means the amended and restated Stock Option Plan of SPUD.

“**SPUD Subscription Receipts**” means the 3,227,500 subscription receipts of SPUD issued under the SPUD Private Placement, each of which would be deemed to be exercised and converted into one (1) SPUD Common Share immediately prior to the Effective Time, without payment of any additional consideration and without further action on the part of the holder thereof, upon satisfaction of the Escrow Release Conditions and delivery of the Release Notice, subject to adjustment in certain events

“**SPUD Subsidiaries**” means 569672, Organics, Mainland, Food-X Urban Delivery, Food-X, Food-X (eGMS), Be Fresh, Blush Lane Organic Produce, Blush Lane Marda Loop and Blush Lane Windsor.

“**SPUD Undertakings**” means the agreements providing for an undertaking with regard to the orderly disposition of securities signed by certain shareholders of SPUD in relation to the SPUD Private Placement and the Arrangement and addressed to the Co-Lead Agents.

“**SPUD Warrants**” means the common share purchase warrants exercisable in respect of 2,967,013 SPUD Common Shares to be issued immediately prior to the Effective Time pursuant to rights set forth in various subscription agreements for SPUD Common Shares entered into by SPUD and various subscribers, relating to various private placement financings of SPUD which closed between September 2018 and February 2020.

“**Subscription Receipt Agent**” means Computershare Trust Company of Canada.

“**Subscription Receipt Agreement**” means the subscription receipt agreement dated December 23, 2020 among SPUD, the Subscription Receipt Agent and the Co-Lead Agents, governing the terms and conditions of the SPUD Subscription Receipts.

“**Superior Proposal**” has the meaning ascribed thereto under “*Part I – Information Concerning Rainy Hollow – Qualifying Transaction*”.

“**Sustainability and Governance Committee**” means the sustainability and governance committee of the Resulting Issuer Board.

“**SVB Loan**” has the meaning ascribed thereto under “*Part II – Information Concerning SPUD – General Development of the Business – About SPUD*”.

“**SVB Loan Agreement**” means the loan and security agreement entered into among, *inter alios*, SPUD, certain SPUD Subsidiaries and Silicon Valley Bank on March 12, 2021, providing for the SVB Loan.

“**Termination Date**” has the meaning ascribed thereto under the Subscription Receipt Agreement.

“**Transfer Agent**” means Computershare Trust Company of Canada.

“**TSX**” means the Toronto Stock Exchange.

“**TSXV**” means the TSX Venture Exchange.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This Filing Statement contains forward-looking statements that relate to Rainy Hollow's and SPUD's current expectations and views of future events. The forward-looking statements are contained principally in the sections titled "*Part I – Information Concerning Rainy Hollow*", "*Part II – Information Concerning SPUD*" and "*Part III – Information Concerning the Resulting Issuer*".

In some cases, these forward-looking statements can be identified by words or phrases such as "may", "will", "expect", "anticipate", "aim", "estimate", "intend", "plan", "seek", "believe", "potential", "continue", "is/are likely to" or the negative of these terms.

Forward-looking statements relating to SPUD and the Resulting Issuer include, among other things, statements relating to:

- SPUD's expectations regarding its business, financial condition and results of operations;
- the future state of the legislative and regulatory regimes, both domestic and foreign, in which SPUD conducts business and may conduct business in the future;
- SPUD's expansion in domestic and international markets;
- SPUD's ability to attract customers and clients;
- SPUD's marketing and business plans and short term objectives;
- SPUD's ability to obtain and retain the licences and personnel it requires to undertake its business;
- SPUD's strategic relationships with third parties;
- SPUD's anticipated trends and challenges in the markets in which it operates;
- governance of SPUD as a public company; and
- statements pertaining to the satisfaction of the Escrow Release Conditions and the completion of the Arrangement.

Forward-looking statements relating to Rainy Hollow include, among other things, statements relating to:

- the completion of the Consolidation and the Arrangement;
- the terms on which the Consolidation and the Arrangement are intended to be completed;
- the continued listing of Rainy Hollow's shares on the TSXV;
- Rainy Hollow's ability to complete any Qualifying Transaction; and
- the signature of the Contemplated SaaS Agreement with Carrefour.

These statements reflect Rainy Hollow's and SPUD's current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Although each of Rainy Hollow and SPUD believe that the assumptions underlying the statements related to Rainy Hollow and SPUD, respectively, are reasonable, they may prove to be incorrect. Given these risks, uncertainties and assumptions, investors should not place undue reliance on these forward-looking statements.

With respect to Rainy Hollow, whether actual results, performance or achievements will conform to Rainy Hollow's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including the following risk factors: (a) a number of conditions precedent must be satisfied for the Qualifying Transaction to proceed; (b) the Arrangement may not be completed; (c) operating history of Rainy Hollow; and (d) management and conflicts of interest. While SPUD believes its plans, intentions and expectations reflected in the forward-looking statements relating to SPUD and the Resulting Issuer are reasonable, it cannot assure you that these plans, intentions or expectations will be achieved. SPUD's and the Resulting Issuer's actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements relating to SPUD and the Resulting Issuer contained in this Filing Statement as a result of various factors, including the risks, uncertainties and assumptions discussed under "Part IV – Risk Factors", which include, but are not limited to, the following: SPUD may not achieve its business objectives; SPUD has a history of losses and may continue to incur losses in the future; key management; management of growth; online disruption, collection of information and security; protection of intellectual property; reliance on hardware and software; data security incidents; third-party data transmission; limited data centers; operating risk and insurance coverage; conflicts of interest; litigation; grocery industry; limited operating history as a SaaS platform; health risks and quality control; regulatory compliance; product recalls; transportation disruption; evolving industry; competition; COVID-19; potential volatility of share price; no assurance of active market for shares; dividends; global financial conditions; future sales of Resulting Issuer Shares by existing shareholders; use of proceeds from the SPUD Private Placement; dilution of shareholders of the Resulting Issuer; publication of inaccurate or unfavourable research and reports; conditions precedent to the Arrangement; the transaction may not be completed; operating history; and management and conflicts of interest.

These risks, uncertainties, assumptions and other factors could cause SPUD's and the Resulting Issuer's actual results, performance, achievements and experience to differ materially from SPUD's expectations, future results, performances or achievements expressed or implied by the forward looking statements.

The forward looking statements made in this Filing Statement relate only to events or information as of the date on which the statements are made in this Filing Statement. Rainy Hollow and SPUD undertake no obligation to update or revise publicly any forward looking statements, whether as a result of new information, future event or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

An investor should read this Filing Statement with the understanding that Rainy Hollow's, SPUD's and the Resulting Issuer's actual future results may be materially different from what is expected.

INFORMATION PERTAINING TO SPUD

The information contained or referred to in this Filing Statement with respect to SPUD and its industry has been provided by the management of SPUD and is the responsibility of SPUD. Management of Rainy Hollow has relied upon SPUD for the accuracy of the information provided by SPUD without independent verification.

NOTICE TO INVESTORS

Date of Information

Unless otherwise stated, the information contained in this Filing Statement is given as of April 8, 2021.

Reporting Currencies

All dollar amounts set forth in this Filing Statement are in Canadian dollars, except where otherwise indicated. In this Filing Statement, references to "\$", "dollars" or "Canadian dollar" are to Canadian dollars.

Market Data

Unless otherwise indicated, information contained in this Filing Statement concerning SPUD's industry and the markets in which it operates, including its general expectations, legislative regime and market opportunity, is based on information from industry publications and reports generated by several third parties and management estimates.

Unless otherwise indicated, management estimates are derived from publicly available information released by independent industry analysts and third-party sources, as well as data from SPUD's internal research, and are based on assumptions made by SPUD based on such data and its knowledge of such industry and markets, which SPUD believes to be reasonable. These industry publications and reports generally indicate that the information contained therein was obtained from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. Neither Rainy Hollow nor SPUD have independently verified the data in such publications, reports or resources, and such information is inherently imprecise. In addition, projections, assumptions and estimates of SPUD's and the Resulting Issuer's future performance and the future performance of the industry in which SPUD operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under "*Part IV – Risk Factors*".

SUMMARY

The following is a summary of certain information relating to Rainy Hollow, SPUD and the Resulting Issuer (assuming Completion of the Qualifying Transaction) and should be read together with the more detailed information and financial data and statements contained elsewhere in this filing statement.

The Companies

Rainy Hollow

Rainy Hollow Ventures Inc. was incorporated on January 17, 2018, by certificate of incorporation issued pursuant to the provisions of the BCBCA. The registered and records office of Rainy Hollow is located at 1200 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia V7X 1T2, and the head office of Rainy Hollow is located at #1703, 595 Burrard St., Vancouver, British Columbia V7X 1J1. Rainy Hollow has no subsidiaries.

Rainy Hollow is a CPC listed on the TSXV and to date has not carried on any operations. The principal business of Rainy Hollow has been the identification and evaluation of businesses and assets with a view to completing a Qualifying Transaction and, having identified and evaluated such opportunities, negotiating an acquisition or participation subject to acceptance by the TSXV. Rainy Hollow does not have business operations or assets other than cash, and currently has no written or oral agreements in principle for the acquisition of an asset or business, other than the Arrangement Agreement.

For more detailed information regarding Rainy Hollow, see “*Part I – Information Concerning Rainy Hollow*”.

SPUD

SPUD is a corporation resulting from the amalgamation of Small Potatoes Urban Delivery Inc. and Spud USA Holdings Corp. on September 28, 2014 under the BCBCA. SPUD’s registered and head office is located at 105-5566 Trapp Avenue, Burnaby, British Columbia, V3N 5G4.

SPUD has six (6) directly wholly-owned subsidiaries. Five (5) are governed by the BCBCA, namely 569672, Mainland, Food-X Urban Delivery, Food-X and Food-X (eGMS), and one (1) is governed by the ABCA, namely Organics. In addition, Organics has one (1) wholly-owned subsidiary: Be Fresh, a corporation governed by the ABCA. The latter has three (3) subsidiaries, each of which is governed by the ABCA: Blush Lane Organic Produce, Blush Lane Marda Loop and Blush Lane Windsor. Be Fresh legally and beneficially holds 99.995% of the issued and outstanding voting shares of Blush Lane Organic Produce, Blush Lane Windsor is a wholly-owned subsidiary and Be Fresh legally and beneficially holds 51% of the issued and outstanding voting shares of Blush Lane Marda Loop. Blush Lane Windsor and Blush Lane Marda Loop are inactive.

For more detailed information regarding SPUD, see “*Part II – Information Concerning SPUD*”.

Summary of the Qualifying Transaction

On October 1, 2020, Rainy Hollow announced that it had entered into the Letter Agreement (as defined herein) with SPUD dated September 30, 2020, as amended on December 10, 2020, pursuant to which Rainy Hollow and SPUD agreed upon the terms of a proposed business combination to be achieved by way of a three-cornered amalgamation, plan of arrangement or an alternate structure to be determined by the parties, to ultimately form the Resulting Issuer.

On December 21, 2020, Rainy Hollow and SPUD entered into the Arrangement Agreement pursuant to which the Arrangement will be effected, which Arrangement Agreement was amended on March 9, 2021, in order to make some adjustments to the Plan of Arrangement.

It is intended that the Arrangement will constitute Rainy Hollow’s “Qualifying Transaction”, and that on Completion of the Qualifying Transaction, the Resulting Issuer will be listed on the TSX. As described below, the securities of SPUD will be exchanged for securities of the Resulting Issuer and, in particular, one (1) SPUD Common Share will

be exchanged for one (1) Resulting Issuer Share, at a deemed price per share of \$7.50 per SPUD Common Share. In total, 43,246,104 SPUD Common Shares will be exchanged for aggregate deemed consideration of \$324,345,780.

Arrangement Agreement

The Arrangement Agreement contains covenants of SPUD and Rainy Hollow, representations and warranties of and from SPUD and Rainy Hollow and various conditions precedent, both mutual and with respect to SPUD and Rainy Hollow.

Unless all of such conditions are satisfied or waived by the Party for whose benefit such conditions exist, to the extent they may be capable of waiver, the Arrangement will not proceed. There is no assurance that the conditions will be satisfied or waived on a timely basis, or at all.

The following is a summary of certain provisions of the Arrangement Agreement and is qualified in its entirety by the full text of the Arrangement Agreement.

Pre-Arrangement Steps

In connection with the Arrangement, SPUD held the SPUD Meeting on March 29, 2021, at which SPUD Shareholders approved the Arrangement, together with such other matters as are required to effect the Arrangement.

Pursuant to the terms of the Interim Order, the SPUD Arrangement Resolution needed to be approved by not less than 66⅔% of the votes cast by SPUD Shareholders, participating in person or represented by proxy at the SPUD Meeting. The SPUD Arrangement Resolution was approved by 100% the votes casted by SPUD Shareholders, participating in person or represented by proxy at the SPUD Meeting. No SPUD Shareholders exercised his, her or it Dissent Rights in respect of the Arrangement.

The SPUD Arrangement Resolution approved by the SPUD Shareholders authorizes the SPUD Board, without further notice to or approval of such SPUD Shareholders, subject to the terms of the Arrangement Agreement and the Interim Order, to amend the Arrangement Agreement or the Arrangement, to decide not to proceed with the Arrangement and to revoke the SPUD Arrangement Resolution at any time prior to the Effective Time.

Immediately prior to the Effective Time and subject to the satisfaction of the conditions under the Arrangement Agreement, Rainy Hollow will proceed with the Rainy Hollow Consolidation. The Rainy Hollow Consolidation will be effected to equalize, to the extent possible, the approximate value of each post-Consolidation Rainy Hollow Common Share with the approximate value of each SPUD Common Share. Following the Rainy Hollow Consolidation, Rainy Hollow will have 536,766 Rainy Hollow Common Shares and 25,000 Rainy Hollow Options issued and outstanding.

Pursuant to the terms of the Arrangement, prior to the Effective Time, SPUD shall complete the SPUD Pre-Arrangement Reorganization, as follows:

- (a) of the outstanding amount due on the SPUD Convertible Notes as of January 31, 2021, being an aggregate amount of \$30,185,097 representing the principal amount and accrued interest thereon, \$7,655,097 will be converted into aggregate of 1,275,849 SPUD Common Shares to be issued to SPUD Convertible Note Holders in consideration therefor, at a deemed price of \$6.00 per SPUD Common Share, and the remaining principal amount of the SPUD Convertible Notes shall be redeemed by SPUD for cash. The balance owed on the SPUD Convertible Notes and the interest earned thereon after January 31, 2021 until the repayment, which will occur prior to the Completion of the Qualifying Transaction, will be redeemed by SPUD with cash on hand and a portion of the net proceeds to be received from the SPUD Private Placement;
- (b) issuance of 2,967,013 SPUD Warrants;
- (c) all of the 3,600,000 SPUD Note Warrants will be converted, on a cashless basis, into an aggregate amount of 720,000 SPUD Common Shares;

- (d) subject to completion of the Escrow Release Conditions, all outstanding SPUD Convertible Debentures will, in accordance with the provisions of the subscription agreements relating to and the trust indenture governing the SPUD Convertible Debentures, and without any further action on the part of any SPUD Convertible Debenture Holder, be converted into 2,431,358 SPUD Common Shares at a deemed price per share of \$6.375, representing a 15% discount to the listing price of the Resulting Issuer Shares on either the TSXV or TSX; and
- (e) subject to completion of the Escrow Release Conditions, all outstanding SPUD Subscription Receipts will, in accordance with the provisions of the subscription agreements relating to, and the Subscription Receipt Agreement governing, the SPUD Subscription Receipts, and without any further action on the part of any SPUD Subscription Receipt Holder, be converted into 3,227,500 SPUD Common Shares at a deemed price per share of \$7.50.

Immediately after the closing of the Arrangement, the Resulting Issuer will draw an amount of \$10 million on the SVB Loan Agreement.

Consideration for the Transfer of SPUD Common Shares, SPUD Options, SPUD Warrants and SPUD Broker Warrants

As a result of the Arrangement, the securities of SPUD will become securities of the Resulting Issuer and, in particular, one (1) SPUD Common Share will be exchanged for one (1) Resulting Issuer Share, at a deemed price per share of \$7.50 per SPUD Common Share. In total, 43,246,104 SPUD Common Shares will be exchanged for aggregate deemed consideration of \$324,345,780. The number and terms of the securities to be issued in connection with the Arrangement and following the Arrangement were determined pursuant to arm's length negotiations between the Co-Lead Agents, the management of each of SPUD and Rainy Hollow.

Pursuant to the terms of the Arrangement, at the Effective Time, the following shall occur:

- (a) each Dissenting Share held by a Dissenting Shareholder in respect of which a registered SPUD Shareholder has validly exercised his, or its Dissent Rights will be deemed to have been transferred by such SPUD Dissenting Shareholder to the Resulting Issuer without any further act or formality on the part of such SPUD Dissenting Shareholder, free and clear of all liens, claims and encumbrances, in accordance with and for the consideration set forth in the Plan of Arrangement, and such SPUD Dissenting Shareholder will cease to be the registered holder of such SPUD Common Share and have any rights as a SPUD Shareholder other than the right to be paid the fair value of such SPUD Common Share in accordance with the provisions of the BCBCA;
- (b) each SPUD Common Share held by a SPUD Shareholder (other than those SPUD Common Shares held by SPUD Dissenting Shareholders), will be deemed to have been transferred by such SPUD Shareholder to the Resulting Issuer without any further act or formality on the part of such SPUD Shareholder, free and clear of all liens, claims and encumbrances, in exchange for one (1) Resulting Issuer Share;
- (c) notwithstanding the terms of the SPUD Option Plan, each SPUD Option (whether vested or unvested) outstanding immediately prior to the Effective Time will be, and will be deemed to be, terminated and cancelled in its entirety and the holder of such SPUD Option, without any further act or formality on the part of such holder, will receive an option to purchase Resulting Issuer Shares from the Resulting Issuer (that will be governed by the terms of the Resulting Issuer Stock Option Plan) (each a "**Resulting Issuer Replacement Option**"), such that: (a) on exercise of each Resulting Issuer Replacement Option, the holder will be entitled to acquire, and will accept in lieu of the number of SPUD Common Shares to which such holder was entitled immediately before the Effective Date, the number of Resulting Issuer Shares equal to the number of SPUD Common Shares subject to the SPUD Option immediately before the Effective Date; and (b) each such Resulting Issuer Replacement Option will have an exercise price per Resulting Issuer Share equal to the exercise price per SPUD Common Share subject to such SPUD Option immediately before the Effective Date;

- (d) each SPUD Warrant outstanding prior to the Effective Time will be, and will be deemed to be, terminated and cancelled in its entirety and the holder of such SPUD Warrant, without any further act or formality on the part of such holder, will receive a warrant to purchase the Resulting Issuer from the Resulting Issuer (each a “**Resulting Issuer Replacement Warrant**”), such that: (a) on exercise of each Resulting Issuer Replacement Warrant, the holder will be entitled to acquire, and will accept in lieu of the number of SPUD Common Shares to which such holder was entitled immediately before the Effective Date, the number of Resulting Issuer Shares equal to the number of SPUD Common Shares subject to the SPUD Warrant immediately before the Effective Date; and (b) each such Resulting Issuer Replacement Warrant will have an exercise price per Resulting Issuer Share equal to the exercise price per SPUD Common Share subject to such SPUD Warrant immediately before the Effective Date;
- (e) each SPUD Broker Warrant outstanding prior to the Effective Time will be, and will be deemed to be, terminated and cancelled in its entirety and the holder of such SPUD Broker Warrant, without any further act or formality on the part of such holder, will receive a warrant to purchase the Resulting Issuer Shares from the Resulting Issuer (each a “**Resulting Issuer Replacement Broker Warrant**”), such that: (a) on exercise of each Resulting Issuer Replacement Broker Warrant, the holder will be entitled to acquire, and will accept in lieu of the number of SPUD Common Shares to which such holder was entitled immediately before the Effective Date, the number of Resulting Issuer Shares equal to the number of SPUD Common Shares subject to the SPUD Broker Warrant immediately before the Effective Date; and (b) each such Resulting Issuer Replacement Broker Warrant will have an exercise price per Resulting Issuer Share equal to the exercise price per SPUD Common Share subject to such SPUD Broker Warrant immediately before the Effective Date; and
- (f) provided that none of the foregoing will occur or be deemed to occur unless all of the foregoing occurs.

Terms and Conditions of the Arrangement Agreement

The Arrangement Agreement contains certain customary representations and warranties of SPUD and Rainy Hollow relating to, among other things, the organization, capitalization, operations, compliance with applicable laws and regulations and other matters.

In addition, pursuant to the Arrangement Agreement, each of the Parties has covenanted, among other things, until the earlier of the completion of the Arrangement or the termination of the Arrangement Agreement, to use reasonable commercial efforts to do all acts necessary in order to give effect to the Arrangement. In addition, each of the Parties has covenanted to carry on its business in the usual and ordinary course and consistent with past practice.

Conditions to the Completion of the Arrangement

Completion of the Arrangement is subject to compliance with the mutual conditions precedent set forth in the Arrangement Agreement including, but not limited to:

- (a) the SPUD Arrangement Resolution will have been approved and adopted by SPUD Shareholders at the SPUD Meeting in accordance with the Interim Order and the Arrangement will have otherwise been approved and adopted by the requisite majorities of Persons entitled or required to vote thereon as determined by the Court;
- (b) the Interim Order and Final Order will have been obtained from the Court in the manner contemplated by the Arrangement Agreement;
- (c) the TSXV will have accepted the Arrangement, the Rainy Hollow Consolidation, the Name Change, and the other transactions contemplated by the Arrangement Agreement as part of the Qualifying Transaction, subject to compliance with usual and ordinary conditions to final acceptance of the TSXV;

- (d) all other consents, orders, regulations and approvals, including regulatory and judicial approvals and orders, necessary or desirable for the completion of the transactions provided for in the Arrangement Agreement and the Arrangement will have been received from the Persons, authorities or bodies having jurisdiction in the circumstances;
- (e) there will not be in force any order or decree restraining or enjoining the consummation of the transactions contemplated by the Arrangement Agreement and the Arrangement;
- (f) the issuances of Resulting Issuer Shares contemplated by the Arrangement will have been approved by all necessary corporate action to permit such securities to be issued, if applicable, as fully paid and non-assessable shares and will be exempt from the registration requirements of the 1933 Act and state securities laws as well as the prospectus requirements of applicable Securities Laws in each of the Provinces of Canada in which holders of SPUD Common Shares are resident; and
- (g) the TSXV Form 5D - *Escrow Agreement*, if required, executed and delivered by each required shareholders of the Resulting Issuer as required pursuant to the rules and policies of the TSXV.

Completion of the Arrangement is subject to compliance with the following conditions precedent set forth in the Arrangement Agreement in favour of SPUD including, but not limited to:

- (a) the maintenance of Rainy Hollow's listing on the TSXV;
- (b) the Rainy Hollow Consolidation and the Name Change shall have been completed;
- (c) Rainy Hollow will have a minimum cash balance as the cash balance reflected on the Rainy Hollow balance sheet contained in the Rainy Hollow audited financial statements for the year ended November 30, 2020, excluding any paid or unpaid: (a) transaction costs relating to the Arrangement; (b) costs relating to maintaining a listing on the TSXV; and (c) routine costs incurred in the ordinary course;
- (d) all directors and officers of Rainy Hollow will resign and provided mutual releases in a form acceptable to SPUD, acting reasonably, at the Effective Time and will be replaced by SPUD's nominees, subject to such nominees being acceptable to the TSXV;
- (e) Rainy Hollow will have fulfilled or complied in all material respects with each of the covenants of Rainy Hollow contained in this agreement to be fulfilled or complied with by it on or prior to the Effective Time, and will have delivered a certificate confirming same to SPUD, executed by a senior officer of Rainy Hollow (without personal liability) addressed to SPUD and dated the Effective Time;
- (f) the representations and warranties of Rainy Hollow as set out in the Arrangement Agreement being true and correct in all material respects (and will have, for this purpose, any reference to "material", "Material Adverse Effect" or any other concept of materiality in such representations and warranties shall be ignored) at the Effective Time with the same force and effect as if made at and as of such time except for representations and warranties made as of a specified time, the accuracy of which will be determined as of such specified time, and Rainy Hollow will have delivered a certificate confirming same to SPUD executed by a senior officer of Rainy Hollow (without personal liability) addressed to SPUD and dated the Effective Time;
- (g) the absence of any Material Adverse Effect of Rainy Hollow;
- (h) SPUD Shareholders holding no more than 5% of the issued and outstanding SPUD Common Shares will have exercised their Dissent Rights (and not withdrawn such exercise);
- (i) the issuances of post-Consolidation Rainy Hollow Shares contemplated by the Arrangement will have been approved by all necessary corporate action to permit such securities to be issued, if

applicable, as fully paid and non-assessable shares and will be exempt from the prospectus requirements of applicable Securities Laws in each of the Provinces of Canada in which holders of SPUD Common Shares are resident; and

- (j) the Rainy Hollow Lock-Up Agreement executed and delivered by Ionic Securities Ltd.

Completion of the Arrangement is subject to compliance with the following conditions precedent set forth in the Arrangement Agreement in favour of Rainy Hollow including, but not limited to:

- (a) SPUD will have fulfilled or complied in all material respects with each of the covenants of SPUD contained in this agreement to be fulfilled or complied with by it on or prior to the Effective Time, and will have delivered a certificate confirming same to Rainy Hollow, executed by a senior officer of SPUD (without personal liability) addressed to Rainy Hollow and dated the Effective Time;
- (b) the representations and warranties of SPUD as set out in the Arrangement Agreement being true and correct in all material respects (and, for this purpose, any reference to “material”, “Material Adverse Effect” or any other concept of materiality in such representations and warranties shall be ignored) at the Effective Time with the same force and effect as if made at and as of such time in each case except for representations and warranties made as of a specified time, the accuracy of which will be determined as of such specified time, and SPUD will have delivered a certificate confirming same to Rainy Hollow executed by a senior officer of SPUD (without personal liability) addressed to Rainy Hollow and dated the Effective Time;
- (c) the absence of any Material Adverse Effect on SPUD;
- (d) the SPUD Lock-Up Agreements and SPUD Undertakings will have been executed and delivered by the relevant insiders of SPUD and SPUD Shareholders to the Co-Lead Agents; and
- (e) the SPUD Voting and Support Agreements will have been executed and delivered by the relevant insiders of SPUD and SPUD Shareholders to Rainy Hollow.

Termination of Arrangement Agreement

The Arrangement Agreement may be terminated at any time prior to the date that the Arrangement becomes effective as follows:

- (a) by the mutual agreement of SPUD and Rainy Hollow;
- (b) upon any applicable regulatory authority having notified in writing any of the Parties that it will not permit the Arrangement to proceed;
- (c) by either SPUD or Rainy Hollow if the other Party breaches a material term of the Arrangement Agreement and such breach is not waived or, if capable of being cured, cured within a period of 10 calendar days from the date of written notice of such breach;
- (d) by either SPUD or Rainy Hollow if the conditions precedent to its obligations to complete the Arrangement are not satisfied or waived on or before the Outside Date (or such other date as agreed to by the Parties), except that such right to terminate will not be available to a Party whose failure to perform any of its covenants or agreements has been the primary cause of, or resulted in, the failure of the conditions precedent to be satisfied by such date;
- (e) upon the earliest to occur of: (a) the SPUD Shareholders failing to approve the Arrangement; or (b) a final determination from the Court or an appeal court that denies the granting of the Final Order;
- (f) by SPUD in order to accept and enter into an agreement in respect of an Alternative Transaction (including a Superior Proposal) in compliance with the terms of the Arrangement Agreement;

- (g) by Rainy Hollow if the SPUD Board shall have withdrawn or modified in a manner adverse to Rainy Hollow its approval or recommendation of the Arrangement or shall have approved or recommended any Superior Proposal; and
- (h) by SPUD if the board of directors of Rainy Hollow shall have withdrawn or modified in a manner adverse to SPUD its approval or recommendation of the Arrangement or shall have approved or recommended any Superior Proposal.

See “*Part I – Information Concerning Rainy Hollow – Qualifying Transaction*” for more information.

Post-Arrangement Resulting Issuer Share Capital

Upon completion of the Arrangement, including but not limited to the Consolidation, will be:

- (a) an aggregate of 43,782,870 Resulting Issuer Shares will be issued and outstanding, consisting of:
 - (i) 536,766 Resulting Issuer Shares currently held by Rainy Hollow Shareholders;
 - (ii) 35,584,731 Resulting Issuer Shares issued to existing holders of SPUD Common Shares other than the holders of SPUD Common Shares issued upon conversion of SPUD Subscription Receipts, the SPUD Convertible Debentures, the SPUD Note Warrants, the SPUD Convertible Notes and the Corporate Finance Fee Shares;
 - (iii) 3,227,500 Resulting Issuer Shares issued to holders of SPUD Common Shares issued upon conversion of SPUD Subscription Receipts;
 - (iv) 2,431,358 Resulting Issuer Shares issued to holders of SPUD Common Shares issued upon conversion of SPUD Convertible Debentures;
 - (v) 6,666 Resulting Issuer Shares issued to Canaccord as the Corporate Finance Fee Shares;
 - (vi) 1,275,849 Resulting Issuer Shares issued to holders of SPUD Common Shares issued upon conversion of the SPUD Convertible Notes; and
 - (vii) 720,000 Resulting Issuer Shares issued to holders of SPUD Common Shares issued upon conversion of the SPUD Note Warrants; and
- (b) an aggregate of 2,967,013 Resulting Issuer Replacement Warrants to purchase 2,967,013 Resulting Issuer Shares to be issued to replace outstanding SPUD Warrants;
- (c) an aggregate of 4,377,900 Resulting Issuer Options will be outstanding, consisting of:
 - (i) 25,000 Resulting Issuer Options to purchase 25,000 Resulting Issuer Shares pursuant to the Rainy Hollow Stock Option Plan and which will be governed by the Resulting Issuer Legacy Stock Option Plan; and
 - (ii) 4,352,900 Resulting Issuer Replacement Options to purchase 4,352,900 Resulting Issuer Shares to be issued to replace outstanding SPUD Stock Options, which will be governed by the Resulting Issuer Legacy Stock Option Plan;
- (d) an aggregate of 880,985 Resulting Issuer Replacement Broker Warrants will be outstanding, consisting of:
 - (i) 124,000 Resulting Issuer Replacement Broker Warrants representing the right to acquire up to an aggregate of 124,000 Resulting Issuer Shares issued to holders of agent warrants

issued to the Co-Lead Agents on October 21, 2020 as part of their compensation in relation to the offering of SPUD Convertible Debentures completed on October 21, 2020;

- (ii) 192,849 Resulting Issuer Replacement Broker Warrants representing the right to acquire up to an aggregate of 192,849 Resulting Issuer Shares issued to holders of SPUD Compensation Warrants; and
- (iii) 564,136 Resulting Issuer Replacement Broker Warrants representing the right to acquire up to an aggregate of 564,136 Resulting Issuer Shares issued to holders of the broker warrants issued to various brokers of SPUD in tranches on November 20, 2013, April 30, 2015 and November 9, 2016 and exercisable in respect of 564,136 SPUD Common Shares.

Interests of Insiders, Promoters or Control Persons

Under the terms of the Arrangement, the current officers and directors of Rainy Hollow will resign on the Effective Date. Jeffrey King, Adrienne Uy and Peter van Stolk, who are current officers of SPUD, will become the officers of the Resulting Issuer and will have the same titles and responsibilities as they currently have as officers of SPUD. The current directors of SPUD, being Todd Cherniak, Eric Phaneuf, Peter van Stolk, Terry Vanderkruyk and Monique Wilberg, will become the directors of the Resulting Issuer after the completion of the Arrangement and the resignation of the directors of Rainy Hollow. See “Part III – Information Concerning the Resulting Issuer – Board of Directors and Management”.

The following table states the name of each of the Insiders, Promoters and Control Persons of Rainy Hollow, SPUD and of Resulting Issuer, respectively, and the number of Rainy Hollow Common Shares, SPUD Common Shares and Resulting Issuer Shares (after the Completion of the Qualifying Transaction), as the case may be, that such person has advised are beneficially owned (directly or indirectly) or over which control or direction is exercised by such person, in each case on a fully-diluted basis.

Insider, Promoter or Control Person	Number of Rainy Hollow Common Shares beneficially owned or over which control is exercised		Number of SPUD Common Shares beneficially owned or over which control is exercised		Number of Resulting Issuer Shares beneficially owned or over which control is exercised (After Giving Effect to the Consolidation and Arrangement)	
	Number ⁽¹⁾	Approx. Percentage ⁽²⁾	Number ⁽³⁾	Approx. Percentage ⁽³⁾	Number	Percentage ⁽⁴⁾
Michael Atkinson Director, CEO, CFO, Corporate Secretary of Rainy Hollow	100,000	2.225%	6,700	0.016%	19,200	0.037%
John Downes Director of Rainy Hollow	100,000	2.225%	—	—	12,500	0.024%
Frank Stronach Director of Rainy Hollow	100,000	2.225%	—	—	12,500	0.024%
Ionic Securities Ltd. Insider of Rainy Hollow	1,400,000	31.152%	26,700	0.062%	201,700	0.388%
Fonds Agro ⁽⁵⁾ Insider of SPUD and of the Resulting Issuer	—	—	6,669,636	15.423%	6,669,636	12.824%
Peter van Stolk Director and CEO of SPUD and of the Resulting Issuer	—	—	4,342,854	10.042%	4,342,854	8.35%

Insider, Promoter or Control Person	Number of Rainy Hollow Common Shares beneficially owned or over which control is exercised		Number of SPUD Common Shares beneficially owned or over which control is exercised		Number of Resulting Issuer Shares beneficially owned or over which control is exercised (After Giving Effect to the Consolidation and Arrangement)	
	Number ⁽¹⁾	Approx. Percentage ⁽²⁾	Number ⁽³⁾	Approx. Percentage ⁽³⁾	Number	Percentage ⁽⁴⁾
Adrienne Uy CFO of SPUD and of the Resulting Issuer	—	—	643,291	1.49%	643,291	1.24%
Jeffrey King CTO of SPUD and of the Resulting Issuer	—	—	—	—	—	—
Eric Phaneuf ⁽⁵⁾ Director of SPUD and of the Resulting Issuer	—	—	6,669,636	15.423%	6,669,636	12.824%
Terry Vanderkruyk ⁽⁶⁾ Director of SPUD and of the Resulting Issuer	—	—	32,670	0.076%	32,670	0.063%
Todd Cherniak ⁽⁷⁾ Director of SPUD and of the Resulting Issuer	—	—	411,918	0.952%	411,918	0.792%
Monique Wilberg ⁽⁸⁾ Director of SPUD and of the Resulting Issuer	—	—	680,508	1.574%	680,508	1.308%
Robert Horricks Officer of a subsidiary of the Resulting Issuer	—	—	200,000	0.462%	200,000	0.385%

(1) Without giving effect to the Consolidation.

(2) Based on 4,494,130 Rainy Hollow Common Shares outstanding on a fully-diluted basis (comprised of 4,294,130 Rainy Hollow Common Shares).

(3) Based on 43,246,104 SPUD Common Shares outstanding, on an un-diluted basis, after the conversion of the SPUD Subscription Receipts, SPUD Convertible Debentures, SPUD Convertible Notes and the SPUD Note Warrants, and after the issuance of the Corporate Finance Fee Shares.

(4) Based on 52,008,768 Resulting Issuer Shares outstanding on a fully diluted basis after giving effect to the Consolidation and the Arrangement (comprised of 43,782,870 Resulting Issuer Shares issued and outstanding, 2,967,013 Resulting Issuer Warrants, 880,985 Resulting Issuer Broker Warrants and 4,377,900 Resulting Issuer Options outstanding to acquire the same number of Resulting Issuer Shares). This number does not include any Resulting Issuer Shares that could be issued pursuant to the exercise of the A&R Equity Participation Right.

(5) These shares are held by Fonds Agro. Commandité S.P.U.D. Inc., the general partner of Fonds Agro, is indirectly controlled by Walter Capital Partners Inc., a private equity firm. Eric Phaneuf, a director of SPUD and of the Resulting Issuer, is the President and Chief Executive Officer of Walter Capital Partners Inc. Mr. Phaneuf is also a director and indirect shareholder of Commandité S.P.U.D. Inc. Mr. Phaneuf is responsible for all the investment decisions of Fonds Agro's with respect to its holding in SPUD or the Resulting Issuer.

(6) Terry Vanderkruyk is a control person of ZT Capital Ltd., and holds a portion of the SPUD Common Shares indicated in the table via this entity.

(7) Todd Cherniak is a control person of MHC Holdings Ltd. and Canadian Magnetic Imaging Ltd., and holds a portion of the SPUD Common Shares indicated in the table via these entities.

(8) Monique Wilberg is a control person of deBerg Holdings Ltd., and holds a portion of the SPUD Common Shares indicated in the table via this entity.

See “Part I - Information Concerning Rainy Hollow” and “Part III – Information Concerning the Resulting Issuer – Board of Directors and Management”.

Arm's Length Qualifying Transaction

The Arrangement is not a Non Arm's Length Qualifying Transaction in accordance with the policies of the TSXV. No Insider or Control Person of Rainy Hollow holds any interest in SPUD or will receive any consideration should Completion of the Qualifying Transaction occur, except for Michael Atkinson and Ionic Securities Ltd., which both

subscribed to SPUD Subscription Receipts subsequent to the execution of the Arrangement Agreement, as disclosed in the summary section of the Filing Statement, under the heading “*Interests of Insiders, Promoters or Control Persons*”.

Securityholder Approval

As the Qualifying Transaction is not a Non Arm’s Length Qualifying Transaction in accordance with the policies of the TSXV, the approval of the Qualifying Transaction by the Rainy Hollow Shareholders is not required.

Estimated Available Funds and Principal Purposes

Estimated Available Funds

Based on the information as at March 31, 2021, on Completion of the Qualifying Transaction, the Resulting Issuer is expected to have approximately, on a pro forma basis, \$9.0 million in available funds, which includes the following:

Estimated Available Funds	Amount
Estimated consolidated working capital	\$0.2 million
Net proceeds from the sales of the SPUD Subscription Receipts in the SPUD Private Placement ⁽¹⁾	\$21.3 million
Repayment of the ARCA balance after conversion	(\$22.5 million)
Proceeds from the Silicon Valley Bank Loan and Security Agreement	\$10.0 million
Total estimated available funds:	\$9.0 million

(1) Includes Agents’ commissions, the Corporate Finance Fee Cash Payment and estimated expenses in connection with the SPUD Private Placement and estimated legal and accounting fees in connection with the SPUD Private Placement and the Qualifying Transaction.

Principal Purposes

Upon the completion of the SPUD Private Placement and the Arrangement, the Resulting Issuer will use the funds available to it to (a) to fund the business plan of the Resulting Issuer; (b) for SPUD Private Placement and Arrangement expenses; and (c) for general corporate purposes and future working capital of the Resulting Issuer. Specifically, management currently intends to use funds available over the next 12 months for the following purposes and in the following order of priority:

Principal Purpose	Amount
Administrative expenses net of operating cash flows	\$1.1 million
Management salaries	\$3.7 million
Estimated legal, accounting and other professional fees	\$0.5 million
Interest payments	\$1.0 million
Product development of eGMS technology platform and supporting business development ⁽¹⁾	\$1.5 million
Customer acquisition for consumer brands	\$1.0 million
Capital expenditures to maintain capacity for online consumer platform	\$1.1 million
Unallocated working capital	\$0.1 million
Total:	\$9.0 million

(1) Investment levels may increased in the event SPUD draws an additional amount on the SVB Loan and with additional sources of financing.

It is expected that the Resulting Issuer will use a substantial portion of the unallocated working capital for general corporate purposes and to further expand its eGMS technology platform globally and grow its existing consumer segments.

There may be circumstances where, on the basis of results obtained or for other sound business reasons, a re-allocation of funds may be necessary or prudent. Accordingly, management of the Resulting Issuer will have broad discretion in the application of the working capital. The actual amount that the Resulting Issuer spends in connection with each intended purpose set out above may vary significantly from the amounts specified above and will depend on a number of factors, including those referred to under “*Part IV - Risk Factors*”.

See “*Part II – Information Concerning SPUD*” and “*Part III – Information Concerning the Resulting Issuer*”.

Selected Pro Forma Financial Information

The following table sets out selected financial information for each of Rainy Hollow and SPUD, as well as unaudited pro forma financial information for the Resulting Issuer on a consolidated basis, after giving effect to the Arrangement. The following information should be read in conjunction with the financial statements set out in Exhibits hereto.

(expressed in thousands of dollars)	Rainy Hollow, as at November 30, 2020	SPUD, as at January 2, 2021	Pro Forma Adjustments ⁽¹⁾	Resulting Issuer Pro Forma Consolidated, as at November 30, 2020
Cash and cash equivalents	\$477	\$9,614	\$8,817	\$18,908
Total assets (including non-current assets)	\$477	\$82,116	\$(15,389)	\$67,204
Total liabilities (including non-current liabilities)	\$79	\$126,067	\$(66,888)	\$59,258
Shareholders’ equity	\$398	\$(43,951)	\$51,499	\$7,946

(1) Please refer to the unaudited pro forma consolidated statement of financial position of the Resulting Issuer as at November 30, 2020, attached hereto as Exhibit “G”.

Details Respecting Rainy Hollow's TSXV Listing

On May 29, 2018, Rainy Hollow completed the IPO for gross proceeds of \$270,000 and the Rainy Hollow Common Shares were listed on the TSXV under the symbol "RHV.P". Rainy Hollow currently has 4,294,130 Rainy Hollow Common Shares issued and outstanding and Rainy Hollow Options to purchase an aggregate of 200,000 Rainy Hollow Common Shares at a price of \$0.20 per Rainy Hollow Common Share outstanding.

Market Price of Rainy Hollow Common Shares

On February 27, 2020, the Rainy Hollow Common Shares were halted from trading upon the announcement that Rainy Hollow had entered into a letter of intent with Reciprocity Corp dated February 26, 2020. The Common Shares of Rainy Hollow have remained halted since February 27, 2020. The closing price on the TSXV of Rainy Hollow Common Shares on February 26, 2020, the last completed trading day, was \$0.28 per share. See "*Part I – Information Concerning Rainy Hollow – Stock Exchange Price*".

Conditional Approval

The TSXV and the TSX have conditionally accepted the Qualifying Transaction subject to Rainy Hollow fulfilling all of the requirements of the TSXV. Rainy Hollow has applied to have the Resulting Issuer Shares listed on the TSX upon the Completion of the Qualifying Transaction under the symbol "LOCL". **Listing is subject to the approval of the TSX in accordance with its original listing requirements.**

Securities Laws Matters

The Resulting Issuer Shares to be issued to holders of SPUD Common Shares pursuant to the Arrangement will be issued in reliance on the exemption found in Section 2.11 of NI 45-106 from prospectus requirements of applicable Canadian Securities Laws. Pursuant to NI 45-102, the Resulting Issuer Shares to be issued to holders of such shares will not be subject to a hold period under applicable Canadian Securities Laws (subject to the conditions of NI 45-102). Shareholders are advised to consult their financial or legal advisors with respect to the tradability of the Resulting Issuer Shares that they will receive on completion of the Arrangement.

Sponsorship and Relationships

In connection with the Resulting Issuer's application for listing on the TSX as a "non-exempt Industrial" issuer, the Resulting Issuer will seek to rely on a waiver from the TSX sponsorship requirements, as well as the TSXV sponsorship requirements, on the basis, among other things, that were: (i) there was significant involvement of a bank or other major financial institution in the SPUD Convertible Debenture Private Placement, the SPUD Private Placement and the Qualifying Transaction; (ii) in connection with the Arrangement, SPUD completed the SPUD Private Placement, which was a brokered private placement, for aggregate gross proceeds of approximately \$24.2 million through the issuance of the SPUD Subscription Receipts; (iii) the Co-Lead Agents have completed appropriate due diligence on both SPUD and Rainy Hollow in connection with the SPUD Convertible Debenture Private Placement, the SPUD Private Placement and the Qualifying Transaction. There are no actual or anticipated agreements between the Resulting Issuer and any registrant to provide sponsorship or corporate finance services to the Resulting Issuer either now or in the future. See "*Part V – General Matters – Sponsorship and Relationships*".

Experts

There is no Person or Company whose profession or business gives authority to a report, valuation, statement or opinion made by such person or company and who is named as having prepared or certified a report, valuation, statement or opinion in this prospectus other than Davidson & Company LLP, Chartered Professional Accountants and Deloitte LLP, Chartered Professional Accountants. See "*Part V – General Matters – Experts*".

Conflicts of interest

Certain of the directors and officers of SPUD and the Resulting Issuer are or will be, and may continue to be, involved in other business ventures through their direct and indirect participation in corporations, partnerships, joint ventures,

etc. that may become potential competitors of the products SPUD intends to provide. Situations may arise where the other interests of these directors and officers conflict with or diverge from SPUD's interests. Certain of such conflicts may be required to be disclosed in accordance with such procedure and remedies as applicable under applicable corporate law, however, such procedures and remedies may not fully protect SPUD. In addition, in conflict of interest situations, the directors and officers of SPUD or the Resulting Issuer may owe the same duty to another company and will need to balance their competing interests. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to SPUD or the Resulting Issuer.

Risk Factors

The current business of SPUD will be the business of the Resulting Issuer upon Completion of the Qualifying Transaction. SPUD's future development and operating results may differ from those expected as at the date of this Filing Statement. Readers should carefully consider the risks related to SPUD's and the Resulting Issuer's future performance. See "*Part IV – Risk Factors*".

Risk factors relating to SPUD, the Resulting Issuer and the Arrangement include, but are not limited to, the following:

- **Risks relating to the Resulting Issuer's business:**
 - SPUD may not achieve its business objectives;
 - SPUD has a history of losses and may continue to incur losses in the future;
 - key management;
 - management of growth;
 - online disruption, collection of information and security;
 - protection of intellectual property;
 - reliance on hardware and software;
 - data security incidents;
 - third-party data transmission;
 - limited data centers;
 - operating risk and insurance coverage;
 - conflicts of interest;
 - litigation;
 - grocery industry;
 - limited operating history as a SaaS platform;
 - health risks and quality control;
 - regulatory compliance;
 - product recalls;
 - transportation disruption;
 - evolving industry;
 - competition; and
 - COVID-19.
- **Risks relating to the ownership of Resulting Issuer Shares:**

- potential volatility of share price;
 - no assurance of active market for shares;
 - dividends;
 - global financial conditions;
 - future sales of Resulting Issuer Shares by existing shareholders;
 - use of proceeds from the SPUD Private Placement;
 - dilution of shareholders of the Resulting Issuer; and
 - publication of inaccurate or unfavourable research and reports.
- **Risks to Rainy Hollow Shareholders relating to the Arrangement:**
 - conditions precedent to the Arrangement;
 - the transaction may not be completed;
 - operating history; and
 - management and conflicts of interest.

PART I - INFORMATION CONCERNING RAINY HOLLOW

Name, Incorporation and Intercorporate Relationships

Rainy Hollow Ventures Inc. was incorporated on January 17, 2018, by certificate of incorporation issued pursuant to the provisions of the BCBCA. The registered and records office of Rainy Hollow is located at 1200 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia V7X 1T2, and the head office of Rainy Hollow is located at #1703, 595 Burrard Street, Vancouver, British Columbia V7X 1J1. Rainy Hollow has no subsidiaries.

General Development of the Business

Rainy Hollow is a CPC listed on the TSXV and to date has not carried on any operations. The principal business of Rainy Hollow has been the identification and evaluation of businesses and assets with a view to completing a Qualifying Transaction and, having identified and evaluated such opportunities, negotiating an acquisition or participation subject to acceptance by the TSXV. Rainy Hollow does not have business operations or assets other than cash, and currently has no written or oral agreements in principle for the acquisition of an asset or business, other than the Arrangement Agreement.

On January 17, 2018, Rainy Hollow sold 1,700,000 Rainy Hollow Common Shares at a price of \$0.10 per Rainy Hollow Common Share for aggregate gross proceeds of \$170,000. These initial 1,700,000 Rainy Hollow Common Shares are held in escrow. On January 29, 2018, Rainy Hollow sold an additional 1,200,000 Rainy Hollow Common Shares at a price of \$0.20 per Rainy Hollow Common Share for aggregate gross proceeds of \$240,000. On April 30, 2018, Rainy Hollow filed its final prospectus. On May 29, 2018, Rainy Hollow completed the IPO, issuing an additional 1,350,000 Rainy Hollow Common Shares at a price of \$0.20 per Rainy Hollow Common Share for aggregate gross proceeds of \$270,000, following which the Rainy Hollow Common Shares were approved for listing on the TSXV and commenced trading effective May 29, 2018, under the symbol "RMS.P". Rainy Hollow incurred cash costs of \$97,307 for fees to Leede Jones Gable Inc., the TSXV, legal and other expenses related to the IPO. Additionally, Rainy Hollow issued 100,000 Rainy Hollow Common Share purchase warrants (the "**IPO Agent's Warrants**") to Leede Jones Gable Inc., which such IPO Agent's Warrants were exercisable for a period of 24 months from May 29, 2020 at a price of \$0.20 per IPO Agent's Warrant. On September 28, 2018, 44,130 IPO Agent's Warrants were exercised for cash proceeds of \$8,826 and the remaining 55,870 IPO Agent's Warrants expired on May 29, 2020, unexercised.

Since the IPO, Rainy Hollow has not commenced operations, has no assets other than cash, and is a reporting issuer under applicable securities legislation in the Provinces of British Columbia, Alberta, and Ontario.

On February 26, 2020, Rainy Hollow entered into a binding letter of intent with Reciprocity Corp., pursuant to which Rainy Hollow agreed to acquire all of the issued and outstanding securities of Reciprocity Corp., with such acquisition constituting the reverse takeover of Rainy Hollow. On September 4, 2020, Rainy Hollow and Reciprocity Corp. mutually terminated the said binding letter of intent pursuant to the terms thereof.

Qualifying Transaction

On October 1, 2020, Rainy Hollow announced that it had entered into a Letter Agreement (the "**Letter Agreement**") with SPUD dated September 30, 2020, as amended on December 10, 2020, pursuant to which Rainy Hollow and SPUD agreed upon the terms of a proposed business combination to be achieved by way of a three-cornered amalgamation, plan of arrangement or an alternate structure to be determined by the parties, to ultimately form the Resulting Issuer.

On December 21, 2020, Rainy Hollow and SPUD entered into the Arrangement Agreement pursuant to which the Arrangement will be effected, which Arrangement Agreement was amended on March 9, 2021.

Arrangement Agreement

The Arrangement Agreement contains covenants of SPUD and Rainy Hollow, representations and warranties of and from SPUD and Rainy Hollow and various conditions precedent, both mutual and with respect to SPUD and Rainy Hollow.

Unless all of such conditions are satisfied or waived by the Party for whose benefit such conditions exist, to the extent they may be capable of waiver, the Arrangement will not proceed. There is no assurance that the conditions will be satisfied or waived on a timely basis, or at all.

The following is a summary of certain provisions of the Arrangement Agreement and is qualified in its entirety by the full text of the Arrangement Agreement.

Representations and Warranties and Covenants Relating to the Conduct of Business of the Parties of the Parties

The Arrangement Agreement contains certain customary representations and warranties of SPUD and Rainy Hollow relating to, among other things, the organization, capitalization, operations, compliance with applicable laws and regulations and other matters.

In addition, pursuant to the Arrangement Agreement, each of the Parties has covenanted, among other things, until the earlier of the completion of the Arrangement or the termination of the Arrangement Agreement, to use reasonable commercial efforts to do all acts necessary in order to give effect to the Arrangement. In addition, each of the Parties has covenanted to carry on its business in the usual and ordinary course and consistent with past practice.

Conditions to the Completion of the Arrangement

Completion of the Arrangement is subject to compliance with the mutual conditions precedent set forth in the Arrangement Agreement including, but not limited to:

- (a) the SPUD Arrangement Resolution will have been approved and adopted by SPUD Shareholders at the SPUD Meeting in accordance with the Interim Order and the Arrangement will have otherwise been approved and adopted by the requisite majorities of Persons entitled or required to vote thereon as determined by the Court;
- (b) the Interim Order and Final Order will have been obtained from the Court in the manner contemplated by the Arrangement Agreement;
- (c) the TSXV will have accepted the Arrangement, the Consolidation, the Name Change, and the other transactions contemplated by the Arrangement Agreement as part of the Qualifying Transaction, subject to compliance with usual and ordinary conditions to final acceptance of the TSXV;
- (d) all other consents, orders, regulations and approvals, including regulatory and judicial approvals and orders, necessary or desirable for the completion of the transactions provided for in the Arrangement Agreement and the Arrangement will have been received from the Persons, authorities or bodies having jurisdiction in the circumstances;
- (e) there will not be in force any order or decree restraining or enjoining the consummation of the transactions contemplated by the Arrangement Agreement and the Arrangement;
- (f) the issuances of Resulting Issuer Shares contemplated by the Arrangement will have been approved by all necessary corporate action to permit such securities to be issued, if applicable, as fully paid and non-assessable shares and will be exempt from the registration requirements of the 1933 Act and state securities laws as well as the prospectus requirements of applicable Securities Laws in each of the Provinces of Canada in which holders of SPUD Common Shares are resident; and

- (g) the TSXV Form 5D - Escrow Agreement, if required, executed and delivered by each required shareholders of the Resulting Issuer as required pursuant to the rules and policies of the TSXV.

Completion of the Arrangement is subject to compliance with the following conditions precedent set forth in the Arrangement Agreement in favour of SPUD including, but not limited to:

- (a) the maintenance of Rainy Hollow's listing on the TSXV;
- (b) the Consolidation and the Name Change shall have been completed;
- (c) Rainy Hollow will have a minimum cash balance as the cash balance reflected on the Rainy Hollow balance sheet contained in the Rainy Hollow audited financial statements for the year ended November 30, 2020, excluding any paid or unpaid: (i) transaction costs relating to the Arrangement; (ii) costs relating to maintaining a listing on the TSXV; and (iii) routine costs incurred in the ordinary course;
- (d) all directors and officers of Rainy Hollow will resign and provided mutual releases in a form acceptable to SPUD, acting reasonably, at the Effective Time and will be replaced by SPUD's nominees, subject to such nominees being acceptable to the TSXV;
- (e) Rainy Hollow will have fulfilled or complied in all material respects with each of the covenants of Rainy Hollow contained in this agreement to be fulfilled or complied with by it on or prior to the Effective Time, and will have delivered a certificate confirming same to SPUD, executed by a senior officer of Rainy Hollow (without personal liability) addressed to SPUD and dated the Effective Time;
- (f) the representations and warranties of Rainy Hollow as set out in the Arrangement Agreement being true and correct in all material respects (and will have, for this purpose, any reference to "material", "Material Adverse Effect" or any other concept of materiality in such representations and warranties shall be ignored) at the Effective Time with the same force and effect as if made at and as of such time except for representations and warranties made as of a specified time, the accuracy of which will be determined as of such specified time, and Rainy Hollow will have delivered a certificate confirming same to SPUD executed by a senior officer of Rainy Hollow (without personal liability) addressed to SPUD and dated the Effective Time;
- (g) the absence of any Material Adverse Effect of Rainy Hollow;
- (h) SPUD Shareholders holding no more than 5% of the issued and outstanding SPUD Common Shares will have exercised their Dissent Rights (and not withdrawn such exercise);
- (i) the issuances of post-Consolidation Rainy Hollow Shares contemplated by the Arrangement will have been approved by all necessary corporate action to permit such securities to be issued, if applicable, as fully paid and non-assessable shares and will be exempt from the prospectus requirements of applicable Securities Laws in each of the Provinces of Canada in which holders of SPUD Common Shares are resident; and
- (j) the Rainy Hollow Lock-Up Agreement executed and delivered by Ionic Securities Ltd.

Completion of the Arrangement is subject to compliance with the following conditions precedent set forth in the Arrangement Agreement in favour of Rainy Hollow including, but not limited to:

- (a) SPUD will have fulfilled or complied in all material respects with each of the covenants of SPUD contained in this agreement to be fulfilled or complied with by it on or prior to the Effective Time, and will have delivered a certificate confirming same to Rainy Hollow, executed by a senior officer of SPUD (without personal liability) addressed to Rainy Hollow and dated the Effective Time; and

- (b) the representations and warranties of SPUD as set out in the Arrangement Agreement being true and correct in all material respects (and, for this purpose, any reference to “material”, “Material Adverse Effect” or any other concept of materiality in such representations and warranties shall be ignored) at the Effective Time with the same force and effect as if made at and as of such time in each case except for representations and warranties made as of a specified time, the accuracy of which will be determined as of such specified time, and SPUD will have delivered a certificate confirming same to Rainy Hollow executed by a senior officer of SPUD (without personal liability) addressed to Rainy Hollow and dated the Effective Time;
- (c) the absence of any Material Adverse Effect on SPUD;
- (d) the SPUD Lock-Up Agreements and SPUD Undertakings will have been executed and delivered by the relevant insiders of SPUD and SPUD Shareholders to the Co-Lead Agents; and
- (e) the SPUD Voting and Support Agreements will have been executed and delivered by the relevant insiders of SPUD and SPUD Shareholders to Rainy Hollow.

Covenants Regarding Non-Solicitation; Alternative Transactions; Right to Accept a Superior Proposal

Subject the terms of the Arrangement Agreement, until the Arrangement Agreement is terminated or the Arrangement is effected as contemplated therein, each of Rainy Hollow and SPUD will not, directly or indirectly:

- (a) make, solicit, initiate, entertain, encourage, promote or facilitate, including by way of permitting any visit to its facilities or properties or entering into any form of agreement, arrangement or understanding, any inquiries or the making of any proposals regarding an Alternative Transaction or that may reasonably be expected to lead to an Alternative Transaction;
- (b) participate in any discussions or negotiations regarding, or furnish to any Person any information or otherwise co-operate with, respond to, assist or participate in any Alternative Transaction or potential Alternative Transaction;
- (c) agree to, approve or recommend any Alternative Transaction or potential Alternative Transaction or remain neutral with respect to any publicly announced Alternative Transaction or potential Alternative Transaction (it being understood that publicly taking no position or a neutral position with respect to an Alternative Transaction or potential Alternative Transaction until 10 Business Days following public announcement of such Alternative Transaction or potential Alternative Transaction will not be considered to be a violation of the relevant provision of the Arrangement Agreement); or
- (d) enter into any agreement, arrangement or understanding related to any Alternative Transaction.

Pursuant to the Arrangement Agreement, Rainy Hollow and SPUD agree to promptly provide notice to the other Party of any proposals, offers or written inquiries relating to or which could result in an Alternative Transaction being consummated, or any request for non-public information relating to such Party. Such notice will include a description of the terms and conditions of any proposal, inquiry or offer, and will not be required to disclose the identity of the Person making such proposal, inquiry or offer.

Each of the SPUD Board and the board of directors of Rainy Hollow may consider, negotiate, accept, approve or recommend to its shareholders, or enter into an agreement, understanding or arrangement in respect of an Alternative Transaction that is an unsolicited Superior Proposal as defined below. Prior to considering, negotiating, accepting, approving or recommending to its shareholders or entering into agreement, understanding or arrangement in respect of, an unsolicited Superior Proposal, each Party will: (a) advise the other Party in writing of the existence and terms of any such offer or proposal and provide redacted copies thereof to the other Party as soon as reasonably possible following its receipt thereof; (b) provide copies of any information provided to the Person making the Superior Proposal, which has not already been made available to the other Party; and (c) if requested by the other Party, prior to accepting, recommending, approving or entering into any agreement to implement the Superior Proposal, to

negotiate in good faith with the other Party and its legal and financial advisors for a period of up to three Business Days to permit the other Party, if practicable, to propose such adjustments in the terms and conditions of the Arrangement Agreement as may be necessary or advisable such that, in the bona fide opinion of such Party's board of directors, the Alternative Transaction is no longer a Superior Proposal. In the event that the other Party proposes to so amend the Arrangement Agreement to provide substantially equivalent or superior value to that provided under the Superior Proposal, neither Party will accept, recommend, approve or enter into any agreement to implement the Superior Proposal.

If prior to the completion of the Arrangement a bona fide, unsolicited Alternative Transaction is proposed, offered or made to Rainy Hollow or SPUD or their respective shareholders which, in the bona fide opinion of a Party's board of directors would result in a financially superior transaction, directly or indirectly, for its shareholders than that contemplated by the Arrangement (any such Alternative Transaction being referred to herein as a "**Superior Proposal**"), a Party's board of directors may withdraw, modify or change its approval of the Arrangement contemplated by the Arrangement Agreement if, in the opinion of such board of directors acting reasonably and upon the written advice of its legal counsel, such withdrawal, modification or change is required or would be consistent with the fiduciary duties of its board of director under Applicable Laws.

Termination of Arrangement Agreement

The Arrangement Agreement may be terminated at any time prior to the date that the Arrangement becomes effective as follows:

- (a) by the mutual agreement of SPUD and Rainy Hollow;
- (b) by either SPUD or Rainy Hollow if the other Party breaches a material term of the Arrangement Agreement and such breach is not waived or, if capable of being cured, cured within a period of 10 calendar days from the date of written notice of such breach;
- (c) by either SPUD or Rainy Hollow if the conditions precedent to its obligations to complete the Arrangement are not satisfied or waived on or before the Outside Date (or such other date as agreed to by the Parties), except that such right to terminate will not be available to a Party whose failure to perform any of its covenants or agreements has been the primary cause of, or resulted in, the failure of the conditions precedent to be satisfied by such date;
- (d) upon the earliest to occur of: (i) the SPUD Shareholders failing to approve the Arrangement; or (ii) a final determination from the Court or an appeal court that denies the granting of the Final Order;
- (e) by SPUD in order to accept and enter into an agreement in respect of an Alternative Transaction (including a Superior Proposal) in compliance with the terms of the Arrangement Agreement;
- (f) by Rainy Hollow if the SPUD Board shall have withdrawn or modified in a manner adverse to Rainy Hollow its approval or recommendation of the Arrangement or shall have approved or recommended any Superior Proposal;
- (g) by SPUD if the board of directors of Rainy Hollow shall have withdrawn or modified in a manner adverse to SPUD its approval or recommendation of the Arrangement or shall have approved or recommended any Superior Proposal; and
- (h) upon any applicable regulatory authority having notified in writing any of the parties that it will not permit the Arrangement to proceed.

Termination Fee

The Arrangement Agreement sets out certain circumstances relating to termination of the Arrangement Agreement in which SPUD shall be obligated to pay to Rainy Hollow a fee of \$250,000, where are as follows:

- (a) the Arrangement Agreement is terminated by SPUD in order to accept and enter into an agreement in respect of an Alternative Transaction (including a Superior Proposal) in compliance with the terms of the Arrangement Agreement;
- (b) the Arrangement Agreement is terminated by Rainy Hollow in accordance with the terms of the Arrangement Agreement due to the SPUD Board having withdrawn or modified in a manner adverse to Rainy Hollow its approval or recommendation of the Arrangement or having approved or recommended any Superior Proposal, except where such termination is due to the SPUD Board having withdrawn or modified in a manner adverse to Rainy Hollow its approval or recommendation of the Arrangement as a result of a Material Adverse Effect in respect of Rainy Hollow; or
- (c) an Alternative Transaction (including a Superior Proposal) is made to SPUD and publicly announced to SPUD Shareholders or made directly to SPUD Shareholders or any publicly announces an intention to make an Alternative Transaction (including a Superior Proposal) in respect of SPUD and, in each case, such Alternative Transaction or announced intention is not publicly withdrawn prior to the SPUD Meeting and, following any of such occurrences, the SPUD Shareholders fail to approve the Arrangement and the Arrangement Agreement is subsequently automatically terminated pursuant to the terms thereof.

SPUD Private Placement

As a condition of the Arrangement Agreement, on December 23, 2020 SPUD completed the SPUD Private Placement. Pursuant to the SPUD Private Placement, SPUD issued \$24,206,250 of SPUD Subscription Receipts, representing 3,227,500 SPUD Subscription Receipts at a price of \$7.50 per SPUD Subscription Receipt.

On the closing of the SPUD Private Placement, the gross proceeds from the SPUD Private Placement (less reasonable costs and expenses of the Co-Lead Agents payable by SPUD) (the “**Escrowed Proceeds**”) were delivered to be held in escrow by the Subscription Receipt Agent appointed under the Subscription Receipt Agreement, and invested in an interest-bearing account, short-term obligation of, or guaranteed by, the government of Canada or any other investments that may be approved by the Co-Lead Agents (the Escrowed Proceeds, together with all interest and other income earned thereon, the “**Escrowed Funds**”). Each Subscription Receipt shall be automatically exchanged, without any further action on the part of the holder thereof and for no additional consideration, for one SPUD Common Share, which is to be immediately exchanged for one Resulting Issuer Share upon the satisfaction or waiver (to the extent such waiver is permitted) of the Escrow Release Conditions, which shall be no later than 5:00 p.m. (Vancouver time) on the Termination Date. The balance of the Corporate Finance Fee Cash Payment, the Agents’ Commission and any further reasonable costs and expenses of the Co-Lead Agents payable by SPUD shall be released to the Co-Lead Agents from the Escrowed Funds and the balance of the Escrowed Funds shall be released from escrow to SPUD, upon the satisfaction or waiver (to the extent such waiver is permitted) of the Escrow Release Conditions.

The date on which the Escrow Release Conditions are satisfied or waived is referred to as the Escrow Release Date which, for greater certainty, shall be no later than the Termination Date except as may be extended in accordance with the terms of the Subscription Receipt Agreement. SPUD will use its commercially reasonable efforts to satisfy the Escrow Release Conditions prior to April 22, 2021.

See “*Part II - Information Concerning SPUD - Description of Securities - SPUD Subscription Receipts*”.

Pre-Arrangement Steps

In connection with the Arrangement, SPUD held the SPUD Meeting on March 29, 2021, at which SPUD Shareholders approved the Arrangement, together with such other matters as are required to effect the Arrangement.

Pursuant to the terms of the Interim Order, the SPUD Arrangement Resolution needed to be approved by not less than 66⅔% of the votes cast by SPUD Shareholders, participating in person or represented by proxy at the SPUD Meeting. The SPUD Arrangement Resolution was approved by 100% the votes casted by SPUD Shareholders, participating in person or represented by proxy at the SPUD Meeting. No SPUD Shareholders exercised his, her or it Dissent Rights in respect of the Arrangement.

The SPUD Arrangement Resolution approved by the SPUD Shareholders authorizes the SPUD Board, without further notice to or approval of such SPUD Shareholders, subject to the terms of the Arrangement Agreement and the Interim Order, to amend the Arrangement Agreement or the Arrangement, to decide not to proceed with the Arrangement and to revoke the SPUD Arrangement Resolution at any time prior to the Effective Time.

Immediately prior to the Effective Time and subject to the satisfaction of the conditions under the Arrangement Agreement, Rainy Hollow will proceed with the Rainy Hollow Consolidation. The Rainy Hollow Consolidation will be effected to equalize, to the extent possible, the approximate value of each post-Consolidation Rainy Hollow Common Share with the approximate value of each SPUD Common Share. Following the Rainy Hollow Consolidation, Rainy Hollow will have 536,766 Rainy Hollow Common Shares and 25,000 Rainy Hollow Options issued and outstanding.

Pursuant to the terms of the Arrangement, prior to the Effective Time, SPUD shall complete the SPUD Pre-Arrangement Reorganization, as follows:

- (a) of the outstanding amount due on the SPUD Convertible Notes as of January 31, 2021, being an aggregate amount of \$30,185,097 representing the principal amount and accrued interest thereon, \$7,655,097 will be converted into aggregate of 1,275,849 SPUD Common Shares will be issued to SPUD Convertible Note Holders in consideration therefor, at a deemed price of \$6.00 per SPUD Common Share, and the remaining portion, principal amount of the SPUD Convertible Notes shall be redeemed by SPUD for cash; The balance owed on the SPUD Convertible Notes and the interest earned thereon after January 31, 2021 until the repayment, which will occur prior to the Completion of the Qualifying Transaction, will be redeemed by SPUD with cash on hand and a portion of the net proceeds to be received from the SPUD Private Placement;
- (b) issuance of 2,967,013 SPUD Warrants;
- (c) all of the 3,600,000 SPUD Note Warrants will be converted, on a cashless basis, into an aggregate amount of 720,000 SPUD Common Shares;
- (d) subject to completion of the Escrow Release Conditions, all outstanding SPUD Convertible Debentures will, in accordance with the provisions of the subscription agreements relating to and the trust indenture governing the SPUD Convertible Debentures, and without any further action on the part of any SPUD Convertible Debenture Holder, be converted into 2,431,358 SPUD Common Shares at a deemed price per share of \$6.375, representing a 15% discount to the listing price of the Resulting Issuer Shares on either the TSXV or TSX; and
- (e) subject to completion of the Escrow Release Conditions, all outstanding SPUD Subscription Receipts will, in accordance with the provisions of the subscription agreements relating to, and the Subscription Receipt Agreement governing, the SPUD Subscription Receipts, and without any further action on the part of any SPUD Subscription Receipt Holder, be converted into 3,227,500 SPUD Common Shares at a deemed price per share of \$7.50.

Consideration for the Transfer of SPUD Common Shares

As a result of the Arrangement, one (1) SPUD Common Share will be exchanged for one (1) Resulting Issuer Share, at a deemed price per share of \$7.50 per SPUD Common Share. In total, 43,246,104 SPUD Common Shares will be exchanged for aggregate deemed consideration of \$324,345,780. The number and terms of the securities to be issued in connection with the Arrangement and following the Arrangement were determined pursuant to arm's length negotiations between the Co-Lead Agents, the management of each of SPUD and Rainy Hollow.

Pursuant to the terms of the Arrangement, at the Effective Time, the following shall occur:

- (a) each Dissenting Share held by a Dissenting Shareholder in respect of which a registered SPUD Shareholder has validly exercised his, or its Dissent Rights will be deemed to have been transferred by such SPUD Dissenting Shareholder to the Resulting Issuer without any further act or formality

on the part of such SPUD Dissenting Shareholder, free and clear of all liens, claims and encumbrances, in accordance with and for the consideration set forth in the Plan of Arrangement, and such SPUD Dissenting Shareholder will cease to be the registered holder of such SPUD Common Share and have any rights as a SPUD Shareholder other than the right to be paid the fair value of such SPUD Common Share in accordance with the provisions of the BCBCA;

- (b) each SPUD Common Share held by a SPUD Shareholder (other than those SPUD Common Shares held by SPUD Dissenting Shareholders), will be deemed to have been transferred by such SPUD Shareholder to the Resulting Issuer without any further act or formality on the part of such SPUD Shareholder, free and clear of all liens, claims and encumbrances, in exchange for one (1) Resulting Issuer Share;
- (c) notwithstanding the terms of the SPUD Option Plan, each SPUD Option (whether vested or unvested) outstanding immediately prior to the Effective Time will be, and will be deemed to be, terminated and cancelled in its entirety and the holder of such SPUD Option, without any further act or formality on the part of such holder, will receive an option to purchase Resulting Issuer Shares from the Resulting Issuer (that will be governed by the terms of the Resulting Issuer Legacy Stock Option Plan) (each a “**Resulting Issuer Replacement Option**”), such that: (i) on exercise of each Resulting Issuer Replacement Option, the holder will be entitled to acquire, and will accept in lieu of the number of SPUD Common Shares to which such holder was entitled immediately before the Effective Date, the number of Resulting Issuer Shares equal to the number of SPUD Common Shares subject to the SPUD Option immediately before the Effective Date; and (ii) each such Resulting Issuer Replacement Option will have an exercise price per Resulting Issuer Share equal to the exercise price per SPUD Common Share subject to such SPUD Option immediately before the Effective Date;
- (d) each SPUD Warrant outstanding prior to the Effective Time will be, and will be deemed to be, terminated and cancelled in its entirety and the holder of such SPUD Warrant, without any further act or formality on the part of such holder, will receive a warrant to purchase the Resulting Issuer from the Resulting Issuer (each a “**Resulting Issuer Replacement Warrant**”), such that: (i) on exercise of each Resulting Issuer Replacement Warrant, the holder will be entitled to acquire, and will accept in lieu of the number of SPUD Common Shares to which such holder was entitled immediately before the Effective Date, the number of Resulting Issuer Shares equal to the number of SPUD Common Shares subject to the SPUD Warrant immediately before the Effective Date; and (ii) each such Resulting Issuer Replacement Warrant will have an exercise price per Resulting Issuer Share equal to the exercise price per SPUD Common Share subject to such SPUD Warrant immediately before the Effective Date;
- (e) each SPUD Broker Warrant outstanding prior to the Effective Time will be, and will be deemed to be, terminated and cancelled in its entirety and the holder of such SPUD Broker Warrant, without any further act or formality on the part of such holder, will receive a warrant to purchase the Resulting Issuer Shares from the Resulting Issuer (each a “**Resulting Issuer Replacement Broker Warrant**”), such that: (i) on exercise of each Resulting Issuer Replacement Broker Warrant, the holder will be entitled to acquire, and will accept in lieu of the number of SPUD Common Shares to which such holder was entitled immediately before the Effective Date, the number of Resulting Issuer Shares equal to the number of SPUD Common Shares subject to the SPUD Broker Warrant immediately before the Effective Date; and (ii) each such Resulting Issuer Replacement Broker Warrant will have an exercise price per Resulting Issuer Share equal to the exercise price per SPUD Common Share subject to such SPUD Broker Warrant immediately before the Effective Date; and
- (f) provided that none of the foregoing will occur or be deemed to occur unless all of the foregoing occurs.

Payment of Consideration Shares

Upon surrender to the Depositary for cancellation of a certificate, which immediately prior to the Effective Time represented outstanding SPUD Common Shares sold and transferred pursuant to the Plan of Arrangement together with a duly completed and executed Letter of Transmittal and such additional documents and instruments as Rainy Hollow and the Depositary may reasonably require, the holder of SPUD Common Shares represented by such surrendered certificate shall be entitled to receive, and the Resulting Issuer shall deliver to such holder, a certificate or DRS Advice Statement representing that number of Resulting Issuer Shares which such holder has the right to receive under the Arrangement for such SPUD Common Shares, rounded down to the nearest whole number and less any amounts withheld.

Until surrendered, each certificate that immediately prior to the Effective Time represented SPUD Common Shares shall be deemed after the Effective Time to represent only the right to receive upon such surrender a certificate representing the number of Resulting Issuer Shares under the Arrangement in lieu of such certificate rounded down to the nearest whole number and less any amounts withheld. Any such certificate formerly representing SPUD Common Shares not duly surrendered on or before the sixth anniversary of the Effective Date shall cease to represent a claim by or interest of any former holder of SPUD Common Shares of any kind or nature against or in SPUD or the Resulting Issuer. On such date, all Resulting Issuer Shares to which such former holder was entitled shall be deemed to have been surrendered to the Resulting Issuer.

Arm's Length Qualifying Transaction

The Arrangement is not a Non Arm's Length Qualifying Transaction in accordance with the policies of the TSXV. No Insider or Control Person of Rainy Hollow holds any interest in SPUD or will receive any consideration should Completion of the Qualifying Transaction occur, except for Michael Atkinson and Ionic Securities Ltd., which both subscribed to SPUD Subscription Receipts subsequent to the execution of the Arrangement Agreement, as disclosed in the summary section of the Filing Statement, under the heading "*Interests of Insiders, Promoters or Control Persons*".

Court Procedure and the SPUD Meeting

On March 12, 2021, SPUD obtained the Interim Order providing for the calling and holding of the Meeting and other procedural matters. SPUD has distributed a notice of the SPUD Meeting and the SPUD Information Circular to the SPUD Shareholders and other SPUD securityholders in accordance with the Interim Order, for the purposes of seeking SPUD Shareholders approval to the SPUD Arrangement Resolution, which meeting was held on March 29, 2021.

On March 29, 2021, the SPUD Shareholders approved the SPUD Arrangement Resolution at the SPUD Meeting, following which SPUD applied to the Court for a Final Order approving the Arrangement. The Final Order was obtained on March 31, 2021.

Name Change

In connection with completion of the Qualifying Transactions, Rainy Hollow intends to proceed with the Name Change, such that it will change its name to "Freshlocal Solutions Inc."

The Resulting Issuer

Upon completion of the Qualifying Transaction and subject to the approval of the TSXV, it is expected that the Resulting Issuer Shares will be listed on the TSX. The Resulting Issuer will have its registered office at 105-5566 Trapp Avenue, Burnaby, British Columbia, V3N 5G4. The head office of the Resulting Issuer will be 105-5566 Trapp Avenue, Burnaby, British Columbia, V3N 5G4.

TSX and TSXV Approval

The TSXV and the TSX have conditionally accepted the Qualifying Transaction subject to Rainy Hollow fulfilling all of the requirements of the TSXV. Rainy Hollow has applied to have the Resulting Issuer Shares listed on the TSX

upon the completion of the Qualifying Transaction under the symbol “LOCL”. **Listing is subject to the approval of the TSX in accordance with its original listing requirements.**

Finder’s Fee or Commission Paid

No finder’s fee or commission has been paid or is payable in relation to the Qualifying Transaction. On the Effective Date, SPUD shall pay Earlston an amount of \$50,000 as payment of costs associated with Rainy Hollow being a public company and completing the Arrangement.

Securities Laws Matters

The Resulting Issuer Shares to be issued to holders of SPUD Common Shares pursuant to the Arrangement, as well as the Resulting Issuer Replacement Options, Resulting Issuer Replacement Warrants and Resulting Issuer Replacement Broker Warrants, will be issued in reliance on the exemption found in Section 2.11 of NI 45-106 from prospectus requirements of applicable Canadian Securities Laws. Pursuant to NI 45-102, the Resulting Issuer Shares to be issued to holders of such shares will not be subject to a hold period under applicable Securities Laws (subject to the conditions of NI 45-102). Shareholders are advised to consult their financial or legal advisors with respect to the tradability of the Resulting Issuer Shares that they will receive on completion of the Arrangement.

The Arrangement will be carried out with the intention that all Resulting Issuer Shares issued in exchange for SPUD Common Shares, and Resulting Issuer Replacement Options and Resulting Issuer Replacement Warrants issued upon cancellation and replacement of the SPUD Options and SPUD Warrants, respectively, will be issued in reliance on the Section 3(a)(10) Exemption, and similar exemptions under U.S. state securities laws.

Share Capital Post-Arrangement

Upon completion of the Arrangement, including but not limited to the Consolidation, will be:

- (a) an aggregate of 43,782,870 Resulting Issuer Shares will be issued and outstanding, consisting of:
 - (i) 536,766 Resulting Issuer Shares currently held by Rainy Hollow Shareholders;
 - (ii) 35,584,731 Resulting Issuer Shares issued to existing holders of SPUD Common Shares other than the holders of SPUD Common Shares issued upon conversion of SPUD Subscription Receipts, the SPUD Convertible Debentures, the SPUD Note Warrants, the SPUD Convertible Notes and the Corporate Finance Fee Shares;
 - (iii) 3,227,500 Resulting Issuer Shares issued to holders of SPUD Common Shares issued upon conversion of SPUD Subscription Receipts;
 - (iv) 2,431,358 Resulting Issuer Shares issued to holders of SPUD Common Shares issued upon conversion of SPUD Convertible Debentures;
 - (v) 6,666 Resulting Issuer Shares issued to Canaccord as the Corporate Finance Fee Shares;
 - (vi) 1,275,849 Resulting Issuer Shares issued to holders of SPUD Common Shares issued upon conversion of the SPUD Convertible Notes; and
 - (vii) 720,000 Resulting Issuer Shares issued to holders of SPUD Common Shares issued upon conversion of the SPUD Note Warrants; and
- (b) an aggregate of 2,967,013 Resulting Issuer Replacement Warrants to purchase 2,967,013 Resulting Issuer Shares to be issued to replace outstanding SPUD Warrants;
- (c) an aggregate of 4,377,900 Resulting Issuer Options will be outstanding, consisting of:

- (i) 25,000 Resulting Issuer Options to purchase 25,000 Resulting Issuer Shares pursuant to the Rainy Hollow Stock Option Plan and which will be governed by the Resulting Issuer Legacy Stock Option Plan; and
 - (ii) 4,352,900 Resulting Issuer Replacement Options to purchase 4,352,900 Resulting Issuer Shares to be issued to replace outstanding SPUD Stock Options, which will be governed by the Resulting Issuer Legacy Stock Option Plan;
- (d) an aggregate of 880,985 Resulting Issuer Replacement Broker Warrants will be outstanding, consisting of:
- (i) 124,000 Resulting Issuer Replacement Broker Warrants representing the right to acquire up to an aggregate of 124,000 Resulting Issuer Shares issued to holders of agent warrants issued to the Co-Lead Agents on October 21, 2020 as part of their compensation in relation to the offering of SPUD Convertible Debentures completed on October 21, 2020;
 - (ii) 192,849 Resulting Issuer Replacement Broker Warrants representing the right to acquire up to an aggregate of 192,849 Resulting Issuer Shares issued to holders of SPUD Compensation Warrants; and
 - (iii) 564,136 Resulting Issuer Replacement Broker Warrants representing the right to acquire up to an aggregate of 564,136 Resulting Issuer Shares issued to holders of the broker warrants issued to various brokers of SPUD in tranches on November 20, 2013, April 30, 2015 and November 9, 2016 and exercisable in respect of 564,136 SPUD Common Shares

Management's Discussion and Analysis

Rainy Hollow's management's discussion and analysis for the years ended November 30, 2020, for the year ended November 30, 2019, and for the period from incorporation on January 17, 2018 to November 30, 2018 are annexed hereto as Exhibit "B" and are also available under Rainy Hollow's profile on SEDAR at www.sedar.com.

Description of Securities

The authorized capital of Rainy Hollow consists of an unlimited number of common shares in the capital of Rainy Hollow ("**Rainy Hollow Common Shares**") and an unlimited number of preferred shares in the capital of Rainy Hollow ("**Rainy Hollow Preferred Shares**"). As of the date hereof, and on a pre-Consolidation basis, there are 4,294,130 Rainy Hollow Common Shares issued and outstanding, no Rainy Hollow Preferred Shares issued and outstanding and 200,000 options to purchase Rainy Hollow Common Shares ("**Rainy Hollow Options**") outstanding and exercisable into 200,000 Rainy Hollow Common Shares until May 29, 2023 at a price of \$0.20 per Rainy Hollow Option. As none of the current holders of Rainy Hollow Options will be a director, officer, employee or consultant of the Resulting Issuer, the existing Rainy Hollow Options are exercisable until the earlier of May 29, 2023 and the date that is twelve months following closing of the Qualifying Transaction.

Holders of Rainy Hollow Common Shares are entitled to receive notice of any meetings of shareholders of Rainy Hollow and to attend and cast one vote per Rainy Hollow Common Share at all such meetings. Holders of Rainy Hollow Common Shares are entitled to receive a proportionate share, on a per share basis, of the assets of Rainy Hollow available for distribution in the event of a liquidation, dissolution or winding-up of Rainy Hollow and the right to receive any dividend if declared by Rainy Hollow.

Prior to the completion of the Arrangement, Rainy Hollow shall effect the Consolidation such that the number of Rainy Hollow Common Shares issued and outstanding will be reduced from 4,294,130 to 536,766, and the number of Rainy Hollow Options outstanding will be reduced from 200,000 to 25,000 exercisable at a price of \$1.60 per Rainy Hollow Option.

Rainy Hollow Stock Option Plan

Rainy Hollow has adopted the Rainy Hollow Option Plan which provides that the board of directors of Rainy Hollow may from time to time, in its discretion, and in accordance with TSXV requirements, grant to directors, officers, employees and technical consultants to Rainy Hollow, non-transferable Rainy Hollow Options, provided that the number of Rainy Hollow Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Rainy Hollow Common Shares, exercisable for a maximum period of up to ten years from the date of grant. In addition, the Rainy Hollow Option Plan provides that: (a) no more than 5% of the issued and outstanding Rainy Hollow Common Shares will be reserved for issuance to any one individual in any 12 month period unless Rainy Hollow has obtained disinterested shareholder approval in respect of such grant and meets applicable TSXV requirements; (b) no more than 2% of the issued and outstanding Rainy Hollow Common Shares will be reserved for issuance to any one consultant in any 12 month period; and (c) no more than an aggregate of 2% of the issued and outstanding Rainy Hollow Common Shares will be reserved for issuance to an employee conducting investor relations activities in any 12 month period.

During the time that Rainy Hollow is a CPC, however, the aggregate number of Rainy Hollow Common Shares issuable upon exercise of all Rainy Hollow Options granted under the Rainy Hollow Option Plan shall not exceed 10% of the Rainy Hollow Common Shares issued and outstanding at the closing of the IPO, such Rainy Hollow Options being exercisable for a maximum period of up to ten years from the date of grant. Similarly, for as long as Rainy Hollow is a CPC, the number of Rainy Hollow Common Shares reserved for issuance to: (a) any individual director or officer will not exceed 5% of the issued and outstanding Rainy Hollow Common Shares at the closing of the IPO; and (b) all consultants will not exceed 2% of the issued and outstanding Rainy Hollow Common Shares at the closing of the IPO. As required by the CPC Policy, Rainy Hollow, as long as it is a CPC, will not grant Rainy Hollow Options to any person providing investor relations activities, promotional or market-making services. Rainy Hollow Options may be exercised the greater of 12 months after completion of the Qualifying Transaction and 90 days following cessation of the optionee's position with Rainy Hollow, provided that if the cessation of office, employment, directorship, or consulting arrangement was by reason of death, the Rainy Hollow Option may be exercised within a maximum period of one year after such death, subject to the expiry date of such Rainy Hollow Option.

As of the date hereof, Rainy Hollow has issued an aggregate amount of 200,000 Rainy Hollow Options to Michael Atkinson, John Downes, Frank Stronach and A. Murray Sinclair. Each Rainy Hollow Option is exercisable into one Rainy Hollow Common Share at an exercise price of \$0.20 and has a term of five years, expiring May 29, 2023. No Rainy Hollow Options have been exercised as of the date of this Filing Statement.

The following table sets out the Rainy Hollow Options held by directors and officers of Rainy Hollow as of the date of this Filing Statement.

Name and Position of Holder	Number of Rainy Hollow Options	Exercise Price (\$)	Expiry Date
Michael Atkinson, Director	50,000 ⁽¹⁾	0.20 ⁽²⁾	May 29, 2023 ⁽³⁾
John Downes, Director	50,000 ⁽¹⁾	0.20 ⁽²⁾	May 29, 2023 ⁽³⁾
Frank Stronach, Director	50,000 ⁽¹⁾	0.20 ⁽²⁾	May 29, 2023 ⁽³⁾
A. Murray Sinclair, Director	50,000 ⁽¹⁾	0.20 ⁽²⁾	May 29, 2023 ⁽³⁾
Total:	200,000 ⁽¹⁾		

(1) After the Consolidation, 25,000 Rainy Hollow Options will be outstanding, and each holder thereof will hold 6,250 Rainy Hollow Options.

(2) After the Consolidation, the outstanding Rainy Hollow Options will be exercisable at a price of \$1.60.

(3) The outstanding Rainy Hollow Options will expire twelve months following completion of the Qualifying Transaction.

There are no assurances that the Rainy Hollow Options described above will be exercised, in whole or in part.

Prior Sales

As of the date hereof, there are a total of 4,294,130 Rainy Hollow Common Shares issued and outstanding. No securities were distributed by Rainy Hollow during the 12-month period before the date hereof.

Trading Price and Volume

On February 26, 2020, the Rainy Hollow Common Shares were halt traded due to the announcement that Rainy Hollow had entered into a letter of intent with Reciprocity Corp. dated February 26, 2020. The Rainy Hollow Common Shares have remained halted since February 26, 2020. The TSXV closing price of the Rainy Hollow Common Shares on February 26, 2020, the last completed trading day, was \$0.28 per share.

The following table sets out trading information for Rainy Hollow Common Shares for the periods indicated.

Period	High Close (\$)	Low Close (\$)	Volume
2021			
April 1 – April 8	-	-	-
March	-	-	-
February	-	-	-
January	-	-	-
2020			
December	-	-	-
November	-	-	-
October	-	-	-
September	-	-	-
August	-	-	-
July	-	-	-
June	-	-	-
May	-	-	-
April	-	-	-

(1) The Rainy Hollow Common Shares were halt traded on February 26, 2020.

Legal Proceedings

There are no actual or pending material legal proceedings to which Rainy Hollow is a party or to which any of its assets is subject. Management of Rainy Hollow is not aware of any such legal proceedings contemplated against Rainy Hollow.

Auditor, Transfer Agent and Registrar

Auditor

Davidson & Company LLP, Chartered Professional Accountants, with an address at 1200-609 Granville Street, Vancouver, British Columbia V7Y 1G6 is Rainy Hollow's auditor and has been since its incorporation on January 17, 2018.

Transfer Agent and Registrar

The transfer agent and registrar for the Rainy Hollow Common Shares is Computershare Trust Company of Canada, with an address at 510 Burrard Street, 2nd Floor, Vancouver, British Columbia, V6C 3B9.

Material Contracts

The following are the only material contracts, other than those contracts entered into in the ordinary course of business, which Rainy Hollow has entered into or will become a party on or prior to the implementation of the Arrangement:

- (a) the escrow agreement dated as of April 26, 2018 among Rainy Hollow, the Transfer Agent, and those Rainy Hollow shareholders that executed such agreement;
- (b) the agency agreement dated as of April 25, 2018 among Rainy Hollow and Leede Jones Gable Inc.;
- (c) the transfer agent, registrar and dividend disbursing agent agreement dated as of January 31, 2018 between Rainy Hollow and the Transfer Agent;
- (d) the corporate services agreement dated January 17, 2018 between Rainy Hollow and Earlston;
- (e) the Arrangement Agreement; and
- (f) Amended and Restated Equity Participation Right Agreement.

Copies of these agreements are available on Rainy Hollow's profile on SEDAR at www.sedar.com.

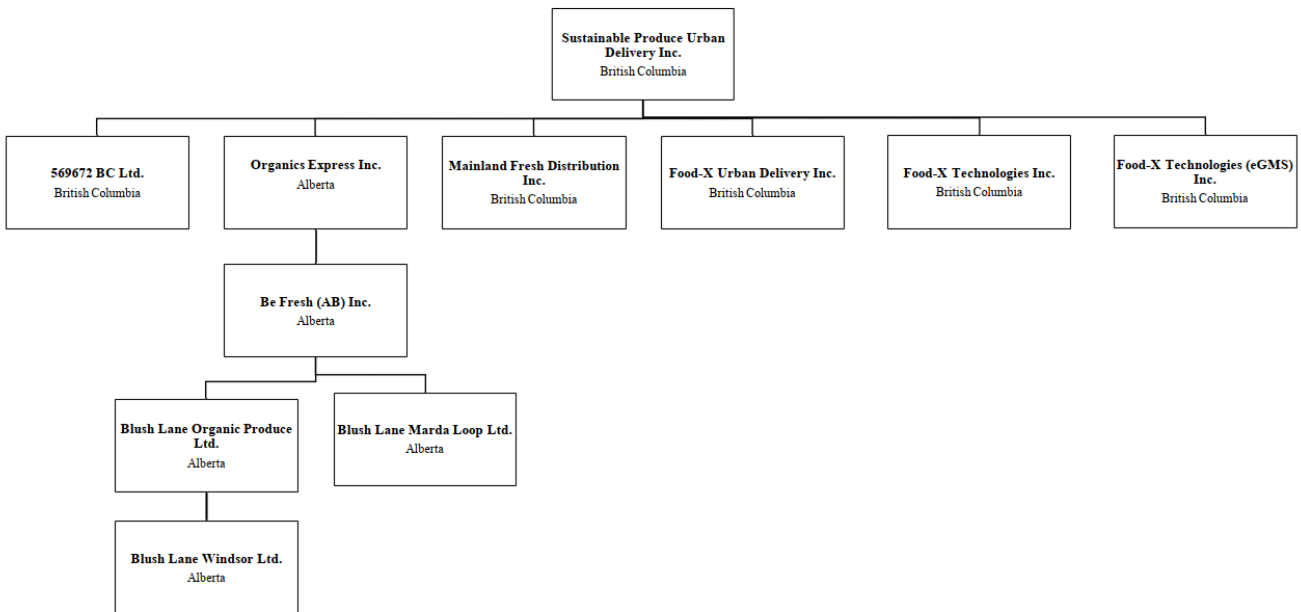
PART II - INFORMATION CONCERNING SPUD

Name and Incorporation

Sustainable Produce Urban Delivery Inc. is a corporation resulting from the amalgamation of Small Potatoes Urban Delivery Inc. and Spud USA Holdings Corp. on September 28, 2014 under the BCBCA. SPUD's registered and head office is located at 105-5566 Trapp Avenue, Burnaby, British Columbia, V3N 5G4.

SPUD has six (6) directly wholly-owned subsidiaries. Five (5) are governed by the BCBCA, namely 569672, Mainland, Food-X Urban Delivery, Food-X and Food-X (eGMS), and one (1) is governed by the ABCA, namely Organics. In addition, Organics has one (1) wholly-owned subsidiary: Be Fresh, a corporation governed by the ABCA. The latter has three (3) subsidiaries, each of which is governed by the ABCA: Blush Lane Organic Produce, Blush Lane Marda Loop and Blush Lane Windsor. Be Fresh legally and beneficially holds 99.995% of the issued and outstanding voting shares of Blush Lane Organic Produce, Blush Lane Windsor is a wholly-owned subsidiary and Be Fresh legally and beneficially holds 51% of the issued and outstanding voting shares of Blush Lane Marda Loop. Blush Lane Windsor and Blush Lane Marda Loop are inactive.

An organizational chart is provided below:



General Development of the Business

About SPUD

SPUD is a Vancouver-based company that provides organic and natural foods via its online platform through which consumers can order and schedule delivery of produce, groceries and other essentials. Building upon its online grocery capabilities, SPUD has also developed a SaaS technology platform, the FoodX eGMS, which facilitates the creation of an integrated food business ecosystem that includes online retail, community retail locations, food preparation services, wholesale and last mile distribution. To SPUD's knowledge, FoodX is the only scalable end-to-end eGMS designed to meet the needs of large and small grocery retailers while providing profitable unit economics.

SPUD's corporate mission is to leverage innovation and technology to create a sustainable and profitable food system for all. Its solutions allow consumers to easily purchase the highest quality products for delivery fresh to their doorstep, while minimizing environmental impact. Local producers and farmers that follow sustainable practices are at the very core of its ecosystem. SPUD has successfully leveraged its depth of storefront and online grocery experience to

introduce powerful new technology solutions that are designed to cost effectively and sustainably support the global growth in the online grocery business. SPUD's long-standing commitment to sustainable business practices is exemplified by B Lab's certification of SPUD as a B Corp in November 2013.

Consumer behavior is currently undergoing two fundamental shifts from which SPUD believes it is strategically positioned to benefit. Consumers are rapidly changing the way in which they shop for groceries, shifting from traditional retail to online, a trend that has accelerated materially within the past year due to the global COVID-19 pandemic. Consumers are also more aware of the challenges faced by society to ensure the sustainability of the global food chain, with 73% of consumers stating in a survey conducted by NielsenIQ that they would consider a change in shopping habits to reduce their impact on the environment. SPUD believes that by continuing to invest in automation technology, building its data platform, increasing the depth and sustainability of its product offerings, and improving its environmental practices, it will be competitively positioned to capture opportunities for long-term growth and profitability given these fundamental shifts in consumer behavior.

SPUD began its business in 1997 as a pure play, online purveyor of local and organic groceries with its own backend proprietary technology. SPUD's business is now comprised of the three following business segments:

- **eGrocery** - SPUD's eGrocery business segment is comprised of five eGrocery fulfillment centres serving the Greater Vancouver, Vancouver Island, Kelowna, Calgary and Edmonton regions, operating under the "www.SPUD.ca" banner. SPUD.ca offers a comprehensive assortment of fresh, local, and organic produce and grocery products ordered online from a wide range of brands and delivered to customers daily. The operating and financial results of SPUD's brick and mortar retail locations in B.C. operating under the "Be Fresh" and "Organic Acres" banners are included within the segmented information for the eGrocery business segment.
- **eGMS Technology Platform** - SPUD's SaaS eGMS technology platform, which operates under the "FoodX" banner, is comparatively new and SPUD believes to be a highly prospective business segment, which partners with global retailers to offer a complete solution for logistics, automation and supply chain management for the eGrocery services offered by retailers of any size. The financial results of SPUD's FoodX eGMS technology platform are currently reported within the eGrocery business segment.
- **Blush Lane** - SPUD's Blush Lane business segment represents the brick and mortar retail grocery locations operating under the "Blush Lane" banner, which includes five brick and mortar retail locations located in Alberta, all of which are owned and operated by Blush Lane Organic Produce. The stores offer a full assortment of predominantly organic groceries and health products, as well as SPUD's Be Fresh private label brand.

Corporate History

Since its establishment in 1997, SPUD has been a pioneer in the online grocery space and more than two decades later still successfully operates its www.SPUD.ca marketplace for Canadian customers located in the Greater Vancouver, Vancouver Island and Kelowna markets in B.C., and the Calgary and Edmonton markets in Alberta.

On September 1, 2017, SPUD completed its acquisition of Blush Lane Organic Produce, which is comprised of five brick and mortar retail stores, with four located in Calgary and one in Edmonton. The acquisition significantly expanded the breadth of SPUD's retail business and its platform for further expansion of both its www.SPUD.ca online grocery business and its FoodX eGMS technology platform.

In 2018, SPUD, through its subsidiary Food-X Urban Delivery Inc., developed a white label third party logistics food delivery platform under the "FoodX Urban Delivery" banner, which allows multiple third-party retailers to access industry-leading technology, warehousing, food preparation and delivery services. Food-X Urban Delivery is able to fulfill online orders for all of its customers through purpose-built distribution centers and proprietary route optimized last mile delivery services. By consolidating orders from all of its partners, it is able to decrease costs of online fulfillment and reduce environmental impact.

On March 15, 2018, FoodX Urban Delivery announced Walmart Canada as its first national customer, whereby FoodX Urban Delivery was to supply third-party logistics and order fulfillment services to Walmart. The partnership brought benefits to Walmart in the form of improved fulfillment and last mile home delivery as well as better warehousing and order consolidation, which in turn reduces product waste, truck trips and GHG emissions. For FoodX, important technology and system integration advancements were made which can be applied as new business for the FoodX eGMS technology platform is pursued. The agreement between Walmart and FoodX Urban Delivery has been terminated by Walmart with an effective date in June, 2021.

On September 20, 2018, SPUD announced the launch of Canada's first fresh food delivery platform facility, to be operated by FoodX Urban Delivery. The 74,000 square-foot fulfillment center located in Burnaby, B.C. utilizes SPUD's proprietary FoodX Urban Delivery third party logistics technology to provide sustainable home food delivery for local and national grocery retailers and introduces an ecommerce grocery delivery solution that can be leveraged by a global client base. The facility will allow retailers to share warehouse space, infrastructure and delivery trucks which results in fewer vehicles on the road, reduced fuel costs and lower emissions.

From September 28, 2018 to February 11, 2019, SPUD held three closings of a non-brokered private placement pursuant to which SPUD issued an aggregate of 2,577,773 SPUD Common Shares at a price of \$4.50 per share for gross proceeds of approximately \$11.6 million. This private placement was led by CIC Capital Ventures, an investor with significant online European grocery market experience, and joined by existing investors including Walter Capital Partners. The funds were raised to advance SPUD's online grocery platform, FoodX eGMS. The subscribers under this private placement are entitled to receive an aggregate of 2,577,773 SPUD Warrants.

On February 4, 2019, SPUD announced the launch of its "Be Fresh Marketplace", a fresh digital platform for local artisans, small shops and independent grocers to sell online with consolidated delivery. Be Fresh Marketplace leverages SPUD.ca's high-traffic ecommerce website to offer local sellers a fast way to create an online store and start selling their products. The marketplace utilizes the SPUD's sustainable fulfillment technology to consolidate orders and efficiently deliver to customers.

On July 31, 2019, completed a non-brokered private placement by issuing an aggregate of 377,466 SPUD Common Shares at a price of \$4.50 per share for gross proceeds of approximately \$1.7 million. In connection with this private placement, SPUD paid a cash finders fee in the amount of \$41,680 to an investment dealer. The subscribers under this private placement are entitled to receive an aggregate of 377,466 SPUD Warrants.

In July 2019, SPUD launched strategic partnerships with various local retailers allowing SPUD.ca customers in the Calgary and Edmonton areas to purchase a wide variety of beer, wine and spirits with a focus on offerings from local producers.

In October 2019, SPUD appointed Mr. Jeffrey King as Chief Technology Officer. Mr. King has significant experience in software development and was most recently a Principal Technical Evangelist at Microsoft. He is responsible for leading SPUD's efforts to explore the potential uses and benefits of technology in optimizing warehouse operations and supply chain. Please see his biography under the section "Part III - Information Concerning the Resulting Issuer - Board of Directors, Officers and Promoters - Management and Director Biographies".

On November 15, 2019, SPUD announced the expansion of its packaging takeback program for its eGrocery business segment. Originally launched in early 2019, SPUD's takeback program is a core part of its strategy to take responsibility for the packaging for its private label products sold through its Be Fresh private label brand as well as from other participating brands, and to support meaningful improvements in recycling practices by its customers.

On December 20, 2019 and January 3, 2020, certain employees of SPUD elected to subscribe to an aggregate of 11,774 SPUD Common Shares at a price of \$4.50 per share for an aggregate amount of \$52,983, the payment of which was offset from a cash bonus payable by SPUD to these employees. The subscribers under this private placement are entitled to receive an aggregate of 11,774 SPUD Warrants.

Leveraging its pureplay online grocery business, brick and mortar experience and proprietary innovations in the logistics, automation and supply chain management areas (e.g. FoodX Urban Delivery third party logistics), SPUD created an end-to-end eGrocery fulfillment platform operating under a SaaS model. SPUD incorporated FoodX

Technologies Inc. in 2019 to further commercialize this SaaS-based eGMS technology platform and it has since begun enabling major global as well as regional domestic grocery retailers in the design and operation of eGrocery fulfilment centres with agility, profitability and speed.

On April 20, 2020, FoodX announced an initiative to lead the development of an eGMS technology platform to ensure food security, accessibility and safety during the COVID-19 crisis. Funding was received from the Digital Technology Supercluster (DTS) to lead a multi-company collaboration to develop an eGMS for the B.C. provincial government and health authorities. Additional DTS funding totalling \$2.6 million was announced on August 5, 2020. The expanded project further enhanced FoodX's SaaS eGrocery solution functionality, empowering grocery retailers to manage rapid online demand growth effectively and efficiently and ultimately compete in the digital economy, all while improving food accessibility and safety of delivery for consumers.

On June 16, 2020, FoodX announced a strategic alliance with Attabotics Inc., a leader in the design, manufacture, and implementation of 3D robotic supply chain systems. The alliance, with an initial term of three years, is focused on the implementation of Attabotics' robotics at FoodX's fulfilment centres and partner fulfilment centres across the globe. The companies also intend to further explore mutual business development and project opportunities based on their combined capabilities. It is expected that Attabotics' robotic-centric storage and retrieval system can increase the level of level of efficiency and speed within FoodX's fulfilment centres and support its ongoing growth and market presence for its SaaS-based eGMS technology platform in the global online grocery delivery industry.

On July 14, 2020, FoodX announced the appointment of Walter Robb to its corporate advisory board. Mr. Robb has 35 years of leadership experience as an investor, mentor, executive and advisor in the food industry. Mr. Robb joined Whole Foods Market in 1991 and in 2010 was named co-CEO, at which time he joined the Whole Foods' Board of Directors, a position held until September, 2017. Mr. Robb is actively involved in several cutting-edge initiatives with a common goal to help companies create the "new world order" of food.

On July 20, 2020, FoodX entered into a master software and services agreement (the "**Belgium SaaS Agreement**") for a strategic partnership with a wholly-owned subsidiary of Carrefour S.A., a longstanding global leader in the food retail industry, to accelerate the development of Carrefour's ecommerce capabilities. The partnership represents the first global sale of SPUD's end-to-end SaaS-based eGMS technology platform and is expected to allow Carrefour to increase the productivity and profitability of its ecommerce operating systems while enhancing its digital customer experience as the global demand for online food orders continues to grow. The initial Belgium SaaS Agreement is for the Belgium market, within which Carrefour will integrate the FoodX's SaaS based eGMS technology platform for online grocery management, encompassing the full range of point-of-order to point-of-fulfilment capabilities. The partnership is expected to allow Carrefour to achieve a profitable, scalable and sustainable online business while delivering an outstanding customer experience. System design, engineering and deployment is expected to be completed by mid-2021.

In connection with the Belgium SaaS Agreement, SPUD and Carrefour S.A. entered into an equity participation right agreement dated July 30, 2020 (the "**Equity Participation Right Agreement**") pursuant to which Carrefour S.A. was granted the right (the "**Equity Participation Right**") to purchase such number of SPUD Common Shares equal to 10% of the SPUD Common Shares on a fully-diluted basis, calculated on a post-issuance basis, at the time of exercise of the Equity Participation Right upon a payment to SPUD of the exercise price determined in the Equity Participation Right Agreement. On April 7, 2021, SPUD, Rainy Hollow and Carrefour S.A. entered into an amended and restated Equity Participation Right Agreement (the "**Amended and Restated Equity Participation Right Agreement**"), effective upon the completion of the Arrangement. In the event the Arrangement is not completed, Rainy Hollow will be released from all its obligations under the Amended and Restated Equity Participation Right Agreement, while SPUD will provide Carrefour with an equivalent equity participation right.

Subject to the completion of the Arrangement and the vesting condition set out below, Carrefour S.A. was granted the right (the "**A&R Equity Participation Right**") to purchase such number of Resulting Issuer Shares equal to 9.9% of the Resulting Issuer Shares, on a undiluted basis, calculated on a post-issuance basis, issued and outstanding at the time of exercise of the A&R Equity Participation Right upon payment to the Resulting Issuer of a price per Resulting Issuer Share equal to a 15% discount from the Market Price, subject to the approval of the TSX. Under the Amended and Restated Equity Participation Right Agreement "Market Price" is defined as the VWAP on the TSX, or another stock exchange where the majority of the trading volume and value of the Resulting Issuer occurs at the time of

exercise, for the five trading days immediately preceding the date of exercise, and “VWAP” means the volume weighted average trading price per Resulting Issuer Share, calculated by dividing the total value by the total volume of Resulting Issuer traded for such 5-day period.

The A&R Equity Participation Right will only vest and become exercisable upon the execution of a SaaS agreement between Food-X and Carrefour S.A. or one of its affiliates for the European territory contemplated in the Amended and Restated Equity Participation Right Agreement (the “**Contemplated SaaS Agreement**”), which is expected to be executed in the very near future. Following the execution of the Contemplated SaaS Agreement and subject to the completion of the Arrangement, Carrefour S.A. may exercise the A&R Equity Participation Right, in whole or in part, at any time and from time to time prior to 5:00 p.m. (Vancouver time) on the date that is 18 months following the date of the execution of the Contemplated SaaS Agreement.

Subject to the terms and conditions of the Amended and Restated Equity Participation Right Agreement, if and whenever Carrefour S.A. (together with one or more affiliates) exercises the A&R Equity Participation Right for a number of Resulting Issuer Shares equal to at least 9.9 % of the then issued and outstanding of the Resulting Issuer Shares, and as long as thereafter Carrefour S.A. (together with its wholly-owned affiliates) does not either (i) sell (or otherwise dispose of the economic interest attached to) any of the Resulting Issuer Shares which sale would result in Carrefour S.A. (together with one or more affiliates) holding (or retaining a full economic exposure to) less than 7.5% of the issued and outstanding Resulting Issuer Shares or (ii) without selling or otherwise disposing of the economic interest in any of the Resulting Issuer Shares, cease to hold (as a result of dilutive common share issuances) at least 5% of the issued and outstanding Resulting Issuer Shares, Carrefour S.A. will be entitled to nominate one individual for appointment or election as a director of the Resulting Issuer Board.

In September 2020, SPUD announced that Daryl Porter, former Walmart Canada Vice President of ecommerce Logistics and Operations would join an advisory board of SPUD. Mr. Porter brings over 25 years of retail experience in developing business strategies aimed at improving customer experience and increasing market share. Mr. Porter recently served in roles of increasing responsibility for Walmart Canada, including as Vice President of ecommerce Logistics and Operations, a Global Officer Level role, in which he led the development of the online grocery business and core ecommerce supply chain. He also led Walmart’s online grocery program in Canada since its infancy and scaled the business across the country. Mr. Porter currently serves as the Global Head of Stores at Anheuser-Busch InBev.

In October 2020, SPUD launched a strategic partnership with Jak’s Beer Wine Spirits allowing SPUD.ca customers in the Greater Vancouver area to purchase a wide variety of beer, wine and spirits with a focus on offerings from local producers.

On November 13, 2020, FoodX announced a strategic partnership with Vancouver’s Meridian Farm Market to deploy FoodX’s end-to-end, SaaS-based eGMS technology platform to manage the eGrocery services of the 30-year-old, family-owned chain. This first deployment with a mid-market customer demonstrates the scalability of the FoodX eGMS platform for cost-effective use by grocery retailers of varied sizes. The launch will include FoodX’s front-end consumer experience which is proven to be capable of managing rapid eGrocery demand growth while maintaining high levels of customer satisfaction.

On December 1, 2020, FoodX announced its entrance into the U.S. market with the goal of delivering ecommerce profitability to U.S.-based grocers regardless of size. To lead this important market entrance, industry veteran PJ Stafford was appointed to the newly-established role of Vice President, Business Development. He will lead SPUD’s entrance into the U.S. market through the development of strategic partnerships with grocery retailers to use the FoodX eGMS technology platform to enable scalable and profitable entrance into the eGrocery market. These strategic steps extend FoodX’s presence in the international marketplace as new customer partnerships for its eGMS technology platform are pursued.

Subsequent to year-end, on January 26, 2021, FoodX announced a new market offering with Attabotics, a 3D robotics supply chain company and FoodX partner, to provide retailers of all sizes with a turn-key, highly flexible solution for automated micro-fulfillment of fresh food. This end-to-end eGrocery offering is expected to enable retailer clients to reduce system implementation costs, increase speed to market and reduce unit economics in comparison to competing

solutions. This new offering also leverages FoodX's existing partnership with Microsoft for system control and supply chain analytics.

On March 12, 2021, SPUD entered into a second amending agreement to amend the ARCA, in order to extend the maturity date from March 31, 2021 to April 22, 2021 and to give certain covenant to Fonds Agro in connection with the SVB Loan Agreement.

On March 12, 2021, SPUD entered into the SVB Loan Agreement with Silicon Valley Bank, providing for secured a revolving loan facility of up to \$15.0 million (the "**SVB Loan**"). The SVB Loan is secured by a first priority cash collateral and matures on March 12, 2023, and bears interest at the greater of (i) a floating per annum rate equal to 3.05% above the Canadian Prime Rate and (ii) 5.25%, which is payable monthly. The SVB Loan has financial covenants requiring a specified minimum trailing three and six month EBITDA and a minimum liquidity coverage ratio of 1.50:1.00. It is expected that the Resulting Issuer will draw an initial amount of \$10 million on the SVB Loan immediately after the closing of the Arrangement.

Significant Acquisitions and Dispositions

No significant acquisitions or dispositions were made by SPUD since the beginning of the financial year ended October 3, 2020.

Industry Overview

Changes under way in global consumer patterns are leading to a dramatic rise in ecommerce – purchases and commercial activities are increasingly moving online. While these changes are taking place across multiple product and service categories, it is strongly the case in the food and grocery market. To date, the shift to eGrocery has been dramatic. On a near-term basis this activity has been undeniably accelerated and, in many ways, necessitated by the effects of the global COVID-19 pandemic on consumer behaviours and preferences.

According to the Food Market Institute, by the year 2024, the eGrocery market is expected to comprise approximately 25% of the global grocery business, reaching a potential market size of US\$2.45 trillion. Rising in-store competition and the inclusion of online fulfillment expenses in the cost structure of the grocery business are expected to put already thin grocery margins under additional pressure. From the local corner store to the multi-national enterprise, grocers of all types must carefully examine these shifting market dynamics and prepare their businesses to adapt to new market realities.

Online Grocery in North America

The Canadian online grocery market is expected to experience dramatic growth in the next five years, a trend that has been catalyzed by the impacts of the global COVID-19 pandemic on the consumption habits of Canadian consumers. Online grocery is expected to grow at an average annual rate of approximately 55% over the 2020 through 2024 period, reaching expected annual sales of \$15.6 billion by 2024. Despite this growth, eGrocery is expected to comprise only 15% of total grocery sales in Canada from its current 2% market share.

Similar changes are occurring in the U.S. grocery market. On an aggregate basis, according to Business Insider, U.S. grocery sales were projected to have surpassed \$700 billion across 38,000 stores by the end of 2020, and online grocery is expected to comprise more than 20% of total grocery sales by 2025.

In Canada, according to pre-COVID data, only about 1.7% of Canadian groceries were purchased online, but online orders have skyrocketed during the COVID-19 pandemic. In April, research done for PayPal by Angus Reid showed that more than 30% of Canadians had shopped for groceries online. More notably, evidence also suggests online shopping could become a permanent consumer behavior, with 81% of respondents indicating they expect to continue shopping online either the same amount or more once the immediate crisis is over. In 2020, the Food Industry Association and Nielsen updated their predictions for online food and beverage sales in the U.S. to 30% (from prior level of 25%) of all food and beverage spending by 2025.

To support the growth in eGrocery, industry players will need to address structural and cost-related challenges. The current in-store eGrocery fulfillment model poses multiple hurdles for grocers, including prohibitive costs and the potential for negative customer experiences. eGrocery operations require new operational systems, processes and expertise; legacy assets and technologies are typically not configured for effective grocery delivery, product pickers in grocery aisles deplete inventory and can be disruptive to in-store shopping and limited in-store fulfillment capacity requires frequent capital expenditures to meet demand. SPUD believes it is well positioned vis-à-vis other industry players, as it is and has always been focused on eGrocery.

Online Grocery in Europe

To date, SPUD has made strong inroads into the European eGrocery market, and it places the region among the most prospective markets for its FoodX eGMS technology platform. A study conducted by PWC stated that pre-pandemic, 18% of European consumers living in urban areas using eGrocery as the main channel for grocery purchases. Significant growth in European eGrocery occurred in 2020, with eGrocery as the primary channel as of September 2020 moving to 28%. 70 to 90% of European consumers who started buying groceries online indicated that they plan to continue shopping for groceries online to the same extent as before the pandemic. Further, European consumers are increasingly focused on the reduction of food waste that relates to their grocery purchases. According to market research firm Rubikloud, two thirds of grocery shoppers in France, the UK, and Germany indicated they would be more likely to remain loyal to a supermarket that has made a firm commitment to reducing food and packaging waste. SPUD believes that its services and solutions, which focus on packaging reduction/recycling as well as dramatic reductions in food waste, will face increasing demand as the focus on the long-term sustainability of the global food system continues to strengthen.

Competitive Advantages

SPUD's Omni-channel approach

SPUD's business activities span a diverse set of markets and offerings including online retail, community stores, commissary and food preparation services and distribution in Canada, combined with its SaaS-based eGMS technology platform for domestic and global markets. SPUD's broad capabilities and market reach enhance its access to opportunities while strengthening the resilience of the overall business.

Scalable, Low Cost, Efficient

With a focus on global eGrocery services and solutions, FoodX's SaaS-based eGMS platform is, in SPUD's view, highly cost-effective in comparison to solutions offered by competitors, and these cost advantages remain valid across a wide selection of client sizes and configurations. SPUD believes that its up-front deployment costs are materially lower than similar offerings, can be fully deployed over a shorter timeframe, and result in attractive unit economics, all while offering superior customer functionality. The FoodX eGMS technology platform also drives high order accuracy, rapid inventory turnover and reduced levels of food waste. These attributes lead to direct operational, cost, and sustainability benefits for retailer customers and, in turn, their online shoppers.

Superior Customer Experience

SPUD is focused on delivering an exceptional customer experience across its services. SPUD.ca customers benefit from features such as an open order basket, which allows customer orders to remain open until shortly before scheduled delivery times, which improves order completion, accuracy and promotes a positive customer experience. Addressing the needs of potential eGrocery partners for the FoodX eGMS technology platform is also essential. A key differentiator from competing offerings comes in the form of data protection – FoodX's white label approach for its eGMS allows retailer partners to retain and protect valuable customer data while continuing to build their own brand loyalty, reducing data-related risks created through outsourced solutions, a factor that is of growing concern to FoodX's target customers.

Strong Partnerships and Corporate Customers

Throughout its corporate history, SPUD has recognized and cultivated the value that can be gained from strong community and business partnerships to enhance its capabilities and support better outcomes. To date, SPUD's FoodX business group has established key technology partnerships with Microsoft and Attabotics for the development of its eGMS eGrocery platform, and these relationships are expected to support a strong, competitive offering when pursuing opportunities within the global eGrocery market. SPUD has also secured important anchor clients for deployment of its SaaS-based eGMS technology platform, including Carrefour, which is working in partnership with FoodX on an initiative serving the Belgian grocery market. On a domestic basis, Meridian Food Markets represents an important mid-sized eGMS client in the Canadian market. These partnerships serve as key points of validation for SPUD's market approach and the potential of its business model.

Impact-focused Sustainability Benefits

In addition to offering customers a broad selection of products centred on local, fresh, organic choices, SPUD's business model and operating approach address specific environmental challenges within the grocery business, including packaging, food waste and delivery:

- *Reducing waste by minimizing the use of packaging* – On a global basis, the packaging sector is the largest producer of plastic waste. To its knowledge, SPUD is the first online grocery provider to take end-to-end responsibility for the packaging it sells, supported by its reverse logistics technology which facilitates recovery of non-recyclable plastics, its re-useable totes and packaging, and which minimizes single-use plastics.
- *Wholistic approach to reducing food waste* – There is consistent evidence that a dramatic portion of the world's food supply is wasted each year before it reaches the store shelf. SPUD believes that the systems design approach used by SPUD and FoodX is highly effective in reducing food waste to levels far below industry standards. SPUD's commitment to reducing food waste has proven successful – with SPUD's online operations having the lowest food waste (0.5%), to SPUD's knowledge, of any grocery store in Canada.
- *More efficient vehicle use and reduced emissions through delivery optimization* – The FoodX eGrocery platform is designed to optimize vehicle utilization and routing which brings important benefits in the form of reduced vehicle operating times and lower vehicle emissions.
- *Product selection focused on fresh, local, organic* – SPUD places strong emphasis on locally-sourced, organic, GMO-free products. The distance food travels from producers to SPUD's warehouses is listed on the SPUD.ca online portal, helping customers make educated choices about the impact of the products they buy. For products that cannot be sourced locally, SPUD works with sustainable, organic and fair-trade growers. SPUD's commitment to its customers is to be transparent about where their food comes from.

Building Upon Extensive Experience in Grocery and eGrocery

SPUD's business has evolved along a path that has allowed new initiatives and innovations to be built on a base of significant operating experience, and a comprehensive understanding of how technology as well as customer needs are changing. SPUC.ca was introduced as a result of SPUD's belief in the strong potential of online grocery, a learning gained as SPUD successfully operated its retail storefronts. SPUD.ca's services were also established using limited physical space and small initial fulfillment footprints, and this constraint proved beneficial to SPUD's abilities to successfully operate and develop its solutions with space optimization at the core of its skills. SPUD's capabilities and vision have also served as a foundation for the development and introduction of its SaaS-based eGMS technology platform for global markets. SPUD's eGMS offering was developed with SPUD.ca as its first customer; this has brought tangible advantages both during development, and as FoodX has pursued and secured new customers such as Carrefour and Meridian Foods.

Principal Products and Services

The principal business activities of SPUD are:

eGrocery – The online sales and distribution of grocery products in select Western-Canadian markets including Vancouver, Victoria and Kelowna in British Columbia, and Calgary and Edmonton in Alberta via the www.spud.ca online portal. SPUD.ca is the primary business within its eGrocery business segment and comprised 50% and 60% of its revenues for its financial years ended September 28, 2019 and October 3, 2020 respectively.

Blush Lane and Be Fresh brick and mortar storefronts – SPUD’s operation of its Be Fresh and Organic Acres retail stores in Vancouver and its Blush Lane in Calgary and Edmonton. Sales through SPUD’s Blush Lane business segment comprised 47% and 37% of FY 2019 and 2020 revenues respectively. Results related to SPUD’s Be Fresh and Organic Acres stores are reported as a part of the eGrocery business segment.

FoodX SaaS-based eGMS technology platform – The development and sale of the SaaS-based eGMS technology platform to international and domestic grocery store operators (current customers include Carrefour Group and Meridian Farm Market). FoodX currently works with grocery retailers in Western Canada and Europe and recently expanded its market reach into the U.S. eGrocery market. Operating results of FoodX are included in the eGrocery business segment.

eGMS – the FoodX SaaS Opportunity

SPUD believes that FoodX is strongly positioned to address the challenges inherent in the provision of eGrocery services by retailers of all sizes. FoodX’s proprietary eGMS platform has been developed as an end-to-end solution to support profitable online grocery fulfillment and facilitate seamless integration with existing grocery ERP systems. The FoodX eGMS technology platform can be rapidly deployed, requires capital investment levels that are materially lower than competitive offerings, and supports industry-leading unit economics. Its main components and capabilities are:

- ***Inbound*** – Integrates with existing technology assets and is customizable to unique business operations.
- ***Inventory*** – Live visibility through real-time data flows between ecommerce platform and facility systems.
- ***Pick & Pack*** – Integrated intelligence and balanced automation for efficient picking, packing and replenishment.
- ***Delivery*** – Route optimized delivery software, passive cooling and reverse logistics create an amazing customer experience.

From a performance perspective, SPUD believes that the FoodX eGMS technology platform outperforms industry standards across several key metrics:

- ***Delivery accuracy utilizing the FoodX eGMS technology*** - 98%
- ***Food waste as a % of sales*** - 0.5%
- ***Fill rate using automated fulfillment*** - 99%

FoodX has developed its end-to-end SaaS-based eGMS service offering to bring significant value to a multitude of customer types, acting as a foundation for cost-effective provision of eGrocery services by retailers, often for the first time. The FoodX business model focuses on the following configurations for the cost-effective deployment of its eGMS:

- **Micro-fulfillment** – FoodX’s micro-fulfillment eGMS is for use within a smaller facility located inside or adjacent to a retail grocery store (1,000 to 10,000 square feet). This offering allows smaller retailers to offer online solutions to their customers, a factor that is especially important due to the challenges faced by retailers and caused by the global COVID-19 pandemic. SPUD’s fulfillment centres located in Vancouver, Victoria, Calgary and Edmonton are examples of its micro-fulfillment deployments.
- **In Store** – The FoodX eGMS can be deployed within a retailer’s current location and occupies a mid-sized footprint (5,000 to 20,000 square feet). The In Store option also provides important support for the adoption of online capabilities as a result of the accelerated adoption of eGrocery by consumers.
- **“Dark Stores”** – The “dark store” eGMS is a larger-format, separate, dedicated location with a footprint between 10,000 and 100,000 square feet. The FoodX fulfillment centre located in Metro Vancouver is an operating example of a successful “dark store” deployment.

For the offering of the FoodX eGMS technology platform, SPUD has carefully developed its technical and business capabilities through access to development funding such as a collaboration with the Digital Technology Supercluster, and solutions-focused technology partnerships with leading players such as Microsoft and Attabotics. Further platform advancements have been achieved through joint work with global retailers including Carrefour in the Belgian eGrocery market. Technology and business advancements made by FoodX are led exclusively by FoodX personnel and are not controlled on its behalf by external parties.

eGrocery Services – SPUD.ca

SPUD’s online eGrocery business, SPUD.ca, features a fully featured, web-based ecommerce portal through which customers may access a broad variety of fresh food, grocery, and other essentials for selection into their online order basket, secure purchase through SPUD.ca’s online purchase engine, and arrange delivery to a destination of the customer’s choosing. Customer orders are typically fulfilled on a next-day-delivery basis. Prices are generally inclusive of delivery and SPUD.ca currently serves customers in the British Columbia markets of Vancouver, Victoria and Kelowna, and the cities of Calgary and Edmonton in Alberta.

From its B.C. and Alberta-based facilities, SPUD is currently capable of reaching approximately three million Canadian households with its SPUD.ca online eGrocery service offering. SPUD currently has approximately 9,000 branded products across several categories including bakery, dessert, meat and seafood, drinks, pantry, produce, snacks, dairy, health and kitchen essentials, with plans to expand to 15,000 branded and private label products in the coming years.

SPUD’s Channel to Market – Payment for purchases on SPUD.ca are made through a secure online payment portal and are primarily paid for by credit card. To complete a purchase, customers must either register as users of the purchase portal or become a SPUD.ca member through a monthly or annual subscription. Delivery scheduling is highly flexible - order delivery times can be scheduled between 24 hours and up to 14 days following order placement, and same-day delivery is available in select markets. Once orders are confirmed, product sourcing for fulfillment is conducted with a focus on “just in time” delivery which brings cost savings in the form of reduced inventory and food waste/spoilage.

As at SPUD’s financial year ended October 3, 2020, there were 27,122 active eGrocery customers on the SPUD.ca portal, and the average order size for the period was \$115.

Throughout the multiple steps taken in the fulfillment of a customer order, efforts are made to drive efficiency and reduce waste. Every reusable SPUD bin used for order delivery replaces the use of approximately three plastic bags. When possible, insulated and reusable freezer jackets are used to keep food cool while replacing the use of throw-away insulation. An important example of SPUD’s focus on applying innovative thinking is its open order basket capabilities which allow customer order baskets to remain open until the time of delivery, which improves order accuracy and supports an exceptional customer experience.

For customer deliveries completed through SPUD.ca, SPUD operates and maintains its own fleet of branded delivery trucks. SPUD.ca has dedicated significant resources and innovation to its approach to order fulfillment, and its strong

capabilities in these areas has led to positive impacts in the form of significantly reduced product waste, fewer truck trips, and reduced fuel costs and vehicle-related emissions.

Visitors to the SPUD.ca website are offered a “pop-up” incentive to encourage site use and membership subscription. SPUD.ca membership brings benefits including product discounts, free/lower-cost delivery, and other incentives. SPUD’s referral program offers a discount to new customers that members invite to SPUD’s stores, and members get account credits for each new referral.

SPUD.ca seeks new customers through digital advertising as well as targeting customer groups by leveraging current customers to profile and identify prospective customers with strong conversion potential. Along with SPUD’s “refer a friend” program, paid performance marketing is an important funnel for securing new customers.

SPUD is dedicated to delivering superior customer experiences, which brings direct business impacts in the form of increased average order size and high retention rates, and strong customer loyalty is also supported through SPUD’s subscription and points programs. SPUD builds brand awareness and share of market through out-of-home advertising including transit (buses and exchanges), billboards, TV and radio. SPUD employs a third-party media company to secure all out-of-home marketing, which ensures competitive rates for media purchases. SPUD actively uses social media platforms (Instagram, Facebook, LinkedIn, Twitter and Pinterest) to build further brand awareness and increase active engagement with both active as well as potential customers.

Technology and Product Development

SPUD is focused on value-added investment across its business segments to support exceptional customer experience, service functionality, and innovation. SPUD pursues continuous improvements in its business practices and technologies to achieve customer service improvements and lower unit costs while reducing the environmental impact of its activities.

SPUD’s commitment to technology leadership is strong. SPUD has always operated its own front-end website and user experience, and it has also developed its own backend proprietary software to support the SPUD.ca eGrocery website since its inception in 1997.

Since the beginning of its fiscal year ended October 3, 2020, SPUD has onboarded over 35 skilled technology employees into pure technology roles. SPUD’s current technology team is currently comprised of approximately 50 employees, and capabilities are further augmented with approximately 20 additional outside contractors. SPUD expects to continue to expand its pool of technology-focused talent as it builds its business. SPUD also engages other technology firms for access to additional development resources and expertise. As well, SPUD employs approximately 20-30 employees who are dedicated to the technology team in support roles.

Approach to Suppliers, Sustainability and Community

SPUD believes that it takes its services one step beyond when it comes to its communities and the environment, in line with SPUD’s efforts to pursue sustainability at every stage of its business, from farm to fork. Throughout SPUD’s operations and administrative offices, sustainable business practices are followed.

Along with SPUD’s customers, employees and communities, SPUD’s suppliers are considered one of its most important stakeholder groups. SPUD adheres to a strict Sustainable Purchasing Policy for the procurement of all products sold to customers, and its supplier base is centred on local producers that prioritize sustainable practices. SPUD’s goal is to buy from as many local farms and suppliers as possible, which results in fresher, tastier food for customers, while bringing benefits to local communities.

SPUD is currently pursuing a series of carbon neutral goals. SPUD buys local whenever possible to reduce transportation-related greenhouse gas emissions. On every invoice, each customer does its part to reduce emissions by paying a modest 22 cent per order carbon charge which supports emissions-free customer deliveries.

SPUD is actively working toward a goal of zero waste and has adopted a comprehensive approach to reducing the product packaging that enters the local waste stream. Throughout its operations, SPUD collects and reuses a wide

variety of difficult to recycle items and SPUD's takeback program allows customers to return packaging from an expanding set of suppliers for recycling into products like outdoor furniture. SPUD's delivery capabilities also support improvements in customer recycling practices - customers are encouraged to put recyclable items in the bins in which they received their deliveries for recycling once they are returned to SPUD's warehouses. As a health precaution, SPUD's recycling programs were placed on hold, with certain exceptions, in 2020 due to the COVID-19 pandemic.

Regarding SPUD's grocery purchasing practices, product orders are placed and food is prepared on an as-needed basis whenever possible, with products like local bread, salads, soups and other meals made fresh when customers order them, so over-ordering is avoided. SPUD's inventory technology allows for predictive ordering and better inventory control of produce, an important contributor to the ability to materially reduce food waste.

SPUD.ca believes in the value of its communities in building its brand, reputation and capabilities. SPUD's Community Outreach Program is a partnership between SPUD and local non-profit organizations through which local causes are supported by using SPUD's delivery system to collect needed items including donations of clothing, toiletries, household items and children's toys from its customers. Donations are provided directly to charitable foundations that SPUD is partnered with for that month.

Facilities

British Columbia

- *Burnaby Fulfillment Centre* - SPUD operates a 74,000 square foot "dark store" format eGrocery fulfillment centre in the Metro Vancouver area. Its daily fulfillment capacity is 5,000 orders with expansion potential to 5,500 orders a day. This facility serves www.SPUD.ca customers in Greater Vancouver and surrounding area as well as the Kelowna market.
- *Hastings Fulfillment Centre* - SPUD operates a micro-fulfillment centre in Metro Vancouver. This facility was one of SPUD's first fulfillment centres and serves www.SPUD.ca customers in Greater Vancouver and surrounding areas.
- *Victoria Fulfillment Centre* - SPUD operates a micro-fulfillment centre in Victoria. This facility serves www.SPUD.ca customers on Vancouver Island.
- SPUD's corporate head offices, which are located in Burnaby, B.C.
- SPUD owns and operates a total of two brick and mortar grocery retail locations in the Metro Vancouver area under its Be Fresh Local Market banner.

Alberta

- SPUD owns and operates five brick and mortar grocery retail locations in Alberta under its Blush Lane banner, with four locations in Calgary and one in Edmonton.
- *Calgary Fulfillment Centre* - SPUD operates a "dark store" format eGrocery fulfillment centre in Calgary. This facility serves www.SPUD.ca customers in Calgary and surrounding areas.
- *Calgary Support Warehouse* - SPUD operates an eGrocery support warehouse in Calgary. This facility serves both Blush Lane locations and www.SPUD.ca customers in Calgary and surrounding areas.
- *Edmonton Fulfillment Centre* - SPUD operates an eGrocery micro-fulfillment centre in Edmonton. This facility serves www.SPUD.ca customers in Edmonton and surrounding areas.

All of SPUD's brick and mortar retail as well as fulfillment centre locations are equipped with the equipment necessary to ensure product freshness and safety across a variety of different product types and operating conditions. In many locations, components such as freezers, coolers, ambient temperature rooms and other equipment are used to manage

up to five separate temperature requirements for the products processed in that location. All facilities are designed and equipped in adherence to high standards of employee and product safety, and to optimize efficiencies.

Employees

At the end of its financial year ended October 3, 2020, SPUD had nearly 900 employees. SPUD's leaders and diverse employee base bring deep global and domestic grocery industry expertise and represent a core corporate strength as SPUD builds its market presence and technological capabilities and pursues new innovations within the products and services it provides.

SPUD believes that throughout its history, it has developed an acumen in attracting and retaining top talent. SPUD's corporate culture is defined by its core values which emphasize positive customer experiences, a passion for creating a sustainable food system, fostering an open mind, valuing diverse perspectives and challenging norms, learning and growth, commitment and personal ownership, and collaboration. A willingness to innovate with the intent to create great customer experiences is encouraged.

Except for the collective agreement dated October 8, 2020 between SPUD and the Local 213, the International Brotherhood of Electrical Workers (Union), which expires on October 7, 2023 covering one bargaining unit, no union representation question exists respecting SPUD's employees and no collective bargaining agreement is in place, being contemplated or currently being negotiated. Executive officers and certain other employees that are core to SPUD's corporate strength have signed standard non-competition and non-solicitation undertakings in favour of SPUD.

Social, Environmental and Community Policies

SPUD has implemented social and environmental policies that are fundamental to its operations and which are aligned with its corporate mission to use innovation and technology to reduce environmental impacts while creating a safe and sustainable food ecosystem for all.

SPUD is proud to be a Certified B Corporation since 2013, signifying the essential role SPUD can play in solving social and environmental problems. To attain and maintain this certification, SPUD must meet rigorous standards of social and environmental performance, accountability, and transparency. SPUD employees believe that benefiting people and the environment is a core component of SPUD's corporate purpose, and SPUD seeks to conduct its business in alignment with this commitment.

SPUD has published an Employee Handbook which all employees receive at the commencement of their employment. The Employee Handbook is a comprehensive description of SPUD's corporate objectives and purpose, the manner in which employees interact and perform their work, SPUD's commitments to its customers and communities, and its adherence to laws and industry best practices. The Employee Handbook encompasses specific social components related to workplace culture, corporate values, employee performance management and career development, and health and wellness. All employees must also adhere to SPUD's Code of Professional Conduct and its Respect in the Workplace Policy.

SPUD's approach to environmental stewardship is embedded within all company activities, including its commitments to customers, communities and employees. SPUD's environmental practices have been developed to ensure its continued certification as a B Corp. SPUD's food purchasing practices are codified within its Sustainable Purchasing Policy.

Competitive Conditions

The markets in which SPUD operates are facing increased levels of competition, with several market players pursuing expansion initiatives across similar market segments. Competitors include the supermarket industry and other conventional food retailers, online grocery service providers and eGrocery fulfilment platforms.

With respect to online grocery, four of Canada's major grocery companies have offerings in this segment - Sobeys, Metro, Loblaws and Walmart. SPUD believes that it has proven capabilities to differentiate itself from other Canadian online grocery companies given the cost-effectiveness of its approach, SPUD's focus on sustainable products and

business operations and its high levels of customer satisfaction. SPUD believes that it holds a competitive position as one of the most capital efficient online grocery companies in Canada, led by a management team with deep experience in the global grocery market.

With respect to FoodX's eGMS technology platform, several companies are in the process of building fulfillment solutions for the global eGrocery business. The most direct competitor for the FoodX eGMS technology platform is Ocado due to the fact that they are offering an end-to-end solution. There are other entities, such as Takeoff and Fabric, that are providing components of the end-to-end solution such as micro-fulfillment, front end software and routing.

Although SPUD believes in the competitive positioning of both its consumer grocery and eGMS businesses, it expects competitive forces to remain strong. Some of SPUD's competitors may have specific resources that SPUD does not have, such as larger fulfillment and distribution infrastructures, greater technical, financial and marketing capabilities, larger customer bases, and broader capabilities in offering eGrocery services to global customers. Mergers between competitors across the online grocery industry could also result in a significant impact on the competitive landscape in which SPUD operates. Such factors may allow other industry players to increase revenues, improve customer acquisition capabilities, and be in a position to respond more effectively to changes in consumer demand than SPUD may be.

Seasonality and Cyclicity

The operations and financial performance of SPUD's brick and mortar store locations, as well as its SPUD.ca online business are impacted to some degree by seasonality. SPUD anticipates less demand for grocery delivery during popular holiday and vacation periods, and more demand during the latter part of the summer months due to consumers returning home for the school season. SPUD anticipates increased packaging requirements to maintain grocery freshness and quality during warmer periods.

Intellectual Property

Proprietary Protection

The protection of intellectual property is an important component of SPUD's business. SPUD's proprietary technology platform was built with exceptional customer experiences as the goal. SPUD's focus on highly effective order fulfillment allows us to complete and deliver orders direct to SPUD's online grocery customers in a cost-effective and efficient manner.

The FoodX eGMS technology platform includes a rapid pack algorithm that decreases packing time and optimizes the use of space, picking software that uses machine learning to deliver instructions to warehouse packers, and proprietary delivery route optimization software that utilizes real-time data with an end goal of lowering retailers' overall carbon footprint. These technologies are an essential component in SPUD's ability to deliver fresh food to retail customers faster, more sustainably and with less plastic. SPUD's technology-based solutions, which also includes its inventory technology which allows for predictive ordering and better inventory control of produce, have helped SPUD to lower its food waste to 0.5% - a level that to SPUD's knowledge is the lowest of any grocery store in Canada.

The technologies described above are essential components of SPUD's business. SPUD.ca's mission to deliver exceptional customer experiences relies on the effective use, operation and continued refinements of the technologies and systems used throughout its online grocery business and for the development of its FoodX eGMS technology platform.

In accordance with industry practice, SPUD protects proprietary rights through a combination of methods, including copyright, trade secret laws, trademarks and contractual provisions. The enforcement of SPUD's intellectual property rights depends on any legal actions against any infringers being successful. These actions may not be successful or may be prohibitively expensive, even when SPUD's rights have been infringed. See "Part IV – Risk Factors - Risks Relating to the Resulting Issuer's Business".

Contractual Restrictions

SPUD takes precautions to prevent disclosure of SPUD's intellectual property and proprietary information by requiring employees and partners to execute non-disclosure and assignment of intellectual property agreements. Such agreements require SPUD's employees and partners to assign to us all intellectual property developed in the course of their employment or engagement. Non-disclosure agreements are also used to govern interaction with new and prospective business partners where disclosure of information may be necessary.

The enforcement of SPUD's intellectual property rights depends on any legal actions against any infringers being successful, but these actions may not be successful or may be prohibitively expensive, even when SPUD's rights have been infringed.

Trademarks and Branding

SPUD has developed a portfolio of brands with strong recognition in their target markets and is dedicated to maintaining valuable branding assets that align with its corporate values. At its financial year ended October 3, 2020, SPUD was the registered owner of several trademarks in Canada including Food-X Technologies, eGMS, Blush Lane, Organic Acres Market, Be Fresh, Be Fresh Local Market, and SPUD. It also owns the www.spud.ca, www.FoodXtech.com and www.freshlocalsolutions.com domain names. SPUD is committed to building awareness and connection to its core brands within the markets in which it is focused for its continued growth and success.

Lending

As of the date hereof, SPUD does not conduct any lending operations, nor does it have in place any investment policies and/or investment restrictions.

No Bankruptcy

In the three most recently completed financial years, neither SPUD nor any of its officer and directors have been party to any bankruptcy or receivership or similar proceedings. In addition, no bankruptcy, receivership or similar proceedings were filed against SPUD or any of SPUD Subsidiaries.

Material Reorganization

SPUD has not undertaken or undergone any material reorganization in the last three completed financial years.

Selected Consolidated Financial Information and Management's Discussion and Analysis of Financial Condition and Results of Operations

Selected Financial Information

The following tables set out selected financial information of SPUD for the periods indicated therein. The selected financial information below has been derived from the audited consolidated financial statements of SPUD and related notes as at each of October 3, 2020, September 28, 2019 and September 29, 2018, attached to this Filing Statement as Exhibit "C", and from the unaudited interim condensed consolidated financial statements of SPUD for the three-month periods ended January 2, 2021 and December 28, 2019 and related notes thereto, attached to this Filing Statement as Exhibit "F". The following information should be read in conjunction with the Management's Discussion and Analysis of SPUD for the financial years ended October 3, 2020, September 28, 2019 and September 29, 2018, attached as Exhibit "D", and for the three-month periods ended January 2, 2021 and December 28, 2019, attached hereto as Exhibit "G".

(Expressed in thousands of Canadian dollars)	Interim Period ended January 2, 2021 (\$)	Financial Year ended October 3, 2020 (\$)	Financial Year ended September 28, 2019 (\$)	Financial Year ended September 29, 2018 (\$)
Total revenues	31,872	107,561	76,528	76,163
Loss from continuing operations	3,829	16,996	17,712	8,355
Net loss, in total	15,924	30,722	18,561	8,996
Total assets	15,924	47,103	36,372	25,941
Total long term financial liabilities	54,204	33,748	4,494	3,459
Cash dividends	Nil	Nil	Nil	Nil

Management's Discussion and Analysis

For more details concerning SPUD's management's discussion and analysis for the financial years ended October 3, 2020, September 28, 2019 and September 29, 2018, see Exhibit "D" annexed hereto, and for the three-month periods ended January 2, 2021 and December 28, 2019, attached hereto as Exhibit "G".

Description of Securities

SPUD Common Shares

Under SPUD's Notice of Articles, SPUD has authority to issue an unlimited number of common shares without par value (the "**SPUD Common Shares**").

The SPUD Common Shares are not posted for trading on any stock exchange. As of the date hereof, there are 35,584,731 SPUD Common Shares issued and outstanding. SPUD has a total of 4,352,900 SPUD Common Shares reserved for issuance under the SPUD Stock Option Plan.

Each SPUD Common Share is entitled to one vote per SPUD Common Share. Each of the SPUD Common Shares is entitled to receive an equal share of any dividends and distributions (whether payable in cash or otherwise) as may be declared on the SPUD Common Shares from time to time. Each of the SPUD Common Shares is entitled, in the event of any liquidation, dissolution or winding-up of SPUD (whether voluntary or involuntary), to receive in equal amounts per SPUD Common Share, the assets of SPUD available for liquidation.

SPUD Options

A total of 4,352,900 SPUD Options are outstanding as of the date of this Filing Statement under the SPUD Stock Option Plan. The SPUD Stock Option Plan was established to provide additional incentives to attract, retain and motivate directors, officers, employees, consultants and advisors of SPUD. See "*Part II – Information Concerning SPUD – Executive Compensation*" for further information.

SPUD Warrants

SPUD Warrants exercisable in respect of 2,967,013 SPUD Common Shares will be issued immediately prior to the Effective Time pursuant to rights set forth in various subscription agreements for SPUD Common Shares entered into by SPUD and various subscribers for SPUD Common Shares in relation to various private placement financings for

aggregate proceeds of \$13,351,558.50 million and 2,967,013 SPUD Common Shares issued, which closed between September 2018 and February 2020. Each SPUD Warrant shall grant the right to acquire one SPUD Common Share for the price of \$6.375 per SPUD Common Share for a period of one year following the Completion of the Qualifying Transaction. For information on the rights of each SPUD Common Share, see “*SPUD Common Shares*” above.

SPUD Broker Warrants

The following series of SPUD Broker Warrants, which are all common share purchase warrants, were issued by SPUD to brokers or agents of SPUD: (a) SPUD Broker Warrants issued to various brokers of SPUD in tranches on November 20, 2013, April 30, 2015 and November 9, 2016 and exercisable in respect of 564,136 SPUD Common Shares; (b) 124,000 SPUD Broker Warrants issued to the Co-Lead Agents on October 21, 2020 as part of their compensation in relation to the offering of SPUD Convertible Debentures completed on October 21, 2020; and (c) the 192,849 SPUD Compensation Warrants issued to the Agents on December 23, 2020 as part of their compensation in relation to the SPUD Private Placement.

The SPUD Compensation Warrants were issued to the Agents in connection with the SPUD Private Placement. At the Effective Time, each Compensation Warrant will be exchanged into one Resulting Issuer Broker Warrant. Each Resulting Issuer Broker Warrant issued in exchanged for a SPUD Compensation Warrant shall entitle the holder thereof to subscribe for one Resulting Issuer Share at a price equal to \$7.50 per share for a period of 24 months from the date of the listing of the Resulting Issuer Shares issued to the subscribers of the SPUD Subscription Receipts upon Completion of the Qualifying Transaction.

For more detail on the SPUD Broker Warrants, see “*Part III – Resulting Issuer – Fully Diluted Share Capital*”. For information on the rights of each SPUD Common Share, see “*SPUD Common Shares*” above.

SPUD Convertible Debentures

On October 21, 2020, SPUD issued 15,500 SPUD Convertible Debentures, each issued in denominations of \$1,000 in the context of the SPUD Convertible Debenture Private Placement pursuant to which SPUD raised gross proceeds of \$15,500,000 in principal amount. The SPUD Convertible Debentures are designated as the “8.5% Convertible Unsecured Senior Debentures due 2022.” As described in “*Part I – Qualifying Transaction*”, at the Effective Time, a total of 2,431,358 SPUD Common Shares will be issued to holders of SPUD Convertible Debentures. For information on the rights of each SPUD Common Share, see “*SPUD Common Shares*” above.

SPUD Subscription Receipts

The following summary of the material attributes and characteristics of the SPUD Subscription Receipts is subject to, and qualified in its entirety by, the terms of the Subscription Receipt Agreement.

In the context of the Qualifying Transaction, SPUD completed the SPUD Private Placement of an aggregate of 3,227,500 SPUD Subscription Receipts at a subscription price of \$7.50 per Subscription Receipt for aggregate gross proceeds of approximately \$24,206,250. The closing of the SPUD Private Placement occurred on December 23, 2020 and was completed on a “best efforts” private placement basis by the Agents. Each Subscription Receipt is convertible into one (1) SPUD Common Share. As described in “*Part I – Qualifying Transaction*”, at the Effective Time, a total 3,227,500 SPUD Common Shares will be issued to holders of SPUD Subscription Receipts.

Pursuant to the terms of the Subscription Receipt Agreement, the gross proceeds from the SPUD Private Placement less certain permitted expenses of the Agents (the “**Escrowed Funds**”) have been deposited in escrow with the Subscription Receipt Agent until the satisfaction of certain release conditions, including, without limitation, the following Release Conditions:

- (a) the Arrangement Agreement regarding the Arrangement shall have been entered into by SPUD and Rainy Hollow on terms acceptable to the Co-Lead Agents, acting reasonably;
- (b) all conditions precedent to the completion of the Arrangement, other than any condition precedent requiring the release of the Escrowed Funds to SPUD pursuant to the Subscription Receipt

Agreement, shall have been satisfied to the satisfaction of, or waived by, the Co-Lead Agents including, without limitation: (A) any necessary government and regulatory approvals; (B) any required shareholder approvals of each of SPUD and Rainy Hollow, as applicable, and (C) the conditional approval of the TSX and/or TSXV (as applicable) of the Arrangement and the listing of Resulting Issuer Shares to be issued to the Subscription Receiptholders upon completion of the Arrangement, and the completion, satisfaction or waiver of all conditions precedent to such listing, other than the release of the Escrowed Funds;

- (c) the distribution of: (a) the SPUD Common Shares underlying the SPUD Subscription Receipts, and; (b) the Resulting Issuer Shares to be issued in exchange for the SPUD Common Shares pursuant to the Arrangement being exempt from applicable prospectus and registration requirements of applicable Securities Laws;
- (d) the Agents having received an officer's certificate from SPUD's Chief Executive Officer that it has irrevocably instructed its counsel upon release of the Escrowed Funds to SPUD, to issue the underlying SPUD Common Shares issued upon exchange of the SPUD Subscription Receipts and to complete the Arrangement; and
- (e) the Release Notice having been delivered to the Subscription Receipt Agent.

As soon as practicable following the satisfaction of the Release Conditions, and as per the above, the Release Notice will be delivered to the Subscription Receipt Agent stating that all Escrow Release Conditions have been satisfied in full in accordance with the Subscription Receipt Agreement. Following which, at the Effective Time, the SPUD Subscription Receipts will be converted into SPUD Common Shares and immediately after exchanged for Resulting Issuer Shares without payment of any additional consideration or any further action on the part of the holder thereof.

In the event that the Release Conditions have not been satisfied or waived prior to 5:00 p.m. (Vancouver time) on April 22, 2021, the subscription funds shall be returned to the applicable holders of the SPUD Subscription Receipts together with any interest earned thereon, and such SPUD Subscription Receipts shall be automatically cancelled and be of no further force and effect.

For information on the rights of each SPUD Common Share, see "*SPUD Common Shares*" above.

SPUD Convertible Notes

In connection with the ARCA, on July 31, 2020, SPUD issued SPUD Convertible Notes for an aggregate principal amount of \$28,000,000. The Arrangement is one of the conversion events contemplated under the terms of the SPUD Convertible Notes. As part of the SPUD Pre-Arrangement Reorganization, of the outstanding SPUD Convertible Notes, \$7,655,097 in principal amount and interest due to January 31, 2021 will be retired and an aggregate of 1,275,849 SPUD Common Shares will be issued to SPUD Convertible Note Holders in consideration therefor, at a deemed price of \$6.00 per SPUD Common Share, and the remaining portion of the principal amount of the SPUD Convertible Notes and interest, being \$22,530,000, plus any outstanding interest due from February 1, 2021, shall be redeemed by SPUD for cash. The balance owed on the SPUD Convertible Notes and the interest earned thereon after January 31, 2021 until the repayment, which will occur prior to the Completion of the Qualifying Transaction, will be redeemed by SPUD with cash on hand and a portion of the net proceeds to be received from the SPUD Private Placement.

For information on the rights of each SPUD Common Share, see "*SPUD Common Shares*" above".

SPUD Note Warrants

The SPUD Warrants, which are convertible loan warrants, exercisable in respect of 3,600,000 SPUD Common Shares, were issued on July 31, 2020 in connection with the ARCA and the SPUD Convertible Notes which are described above. As part of the SPUD Pre-Arrangement Reorganization, all of the 3,600,000 SPUD Note Warrants will be converted, on a cashless basis, into an aggregate amount of 720,000 SPUD Common Shares. For information on the rights of each SPUD Common Share, see "*SPUD Common Shares*" above.

Consolidated Capitalization

The following table sets forth the consolidated capitalization of SPUD as at (a) as at January 2, 2021, and (b) January 2, 2021 after giving effect to the Consolidation, SPUD Private Placement, SPUD Pre-Arrangement Reorganization and the Arrangement, as if it had occurred on January 2, 2021. This table should be read in conjunction with the interim condensed consolidated financial statements of SPUD for the three-month periods ended January 2, 2021 and December 28, 2019 included in this Filing Statement, attached hereto as Exhibit “G”.

	January 2, 2021 (in thousands of \$)	January 2, 2021 after giving effect to the Arrangement (in thousands of \$) ⁽¹⁾
Cash and cash equivalents	9,614	18,908
Long-term debt, including current portions		
Term loan	35,387	10,085
Lease liabilities	17,716	17,716
Total debt	53,103	27,801
Shareholders' equity		
Share capital	59,881	119,673
Other equity reserve	4,108	4,823
Accumulated deficit	(107,850)	(114,223)
Total shareholders' equity	(43,951)	10,273
Total capitalization	9,152	38,074

Prior Sales

No shares, or securities convertible into shares, have been issued by SPUD within the 12 months prior to the date hereof, except as set out in the following table:

Date of Issue / Grant	Type of Securities	Number of Securities	Price Per Security	Exercise / Conversion Price
April 9, 2020	SPUD Options	1,937,500 ⁽¹⁾	—	\$4.50
May 19, 2020	SPUD Options	50,000	—	\$4.50
July 31, 2020	SPUD Convertible Notes	An aggregate principal amount of \$28 million ⁽²⁾⁽³⁾⁽⁴⁾	\$1,000	\$6.00
July 31, 2020	SPUD Note Warrants	3,240,000 ⁽⁵⁾	—	\$6.00
September 11, 2020	SPUD Note Warrants	360,000 ⁽⁶⁾	—	\$6.00
October 21, 2020	SPUD Convertible Debentures	15,500	\$1,000	\$6.375
October 21, 2020	SPUD Broker Warrants	124,000 ⁽⁷⁾	—	\$6.375
December 23, 2020	SPUD Subscription Receipts	3,227,500 ⁽⁸⁾	\$7.50	—
December 23, 2020	SPUD Compensation Warrants	192,849 ⁽⁹⁾	—	\$7.50
December 26, 2020	SPUD Common Shares	1,250 ⁽¹⁰⁾	\$4.50	—
March 1, 2021	SPUD Common Shares	20,000 ⁽¹⁰⁾	\$0.4853	—
March 1, 2021	SPUD Common Shares	26,800 ⁽¹⁰⁾	\$2.70	—

- (1) 200,000 of these SPUD Options were granted to Peter van Stolk, the CEO and a director of SPUD; 200,000 of these SPUD Options were granted to Jeffrey King, the CTO of SPUD; 50,000 of these SPUD Options were granted to each of Monique Wilberg, Todd Cherniak and Terry Vanderkruyk, each a director of SPUD; and 50,000 of these SPUD Options were granted to Fonds Agro, for the director fees of Eric Phaneuf, a director of SPUD. Commandité S.P.U.D. Inc., the general partner of Fonds Agro, is indirectly controlled by Walter Capital Partners Inc., a private equity firm. Eric Phaneuf is the President and Chief Executive Officer of Walter Capital Partners Inc. Mr. Phaneuf is also a director and indirect shareholder of Commandité S.P.U.D. Inc. Mr. Phaneuf is responsible for all the investment decisions of Fonds Agro's with respect to its holding in SPUD.
- (2) These SPUD Convertible Notes were issued to Fonds Agro. Commandité S.P.U.D. Inc., the general partner of Fonds Agro, is indirectly controlled by Walter Capital Partners Inc., a private equity firm. Eric Phaneuf is the President and Chief Executive Officer of Walter Capital Partners Inc. Mr. Phaneuf is also a director and indirect shareholder of Commandité S.P.U.D. Inc. Mr. Phaneuf is responsible for all the investment decisions of Fonds Agro's with respect to its holding in SPUD. On September 11, 2020, Fonds Agro assigned \$3.6 million principal amount of these SPUD Convertible Notes to four Persons, including Monique Wilberg and MHC Holdings Ltd., a company controlled by Todd Cherniak, (see notes 3 and 4 below).
- (3) \$2 million principal of these SPUD Convertible Notes were assigned by Fonds Agro to Monique Wilberg, a director of SPUD, on September 11, 2020.
- (4) \$100,000 principal of these SPUD Convertible Notes were issued to MHC Holdings Ltd., a company controlled by Todd Cherniak, a director of SPUD.
- (5) These SPUD Note Warrants were issued to Fonds Agro. Commandité S.P.U.D. Inc., the general partner of Fonds Agro, is indirectly controlled by Walter Capital Partners Inc., a private equity firm. Eric Phaneuf is the President and Chief Executive Officer of Walter Capital Partners Inc. Mr. Phaneuf is also a director and indirect shareholder of Commandité S.P.U.D. Inc. Mr. Phaneuf is responsible for all the investment decisions of Fonds Agro's with respect to its holding in SPUD.
- (6) 200,000 of these SPUD Note Warrants were issued to Monique Wilberg, a director of SPUD, and 10,000 of these SPUD Note Warrants were issued to MHC Holdings Ltd., a company controlled by Todd Cherniak, a director of SPUD.
- (7) 26,700 of these SPUD Subscription Receipts were issued to Peter van Stolk, the CEO and a director of SPUD.
- (8) Issued in connection with the closing of the SPUD Convertible Debenture Private Placement.
- (9) Issued in connection with the closing of the SPUD Private Placement.
- (10) Issued pursuant to exercise of SPUD Options.

Executive Compensation

Compensation Discussion and Analysis

The purpose of this Compensation Discussion and Analysis is to provide information about SPUD's executive compensation objectives and process as well as to discuss compensation relating to the SPUD NEOs. For the financial year ended October 3, 2020, there were four SPUD NEOs, namely Peter van Stolk, the CEO of SPUD, Adrienne Uy, the current CFO of SPUD, Jeffrey King, the CTO of SPUD, Jim Defer, the former CFO of SPUD and Robert Horricks, the CEO of Blush Lane Organic Produce, a subsidiary of SPUD. All of such SPUD NEOs are, or in the case of Jim Defer, were, employees of SPUD.

SPUD NEOs' compensation is determined by the SPUD Board and is designed to attract, retain, motivate and reward the SPUD NEOs for their performance and contribution to SPUD's long-term success. The overall objective SPUD's executive compensation is to focus the SPUD NEOs on the key business factors that affect shareholder value and to align their compensation with SPUD's business and financial objectives and the long-term interests of SPUD's shareholders. Although SPUD does not currently have a formal executive compensation program, the SPUD Board ensures that total compensation paid to SPUD NEOs is fair and reasonable and accomplishes the following objectives: (a) compensate management in a manner that encourages and rewards a high level of performance and outstanding results with a view to increasing long-term SPUD Shareholder value; (b) align management's interests with the long-term interests of SPUD Shareholders; and (c) provide a compensation package that is commensurate with other similar ecommerce, online food delivery and technology companies in order to enable SPUD to attract and retain talent.

Elements of Compensation

The significant elements of executive compensation for SPUD NEOs consist of a combination of: (a) base salary; (b) short term incentive by way of discretionary cash bonuses; (c) long term incentive by way of stock options granted pursuant to the SPUD Stock Option Plan; and (d) benefits. The following discussion describes each such element of executive compensation and how each element relates to SPUD's overall executive compensation objective.

Base Salary

Base salaries for SPUD NEOs are established based on the scope of their responsibilities, competencies and their prior relevant experience, taking into account compensation paid in the market for similar positions. The base salaries of the SPUD NEOs are reviewed annually by the SPUD Board to ensure that they take into account the following factors: market and economic conditions, levels of responsibility and accountability of each SPUD NEO, skill and competencies of each individual, retention considerations and level of demonstrated performance. Base salaries, including that of the CEO, are reviewed by the SPUD Board on the basis of its opinion as to a fair and responsible compensation package, taking into account the contribution of the SPUD NEO to SPUD's long term growth.

Short Term Incentive

As a short term incentive component of executive compensation, certain SPUD NEOs are eligible pursuant to their employment agreements with SPUD to receive a discretionary cash bonus. On an annual basis, the SPUD Board and each SPUD NEO reviews performance objectives for the coming year and establish reasonable performance objectives and targets and bonus levels. Subject to meeting such performance objective and targets as determined by the SPUD Board in its sole discretion, the SPUD NEO shall be entitled to a bonus of the determined percentage of such SPUD NEO's base salary. Among the current SPUD NEOs, each of Peter van Stolk and Adriene Uy is eligible for a bonus of not less than 20% of his or her respective base salary.

Long Term Incentive

SPUD provides long term incentive compensation to the SPUD NEOs through the SPUD Stock Option Plan. SPUD currently has no long term incentive plans in place other than the SPUD Stock Option Plan. Under the SPUD Stock Option Plan, the SPUD Board may by resolution grant SPUD Options to directors, officers, employees, consultants and contractors of SPUD, provided that the maximum aggregate number of SPUD Common Shares that may be reserved for issuance under SPUD Stock Option Plan at any point in time shall not exceed 10% of the issued and outstanding SPUD Common Shares outstanding from time to time. The purpose of SPUD Stock Option Plan is to provide SPUD with a share-related mechanism to attract, retain and motivate qualified directors, officers, employees, consultants and contractors, to incentivize such individuals to contribute toward the long term goals of SPUD and to encourage such individuals to acquire SPUD Common Shares as long term investments.

See "SPUD Stock Option Plan" below for a summary of the principal terms of the SPUD Stock Option Plan.

Benefits

Depending on the conditions of his or her employment agreement with SPUD, each SPUD NEO is either eligible or required to participated in the group benefits plan offered by SPUD to its employees, which is a standard group insurance plan, with costs shared between SPUD (80%) and the individual employee (20%).

External Compensation Consultants

During the financial years ended October 3, 2020 and September 28, 2019, SPUD did not retain the services of executive compensation consultants to assist the SPUD Board in determining compensation for any of the SPUD NEOs or directors of SPUD.

Assessment of Risks Associated with Compensation Practices

The SPUD Board assesses SPUD's executive officer compensation practices to ensure alignment with SPUD's corporate objectives. Although an evaluation of the potential risks associated with such practices is not currently a specific part of determining executive compensation, SPUD is of the view that the current compensation practices do not create any risks that are reasonably likely to have a material adverse effect on SPUD. It is intended that the Resulting Issuer Board will consider the risks associated with executive compensation and corporate incentive plans when designing and reviewing executive compensation plans, programs and policies of the Resulting Issuer.

Summary Compensation Table

The following table provides information for the financial years ended October 3, 2020, September 28, 2019 and September 29, 2018 regarding compensation paid to or earned by the SPUD NEOs.

Name and Principal Occupation	Year ⁽¹⁾	Salary ⁽²⁾ (\$)	Share-Based Awards ⁽³⁾ (\$)	Option-Based Awards ⁽⁴⁾ (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value ⁽⁶⁾ (\$)	All other Compensations ⁽⁷⁾ (\$)	Total Compensation (\$)
					Annual Incentive Plans ⁽⁵⁾	Long-Term Incentive Plans			
Peter van Stolk Chief Executive Officer and Director	2020	240,000	—	352,424	48,000	—	—	1,971	642,395
	2019	240,000	—	76,086	48,000	—	—	1,971	366,057
	2018	205,875	—	13,614	41,175	—	—	1,971	262,635
Adrienne Uy ⁽⁷⁾ Chief Financial Officer	2020	174,077	—	—	120,000	—	—	818	294,895
	2019	250,000	—	76,086	50,000	—	—	818	376,904
	2018	245,500	—	—	49,100	—	—	818	295,418
Jeffrey King ⁽⁹⁾ Chief Technology Officer	2020	235,577	—	352,424	—	—	—	2,020	590,021
Jim Defer ⁽¹⁰⁾ Former Chief Financial Officer	2020	189,808	—	264,318	—	—	—	—	454,126
Robert Horricks Chief Executive Officer of Blush Lane Organic Produce	2020	85,000	—	13,216	100,000	—	—	7,330	205,546
	2019	85,000	—	27,668	100,000	—	—	7,330	219,998
	2018	85,000	—	—	100,000	—	—	7,330	192,330

(1) 2020 refers to the financial year ended October 3, 2020, 2019 refers to the financial year ended September 28, 2019 and 2018 refers to the financial year ended September 29, 2018.

(2) This column discloses the actual salary earned during the financial year indicated.

(3) SPUD does not have a share-based compensation plan.

(4) This column discloses the total value of the SPUD Options at the time of grant. The value of the SPUD Option awards was calculated using the Black-Scholes option-pricing model using the same assumptions used for determining the equity-based compensation expense in SPUD's financial statements for the financial years ended October 3, 2020, September 28, 2019 and September 29, 2018. These assumptions are:

	Financial year 2020	Financial year 2019	Financial year 2018
Expected life of options:	5 years	5 years	4.8 years
Risk-free interest rate:	0.42%	2.23%	1.26%
Dividend yield:	0%	0%	0%
Expected forfeitures:	40%	26%	15.17%
Volatility:	45%	30%	16.39%
Weighted average fair value of the options:	\$1.76	\$1.38	\$0.52
Weighted average exercise price:	\$4.50	\$4.50	\$1.76

The Black-Scholes model was selected by SPUD as it is the most widely-adopted and used option-valuation method.

(5) The amounts disclosed in this column are granted as annual cash bonuses and are attributable to the financial year indicated, as considered to have been earned for services performed in that year, although not necessarily paid in such year.

(6) SPUD does not have a retirement plan.

(7) The amounts shown in the column represent compensation for private insurance premiums.

(8) Adrienne Uy ceased to be CFO of SPUD on November 25, 2019 and was re-appointed as CFO of SPUD on September 14, 2020. During the period of November 25, 2019 to September 14, 2020, Ms. Uy was Chief Change Officer of SPUD.

(9) Jeffrey King was appointed as CTO of SPUD on October 21, 2019.

(10) Jim Defer was appointed as CFO of SPUD on November 25, 2019 and ceased to be CFO of SPUD on September 14, 2020.

SPUD Stock Option Plan

The SPUD Stock Option Plan was established to provide SPUD with a share-related mechanism to attract, retain and motivate qualified directors, officers, employees, consultants and contractors, to incentivize such individuals to contribute toward the long term goals of SPUD, and to encourage such individuals to acquire SPUD Common Shares as long term investments. The maximum aggregate number of SPUD Common Shares that may be reserved for issuance under the SPUD Stock Option Plan at any point in time shall not exceed 10% of the issued and outstanding SPUD Common Shares outstanding from time to time.

The SPUD Board fixes the term of SPUD Options at the time of their grant, provided that such term is not longer than ten years from the grant date. The vesting period for a SPUD Option is determined at the discretion of the SPUD Board at the time of grant. The exercise price for the SPUD Common Share underlying a SPUD Option is determined by the SPUD Board at its discretion, stated on the date of grant, and shall not be less than the Fair Market Value (as defined in the SPUD Stock Option Plan) for the SPUD Common Shares as the SPUD Board determines or has determined by an independent valuation firm. SPUD Options granted under the SPUD Stock Option Plan are non-transferable.

The SPUD Board is responsible for the administration of the SPUD Stock Option Plan. Among other, the SPUD Board has the power to: (a) grant SPUD Options; (b) amend, suspend, terminate or discontinue the SPUD Stock Option Plan, or revoke or alter any action taken in connection therewith, as long as no such amendment or suspension would, without the written consent of all holders of SPUD Options, alter or impair any SPUD Option; and (c) may in its discretion reduce the benefits that may be granted under the SPUD Stock Option Plan but may not increase such benefits. The SPUD Board reserves the right, in its discretion, to at any time amend, modify or terminate the SPUD Stock Option Plan without SPUD Shareholder approval. Any amendment to any provision of the SPUD Stock Option Plan is subject to any necessary approvals by any stock exchange or regulatory body having jurisdiction over the securities of SPUD.

In connection with the Qualifying Transaction, subject to receipt of all required regulatory approvals, each holder of a SPUD Option outstanding immediately before the Effective Date shall exchange each such SPUD Option for one Resulting Issuer Option with such Resulting Issuer Option exercisable for Resulting Issuer Shares, having substantially the same terms as the SPUD Option being exchanged, and each such SPUD Option shall be cancelled. The exercise price for each Resulting Issuer Share underlying the Resulting Issuer Option will be equal to the exercise price per SPUD Common Share under the SPUD Option in effect immediately prior to the Arrangement. The Resulting Issuer Stock Option Plan is described under “Part III - Information Concerning the Resulting Issuer - Options to Purchase Securities”.

Incentive Plan Awards – Outstanding Share-Based Awards and Option-Based Awards

As of the end of SPUD’s most recently completed financial year, being the financial year ended October 3, 2020, the following option-based and share-based awards were held by the SPUD NEOs:

Name and Principal Occupation	Option-Based Awards				Share-Based Awards		
	Number of securities underlying unexercised options (#)	Option exercise Price (\$)	Option expiration date	Value of unexercised in-the-money Options ⁽¹⁾ (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Peter van Stolk Chief Executive Officer and Director	200,000 55,000 25,000 75,000 50,000 150,000 50,000	4.50 4.50 3.00 3.00 2.70 2.70 1.80	2030-04-09 2028-11-16 2028-02-01 2027-09-15 2026-11-09 2025-11-04 2024-09-28	600,000 165,000 112,500 337,500 240,000 720,000 285,000	—	—	—
Adrienne Uy ⁽²⁾ Chief Financial Officer	55,000 72,000 50,000 80,000	4.50 3.00 2.70 2.70	2028-11-16 2027-09-15 2026-11-09 2025-11-04	165,000 324,000 240,000 384,000	—	—	—
Jeffrey King Chief Technology Officer	200,000	4.50	2030-04-09	600,000	—	—	—
Jim Defer ⁽³⁾ Former Chief Financial Officer	—	—	—	—	—	—	—
Robert Horricks of Blush Lane Organic Produce	20,000 7,500	4.50 4.50	2030-04-09 2028-11-16	60,000 22,500	—	—	—

- (1) Value calculated using the price of \$7.50, being the anticipated listing price of the Resulting Issuer Shares upon the Completion of the Qualifying Transaction, which number represents the aggregate value of the options.
- (2) Adrienne Uy ceased to be Chief Financial Officer of SPUD on November 25, 2019 and was re-appointed as Chief Financial Officer of SPUD on September 14, 2020. During the period of November 25, 2019 to September 14, 2020, Ms. Uy was Chief Change Officer of SPUD.
- (3) Jim Defer was appointed as Chief Financial Officer of SPUD on November 25, 2019 and ceased to be Chief Financial Officer of SPUD on September 14, 2020.

Incentive Plan Awards – Value Vested or Earned During Year

The following table sets out, for each SPUD NEO, the value of incentive plan awards vested or earned during the financial year ended October 3, 2020:

Name and Principal Occupation	Option-based Awards – Value vested during year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during year (\$)
Peter van Stolk Chief Executive Officer and Director	110,625	—	—
Adrienne Uy ⁽¹⁾ Chief Financial Officer	82,500	—	—
Jeffrey King Chief Technology Officer	—	—	—
Jim Defer Former Chief Financial Officer ⁽²⁾	—	—	—
Robert Horricks Chief Executive Officer of Blush Lane Organic Produce	30,000	—	—

(1) Adrienne Uy ceased to be Chief Financial Officer of SPUD on November 25, 2019 and was re-appointed as Chief Financial Officer of SPUD on September 14, 2020. During the period of November 25, 2019 to September 14, 2020, Ms. Uy was Chief Change Officer of SPUD.

(2) Jim Defer was appointed as Chief Financial Officer of SPUD on November 25, 2019 and ceased to be Chief Financial Officer of SPUD on September 14, 2020.

Termination and Severance under SPUD NEO Employment Agreements

No management functions of SPUD or its subsidiaries are to any substantial degree performed by a person other than the directors or senior officers of SPUD. SPUD has entered into executive employment agreements with Peter van Stolk, Adrienne Uy and Jeffrey King for their services as CEO, CFO and CTO, respectively. The terms of such employment agreements relating to termination and severance are set forth below for the three current SPUD NEOs.

Peter van Stolk, CEO and Adrienne Uy, CFO

Peter van Stolk entered into an employment agreement for the position of CEO with SPUD on June 30, 2010 that was subsequently amended on May 7, 2017. Adrienne Uy entered into an employment agreement for the position of CFO with SPUD on September 14, 2015; on November 25, 2019, Ms. Uy transitioned to the role of Chief Change Officer, and returned subsequently to the CFO position on September 14, 2020 with her employment with SPUD governed by this same agreement.

The agreements with Peter van Stolk and Adrienne Uy provide that he/she may terminate the agreement absent good reason upon not less than 90 days written notice for Peter van Stolk and 120 days written notice for Adrienne Uy before the effective time of such termination. Their respective agreement also provides that they may terminate their agreements with good reason, including a change of control, upon three months written notice, following which he/she shall be entitled to receive Severance Benefits, as defined below, in lieu of the required notice period. Similarly, SPUD may terminate the agreement without just cause, but in such event Mr. van Stolk and/or Ms. Uy would be entitled to receive Severance Benefits (as defined below) in lieu of the required notice period.

If SPUD terminates the employment of Mr. van Stolk or Ms. Uy for just cause, Mr. van Stolk and Ms. Uy, respectively, shall be entitled to be paid all amounts properly due and owing up to the date of termination. In the event the employment of either Mr. van Stolk or Ms. Uy is terminated pursuant to a change of control with a period of three

to 12 months following such change of control, such terminated individual shall be entitled to receive Severance Benefits.

In relation to their respective agreements:

“Severance Benefits” means:

- (a) a severance payment prorated for the required notice period provided in the employee’s respective agreement, and calculated using the then-current base salary, plus annual bonus entitlements, if any; and
- (b) during the required notice period provided in the employee’s respective agreement, the employee will remain entitled to all benefits provided thereunder, as well as any stock options granted to the employee under the agreement that vest during the said required notice period.

“Change of Control” means

- (a) a merger, consolidation, amalgamation, arrangement or reorganization of SPUD that results in the transfer of more than 50% of the total voting power of the resulting entity’s outstanding securities to an acquiror when compared against the total voting power of the such companies prior to such transaction;
- (b) a direct or indirect sale or other transfer of beneficial ownership of all or substantially all of the issued and outstanding securities of SPUD to an acquiror;
- (c) a direct or indirect sale or other transfer of beneficial ownership of (A) securities of SPUD possessing more than 50% of the total combined voting power of SPUD’s outstanding securities, or (B) the right to appoint a majority of the board of directors or otherwise directly or indirectly control the management, affairs and business of SPUD, in each case of (A) or (B), to an acquiror, the result of which is that a majority of the board of directors elected at a proximate annual or special meeting of shareholders thereof are non-incumbent individuals who are nominees of such acquiror; or
- (d) the direct or indirect sale or other disposition of all or substantially all of the assets of SPUD to an acquiror.

For the definition of Change of Control set forth above, “acquiror” means a person or group of persons (including their affiliates (as defined in the *Securities Act* (British Columbia)), acting jointly and in concert, who are different from a person or group of persons holding the securities or the assets of SPUD immediately prior to a transaction.

In the case of Mr. van Stolk, the current required notice period is 24 months. In the case of Ms. Uy, the current required notice period is 12 months.

Jeffrey King, CTO

Jeffrey King entered into an employment agreement for the position of CTO with SPUD on September 27, 2019, commencing on October 21, 2019. If SPUD terminates the employment of Mr. King without just cause, he is entitled to maximum notice or a severance payment in lieu thereof (or combination) as set out in Part 8 of the *Employment Standards Act* (British Columbia). If Mr. King’s employment is terminated for just cause, he is not entitled to any notice or severance in lieu thereof. In the event that a change of control should occur within the first 24 months of Mr. King’s employment that gives Mr. King good reason to terminate his employment agreement, or if his employment is terminated thereafter, either directly or constructively, he shall be entitled to receive severance payment in lieu of notice for a period of 12 months.

In relation to Mr. King's agreement, "Change of Control" means:

- (a) a merger, consolidation, amalgamation, arrangement or reorganization of SPUD that results in the transfer of more than 55% of the total voting power of the resulting entity's outstanding securities to an acquiror when compared against the total voting power of the such companies prior to such transaction;
- (b) a direct or indirect sale or other transfer of beneficial ownership of (A) securities of SPUD possessing more than 55% of the total combined voting power of SPUD's outstanding securities, or (B) the right to appoint a majority of the board of directors or otherwise directly or indirectly control the management, affairs and business of SPUD, in each case of (A) or (B), to an Acquiror, the result of which is that a majority of the board of directors elected at a proximate annual or special meeting of shareholders thereof are non-incumbent individuals who are nominees of such acquiror; or
- (c) the direct or indirect sale or other disposition of all or substantially all of the assets of SPUD to an acquiror.

Robert Horricks, Chief Executive Officer of Blush Lane Organic Produce

Robert Horricks entered into an employment agreement dated September 1, 2019 with Be Fresh for the position of CEO with Blush Lane Organic Produce. If SPUD terminates the employment of Mr. Horricks without just cause, he is entitled to eight (8) weeks advance notice, or maximum notice or a severance payment in lieu thereof (or combination) as set out in Part 8 of the *Employment Standards Act* (British Columbia). If Mr. Horricks' employment is terminated for just cause, he is not entitled to any notice or severance in lieu thereof. The agreement with Mr. Horricks does not provide for payments upon change of control.

Director Compensation

The only persons who served as a director of SPUD during the financial year ended October 3, 2020 are the current directors of SPUD, namely Peter van Stolk, Eric Phaneuf, Terry Vanderkruyk, Todd Cherniak and Monique Wilberg.

Director Compensation Table

During the financial year ended October 3, 2020, the only compensation paid to the non-executive directors of SPUD was in the form of SPUD Options. An aggregate of 200,000 SPUD Options were granted to the non-executive directors of SPUD during the financial year ended October 3, 2020, such SPUD Options have an exercise price of \$4.50 and are expiring on April 9, 2030. The following table sets out the details of the compensation of the non-executive directors of SPUD for the financial year ended October 3, 2020.

Name	Fees earned (\$)	Share-based awards ⁽¹⁾ (\$)	Option-based awards ⁽²⁾ (\$)	Non-equity incentive plan compensation awards ⁽³⁾ (\$)	Pension value ⁽⁴⁾ (\$)	All other compensation ⁽⁵⁾ (\$)	Total Compensation (\$)
Eric Phaneuf ⁽⁶⁾	—	—	88,106 ⁽⁶⁾	—	—	—	88,106
Terry Vanderkruyk	—	—	88,106	—	—	—	88,106
Todd Cherniak	—	—	88,106	—	—	—	88,106
Monique Wilberg	—	—	88,106	—	—	—	88,106

- (1) SPUD does not have share-based compensation plan.
- (2) This column discloses the total value of the SPUD Options at the time of grant. The value of the SPUD Option awards was calculated using the Black-Scholes option-pricing model using the same assumptions used for determining the equity-based compensation expense in SPUD's financial statements for the financial year ended October 3, 2020. These assumptions are:

	Financial year 2020
Expected life of options:	5 years
Risk-free interest rate:	0.42%
Dividend yield:	0%
Expected forfeitures:	40%
Volatility:	45%
Weighted average fair value of the options	\$1.76
Weighted average exercise price	\$4.50

The Black-Scholes model was selected by SPUD as it is the most widely-adopted and used option-valuation method.

- (3) SPUD did not have a non-equity incentive plan at the end of the financial year ended October 3, 2020.
- (4) SPUD does not have a pension plan.
- (5) SPUD does not offer any other type of compensation to the directors.
- (6) These SPUD Options were issued to Fonds Agro. Commandité S.P.U.D. Inc., the general partner of Fonds Agro, is indirectly controlled by Walter Capital Partners Inc., a private equity firm. Eric Phaneuf is the President and Chief Executive Officer of Walter Capital Partners Inc. Mr. Phaneuf is also a director and indirect shareholder of Commandité S.P.U.D. Inc. Mr. Phaneuf is responsible for all the investment decisions of Fonds Agro's with respect to its holding in SPUD.

Incentive Plan Awards – Outstanding Share-Based Awards and Option-Based Awards

As at the end of the financial year ended October 3, 2020, the following option-based and share-based awards were held by the SPUD directors:

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise Price (\$)	Option expiration date	Value of unexercised in-the money options ⁽¹⁾ (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Eric Phaneuf ⁽²⁾	—	—	—	—	—	—
Terry Vanderkruyk	50,000	4.50	2030-04-09	150,000	—	—
Todd Cherniak	50,000	4.50	2030-04-09	150,000	—	—
	40,000	4.50	2028-11-16	120,000		
	10,000	3.00	2028-05-09	45,000		
	30,000	3.00	2027-09-15	135,000		
	30,000	2.70	2026-11-09	144,000		
	20,000	2.70	2025-11-04	144,000		
Monique Wilberg	50,000	4.50	2030-04-09	150,000	—	—
	40,000	4.50	2028-11-16	120,000		
	10,000	3.00	2028-05-09	45,000		
	30,000	3.00	2027-09-15	135,000		
	30,000	2.70	2026-11-09	144,000		
	20,000	2.70	2025-11-04	144,000		

- (1) Value calculated using the price of \$7.50, being the anticipated listing price of the Resulting Issuer Shares upon the Completion of the Qualifying Transaction.
- (2) Fonds Agro held the SPUD Options indicated in the table below at the end of the last financial year ended October 3, 2020. Commandité S.P.U.D. Inc., the general partner of Fonds Agro, is indirectly controlled by Walter Capital Partners Inc., a private equity firm. Eric Phaneuf, a director of SPUD, is the President and Chief Executive Officer of Walter Capital Partners Inc. Mr. Phaneuf is also a director and indirect shareholder of Commandité S.P.U.D. Inc. Mr. Phaneuf is responsible for all the investment decisions of Fonds Agro's with respect to its holding in SPUD.

Option-based Awards				Share-based Awards	
Number of securities underlying unexercised options (#)	Option exercise Price (\$)	Option expiration date	Value of unexercised in-the- money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
50,000	4.50	2030-04-09	150,000	—	—
40,000	4.50	2028-11-16	120,000		
10,000	3.00	2028-05-09	45,000		
30,000	3.00	2027-09-15	135,000		

Incentive Plan Awards – Value Vested or Earned During Year

The following table sets out, for each director of SPUD, the value of incentive plan awards vested or earned during the financial year ended October 3, 2020:

Name and position	Option-based Awards – Value vested during year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during year (\$)
Eric Phaneuf ⁽¹⁾	—	—	—
Terry Vanderkruyk	—	—	—
Todd Cherniak	71,250	—	—
Monique Wilberg	71,250	—	—

- (1) Fonds Agro held 71,250 SPUD Options that vested during the financial year ended October 3, 2020. Commandité S.P.U.D. Inc., the general partner of Fonds Agro, is indirectly controlled by Walter Capital Partners Inc., a private equity firm. Eric Phaneuf, a director of SPUD, is the President and Chief Executive Officer of Walter Capital Partners Inc. Mr. Phaneuf is also a director and indirect shareholder of Commandité S.P.U.D. Inc. Mr. Phaneuf is responsible for all the investment decisions of Fonds Agro's with respect to its holding in SPUD.

Non Arm's Length Party Transactions

On July 31, 2020, SPUD entered into a related party debt facility arrangement with Fonds Agro for \$28.0 million at an annual interest rate of 15% which matures and is repayable in March 2021, which is referred to herein as the SPUD Convertible Notes. Fonds Agro is a limited partnership that will hold 6,669,636 after the conversion of the SPUD Subscription Receipts, SPUD Convertible Debentures, SPUD Convertible Notes and the SPUD Note Warrants, and after the issuance of the Corporate Finance Fee Shares. Eric Phaneuf, who is a proposed director of the Resulting Issuer, is a director of Commandité S.P.U.D. Inc., the general partner of Fonds Agro, which is indirectly controlled by Walter Capital Partners Inc., a private equity firm. Eric Phaneuf is the President and Chief Executive Officer of Walter Capital Partners Inc. Mr. Phaneuf is also a director and indirect shareholder of Commandité S.P.U.D. Inc. Mr. Phaneuf is responsible for all the investment decisions of Fonds Agro's with respect to its holding in SPUD. For more information, please see note 22 of the audited consolidated financial statements of SPUD as at each of October 3, 2020, September 28, 2019 and September 29, 2018, attached to this Filing Statement as Exhibit "C".

Legal Proceedings

There are no actual or pending material legal proceedings to which SPUD is a party or to which any of its assets is subject. Management of SPUD is not aware of any such material legal proceedings contemplated against SPUD.

Material Contracts

The following are the material contracts entered into by SPUD since the date of incorporation of SPUD:

- (a) a trust indenture providing for the issuance of the SPUD Convertible Debentures dated as of October 21, 2020 between SPUD and Computershare Trust Company of Canada;
- (b) an agency agreement in connection with the offering of the SPUD Convertible Debentures dated October 21, 2020 between SPUD and the Co-Lead Agents;
- (c) the Arrangement Agreement;
- (d) the Subscription Receipt Agreement;
- (e) the Agency Agreement;
- (f) the SVB Loan; and
- (g) Amended and Restated Equity Participation Right Agreement.

Copies of these agreements will be available for inspection at the offices of SPUD at no cost, at any time during ordinary business hours until the Completion of the Qualifying Transaction and for a period of 30 days thereafter.

PART III - INFORMATION CONCERNING THE RESULTING ISSUER

Corporate Structure

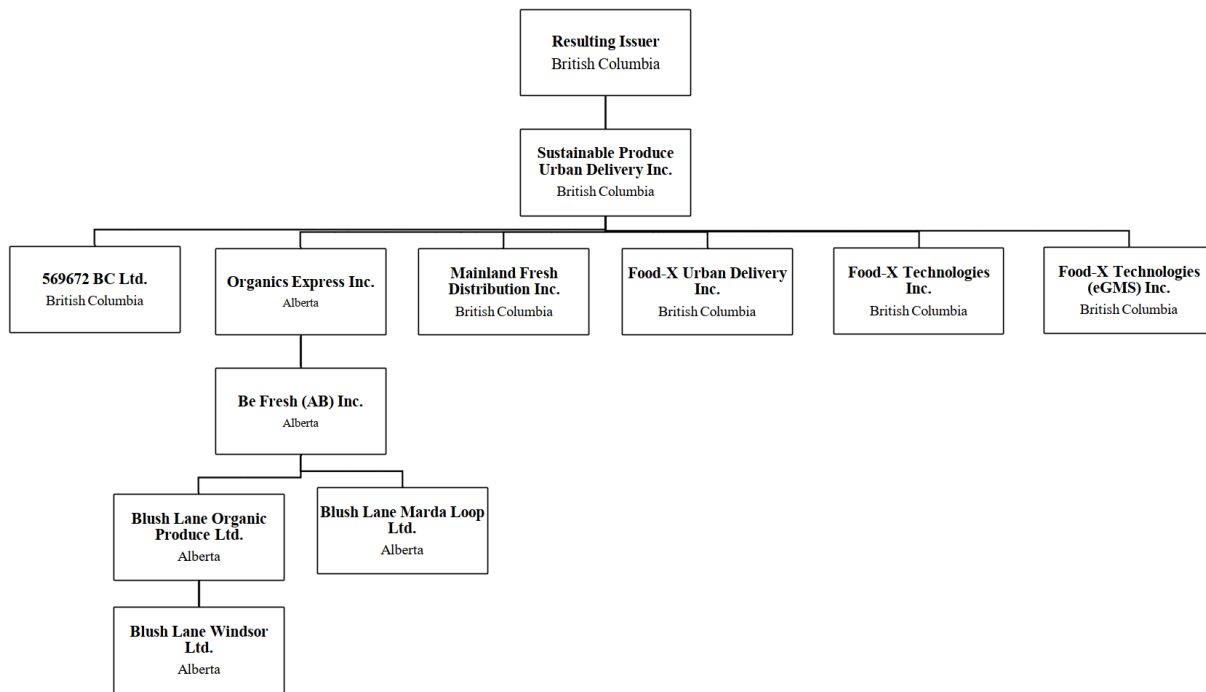
Name and Incorporation

The corporate name of the Resulting Issuer is expected to be “Freshlocal Solutions Inc.” It is anticipated that the head office of the Resulting Issuer will be 105-5566 Trapp Avenue, Burnaby, British Columbia, V3N 5G4 and registered office of the Resulting Issuer will be 105-5566 Trapp Avenue, Burnaby, British Columbia, V3N 5G4.

After Completion of the Qualifying Transaction, the Resulting Issuer will exist under the BCBCA.

Intercorporate Relationship

The following chart illustrates the anticipated organizational structure of the Resulting Issuer after giving effect to the Arrangement:



As a result of the Arrangement, SPUD will constitute a wholly-owned subsidiary of the Resulting Issuer and subsequent to the completion of the Arrangement, SPUD will continue to hold all of its assets and liabilities. In addition to SPUD, the Resulting Issuer shall have six (6) directly wholly-owned subsidiaries: 569672, Mainland, Organics, Food-X Urban Delivery, Food-X and Food-X (eGMS). In addition, Organics will have one (1) wholly-owned subsidiary, namely Be Fresh. The latter shall have three (3) subsidiaries, namely Blush Lane Organic Produce, Blush Lane Marda Loop and Blush Lane Windsor. Be Fresh shall legally and beneficially hold 99.995% of the issued and outstanding voting shares of Blush Lane Organic Produce, Blush Lane Windsor is a wholly-owned subsidiary and Be Fresh legally and beneficially holds 51% of the issued and outstanding voting shares of Blush Lane Marda Loop. Blush Lane Windsor and Blush Lane Marda Loop are inactive.

Narrative Description of the Business

Following the Completion of the Qualifying Transaction, the Resulting Issuer will continue to carry on the business of SPUD. See “Part II – Information Concerning SPUD”.

Stated Business Objectives

In addition to having the same stated business objectives as SPUD, the Resulting Issuer intends to utilize the funds over the next 12 months after the Completion of the Qualifying Transaction as described in “Estimated Available Funds and Principal Purposes” below.

Milestones

Within 12 months following the Completion of the Qualifying Transaction, the Resulting Issuer anticipates working towards several milestones, including:

Milestone	Target Date
Launch Carrefour Belgium ecommerce central fulfillment centre with eGMS technology platform	Third quarter 2021 calendar year
Launch mid-market eGMS technology platform with Meridian Farm Market	Fourth quarter 2021 calendar year

Description of the Securities

The Resulting Issuer Shares will have the same rights, privileges, restrictions and conditions as the rights, privileges, restrictions and conditions attaching to the Rainy Hollow Common Shares. See “Part I – Information Concerning Rainy Hollow – Description of Securities”.

Pro Forma Consolidated Capitalization

The following table sets forth the pro forma consolidated capitalization of the Resulting Issuer as at November 30, 2020 after giving effect to the Consolidation, the issuance of the SPUD Convertible Debentures, SPUD Private Placement, SPUD Pre-Arrangement Reorganization and the Arrangement.

Designation of Security	Amount authorized or to be authorized	Amount outstanding after giving effect to the Qualifying Transaction
Resulting Issuer Shares	Unlimited	43,782,870
Resulting Issuer Options	4,378,286 ⁽¹⁾	4,377,900 ⁽³⁾
Resulting Issuer RSUs		—
Resulting Issuer PSUs		—
Resulting Issuer DSUs		—
Resulting Issuer Replacement Warrants	2,967,013	2,967,013
Resulting Issuer Replacement Broker Warrants	880,985	880,985
A&R Equity Participation Right	9.9% of the issued and outstanding shares at the exercise of the A&R Equity Participation Right ⁽²⁾	4,810,770 ⁽⁴⁾

(1) The aggregate number of Resulting Issuer Shares in respect of which awards may be outstanding at any time under the Resulting Issuer Securities-Based Compensation Plans or any other security-based compensation arrangement, including the Resulting Issuer Legacy Stock Option Plan, shall not exceed 10% of the issued and outstanding Resulting Issuer Shares as at the date of grant of an award thereunder.

(2) This number represents the number of Resulting Issuer Shares that would be issued to Carrefour S.A., if Carrefour S.A. was to exercise the A&R Equity Participation Right to acquire a number of Resulting Issuer Shares equal to 9.9% of the Resulting Issuer Shares on a diluted basis, calculated on a post-issuance basis on the number of Resulting Issuer Shares issued and outstanding immediately after the Completion

of the Qualifying Transaction. This number is based on the assumption that there will be 43,872,870 Resulting Issuer Shares issued and outstanding upon the Completion of the Qualifying Transaction.

- (3) These Resulting Issuer Options will be governed by the Resulting Issuer Legacy Stock Option Plan. On Completion of the Qualifying Transaction, a total of 4,377,900 Resulting Issuer Options will be issued and outstanding.
- (4) This number represents the number of Resulting Issuer Shares that Carrefour S.A. would hold immediately after the Completion of the Qualifying Transaction if it had exercised the A&R Equity Participation Right. This number was calculated based on the 43,872,870 Resulting Issuer Shares that will be issued and outstanding upon the Completion of the Qualifying Transaction.

Fully Diluted Share Capital

The following table sets forth the fully-diluted share capital of the Resulting Issuer after giving effect to the Consolidation, SPUD Private Placement, SPUD Pre-Arrangement Reorganization and the Arrangement:

Nature of Security	Number on a pro forma basis as at November 30, 2020 after giving effect to the Consolidation, SPUD Private Placement and the Arrangement	Approximate Percentage of Total	Exercise Price Per Resulting Issuer Share
Resulting Issuer Shares	43,782,870 ⁽¹⁾	77.06%	—
Resulting Issuer Options	4,377,900 ⁽²⁾	7.70%	\$0.4853 to \$4.50
Resulting Issuer RSUs	—	—	—
Resulting Issuer PSUs	—	—	—
Resulting Issuer DSUs	—	—	—
Resulting Issuer Warrants	2,967,013	5.22%	\$6.375
Resulting Issuer Broker Warrants	880,985 ⁽³⁾	1.55%	\$1.80 to \$7.50
A&R Equity Participation Right	4,810,770 ⁽⁴⁾	8.47	15 % discount to the Market Price
Total Fully Diluted:	56,819,538	100%	—

- (1) Comprised of (a) 536,766 Resulting Issuer Shares held by existing Rainy Hollow Shareholders; (b) 35,537,931 Resulting Issuer Shares held by former SPUD Shareholders; (c) 2,431,358 Resulting Issuer Shares issued to holders of SPUD Convertible Debentures (d) 3,227,500 Resulting Issuer Shares issued to holders of SPUD Subscription Receipts; (e) 1,275,849 Resulting Issuer Shares issued to holders of SPUD Convertible Notes; (f) 720,000 Resulting Issuer Shares issued to holders of SPUD Note Warrants and (g) 6,666 Resulting Issuer Shares issued to Canaccord as Corporate Finance Fee Shares.
- (2) Comprised of (a) 25,000 Resulting Issuer Options held by existing Rainy Hollow Shareholders and (b) 4,352,900 Resulting Issuer Options held by former SPUD Shareholders.
- (3) 113,604 of these Resulting Issuer Broker Warrants are exercisable at a price \$2.70 per Resulting Issuer Share and will expire on the date that is eighteen months from the Completion of the Qualifying Transaction, 300,000 of these Resulting Issuer Broker Warrants are exercisable at a price \$2.70 per Resulting Issuer Share and will expire on August 26, 2021, 150,532 of these Resulting Issuer Broker Warrants are exercisable at a price \$1.80 per Resulting Issuer Share and will expire on the date that is eighteen months from the Completion of the Qualifying Transaction, 124,000 of these Resulting Issuer Broker Warrants are exercisable at a price \$6.375 per Resulting Issuer Share and will expire on October 21, 2022, and 192,849 of these Resulting Issuer Broker Warrants are exercisable at a price \$7.50 per Resulting Issuer Share and will expire on December 23, 2022.
- (4) This number represents the number of Resulting Issuer Shares that would be issued to Carrefour S.A., if Carrefour S.A. was to exercise the A&R Equity Participation Right to acquire a number of Resulting Issuer Shares equal to 9.9% of the Resulting Issuer Shares on a undiluted basis, calculated on a post-issuance basis on the number of Resulting Issuer Shares issued and outstanding immediately after the Completion of the Qualifying Transaction. This Number is based on the assumption that there will be 43,782,870 Resulting Issuer Shares issued and outstanding upon the Completion of the Qualifying Transaction.

Estimated Available Funds and Principal Purposes

Estimated Available Funds

Based on the information as at March 31, 2021, on Completion of the Qualifying Transaction, the Resulting Issuer is expected to have approximately, on a pro forma basis, \$9.0 million in available funds, which includes the following:

Estimated Available Funds	Amount
Estimated consolidated working capital	0.2 million
Net proceeds from the sales of the SPUD Subscription Receipts in the SPUD Private Placement ⁽¹⁾	\$21.3 million
Repayment of the ARCA balance after conversion	(\$22.5 million)
Proceeds from the Silicon Valley Bank Loan and Security Agreement	\$10.0 million
Total estimated available funds:	\$9.0 million

(1) Includes Agents' commissions, the Corporate Finance Fee Cash Payment and estimated expenses in connection with the SPUD Private Placement and estimated legal and accounting fees in connection with the SPUD Private Placement and the Qualifying Transaction.

Principal Purposes

Upon the completion of the SPUD Private Placement and the Arrangement, the Resulting Issuer will use the funds available to it to (a) to fund the business plan of the Resulting Issuer; (b) for SPUD Private Placement and Arrangement expenses; and (c) for general corporate purposes and future working capital of the Resulting Issuer. Specifically, management currently intends to use funds available over the next 12 months for the following purposes and in the following order of priority:

Principal Purpose	Amount
Administrative expenses net of operating cash flows	\$1.1 million
Management salaries	\$3.7 million
Estimated legal, accounting and other professional fees	\$0.5 million
Interest payments	\$1.0 million
Product development of eGMS technology platform and supporting business development ⁽¹⁾	\$1.5 million
Customer acquisition for consumer brands	\$1.0 million
Capital expenditures to maintain capacity for online consumer platform	\$1.1 million
Unallocated working capital	\$0.1 million
Total:	\$9.0 million

(1) Investment levels may increased in the event SPUD draws an additional amount on the SVB Loan and with additional sources of financing.

There may be circumstances where, on the basis of results obtained or for other sound business reasons, a re-allocation of funds may be necessary or prudent. Accordingly, management of the Resulting Issuer will have broad discretion in the application of the working capital. The actual amount that the Resulting Issuer spends in connection with each intended purpose set out above may vary significantly from the amounts specified above and will depend on a number of factors, including those referred to under “*Part IV - Risk Factors*”.

Dividend Policy

It is not anticipated that the Resulting Issuer will pay any cash dividends in the foreseeable future. Neither SPUD nor Rainy Hollow have paid any cash dividends in the three most recently completed financial years, nor their current financial years. It is expected that the Resulting Issuer will use its earnings to finance further business development. Any future determination to pay dividends will be at the discretion of the Resulting Issuer Board and will depend on, among other things, the Resulting Issuer's results of operations, current and anticipated cash requirements and surplus, financial condition, contractual restrictions and financing agreement covenants, solvency tests imposed by corporate

law and other factors that the board of directors may deem relevant. There are no restrictions on the Resulting Issuer's ability to pay dividends.

Principal Securityholders

To the knowledge of the management of SPUD, no person or entity is anticipated to own of record or beneficially, directly or indirectly, or exercise control or direction over, more than 10% of the outstanding shares of any class of the Resulting Issuer (each a “**principal securityholder**”) after giving effect to the Arrangement, Directors, Officers and Promoters, except for Fonds Agro, which will hold 6,669,636 Resulting Issuer Shares, or 15.233% (undiluted). Fonds Agro is a limited partnership that will hold 6,669,636 shares after the conversion of the SPUD Subscription Receipts, SPUD Convertible Debentures, SPUD Convertible Notes and the SPUD Note Warrants, and after the issuance of the Corporate Finance Fee Shares. Eric Phaneuf, who is a proposed director of the Resulting Issuer, is a director of Commandité S.P.U.D. Inc., the general partner of Fonds Agro, which is indirectly controlled by Walter Capital Partners Inc., a private equity firm. Eric Phaneuf is the President and Chief Executive Officer of Walter Capital Partners Inc. Mr. Phaneuf is also a director and indirect shareholder of Commandité S.P.U.D. Inc. Mr. Phaneuf is responsible for all the investment decisions of Fonds Agro's with respect to its holding in SPUD. For more information, please see note 22 of the audited consolidated financial statements of SPUD as at each of October 3, 2020, September 28, 2019 and September 29, 2018, attached to this Filing Statement as Exhibit “C”.

Board of Directors, Officers and Promoters

Board of Directors

The Resulting Issuer Board will be comprised of a group of five (5) directors with experience in technology, ecommerce, operations and retail. The following table sets out, for each director of the Resulting Issuer (assuming the completion of the Arrangement), the individual's name, jurisdiction of residence, position(s) to be held with the Resulting Issuer, age, the year in which the individual became a director of SPUD and the number and percentage of Resulting Issuer Shares which will be beneficially owned, directly or indirectly, or over which control or direction will be exercised. Additional biographical information of each individual is provided below under the section “*Management and Director Biographies*”.

Name and jurisdiction of residence	Proposed Position(s) with the Resulting Issuer	Age	Director or Officer of SPUD Since	Number (and approximate %) of Resulting Issuer Shares to be owned after the Arrangement ⁽¹⁾
Peter van Stolk ⁽²⁾ British Columbia, Canada	CEO and Director	57	September 2014	4,342,854 (9.919%)
Monique Wilberg ^{(4)(5)(6) (10)(11)} British Columbia, Canada	Director	58	September 2014	680,508 (1.554%)
Todd Cherniak ⁽⁴⁾⁽⁵⁾⁽¹⁰⁾ British Columbia, Canada	Director	58	September 2014	411,918 (0.941%)
Eric Phaneuf ⁽³⁾⁽⁷⁾ Québec, Canada	Director	46	May 2017	6,669,636 (15.233%) ⁽⁸⁾
Terry Vanderkruyk ⁽³⁾⁽⁴⁾⁽⁹⁾⁽¹⁰⁾ British Columbia, Canada	Director	63	August 2019	32,670 (0.075%)
Adrienne Uy British Columbia, Canada	CFO and Corporate Secretary	43	September 2014	643,291 (1.469%)
Jeffrey King British Columbia, Canada	CTO	40	October 2019	—
Robert Horricks Alberta, Canada	Officer of a subsidiary	48	September 2017	200,000 (0.457%) ⁽¹²⁾

- (1) On a non-diluted basis. Based on 43,782,870 Resulting Issuer Shares issued and outstanding.
- (2) Proposed Chair of the Resulting Issuer Board.
- (3) Proposed member of the Sustainability and Governance Committee.
- (4) Proposed member of the Audit Committee.
- (5) Proposed member of the Compensation Committee.
- (6) Proposed Chair of the Compensation Committee.
- (7) Proposed Chair of the Sustainability and Governance Committee.
- (8) Fonds Agro, will hold 6,669,636 Resulting Issuer Shares on the Completion of the Qualifying Transaction. Commandité S.P.U.D. Inc., the general partner of Fonds Agro, is indirectly controlled by Walter Capital Partners Inc., a private equity firm. Eric Phaneuf, a director of SPUD, is the President and Chief Executive Officer of Walter Capital Partners Inc. Mr. Phaneuf is also a director and indirect shareholder of Commandité S.P.U.D. Inc. Mr. Phaneuf is responsible for all the investment decisions of Fonds Agro's with respect to its holding in the Resulting Issuer.
- (9) Proposed Chair of the Audit Committee.
- (10) Independent director within the meaning of NI 52-110.
- (11) Proposed Lead Director of the Resulting Issuer Board.
- (12) These Resulting Issuer Shares will be held by Wild at Heart Family Farms Ltd, which is controlled by Mr. Horricks.

The Resulting Issuer's directors will be elected annually and, unless re-elected, retire from office at the end of the next annual general meeting of shareholders. Additional biographical information of each individual is provided above under the section "Management and Director Biographies" below.

The SPUD Board considers that Monique Wilberg, Eric Phaneuf, Terry Vanderkruyk and Todd Cherniak will be independent within the meaning of section 1.4 of NI 52-110. The SPUD Board considers that Peter van Stolk will not be independent within the meaning of section 1.4 of NI 52-110 in that Mr. van Stolk is a senior officer of SPUD.

As not all of the members of the Resulting Issuer Board will be independent, it is anticipated that the independent directors will hold regularly scheduled meetings at which the non-independent directors and management of the Resulting Issuer will not be present. Monique Wilberg, an independent director, will be nominated as Lead Director of the Resulting Issuer Board, as the proposed Chair of the Resulting Issuer Board, Peter van Stolk, is not an independent director. The role of the Lead Director is to facilitate board operations independently of management and to maintain and improve the quality of governance. Among other things, Ms. Wilberg will act as arbitrator for matters of internal policies, coordinate with the Chair of the Resulting Issuer Board the information to be provided to the independent directors, ensuring such information is reliable, and chair meetings of independent directors.

In connection with the A&R Equity Participation Right, in the event that the Contemplated SaaS Agreement is executed and that Carrefour S.A. exercise its A&R Equity Participation Right in accordance with its terms, Carrefour S.A. will have the right to nominate a person to be elected or nominated as a director to the Resulting Board, as long as Carrefour owns together with its affiliates at least 7.5% of the issued and outstanding Resulting Issuer Shares, or, in the event of dilutive issuances, at least 5% of the issued and outstanding Resulting Issuer Shares. See section "Part II – Information Concerning SPUD - General Development of the Business Corporate – History".

Management

The following table sets forth, for each of the executive officers of the Resulting Issuer, their name, place of residence, position with the Resulting Issuer, age and years of experience with SPUD as at the date of this Filing Statement. Additional biographical information of each individual is provided below under the section "Management and Director Biographies".

Name and Residence	Proposed Position(s) with the Resulting Issuer	Age	Officer of SPUD Since
Peter van Stolk British Columbia, Canada	Chief Executive Officer	57	September 2014
Adrienne Uy British Columbia, Canada	Chief Financial Officer and Corporate Secretary	43	September 2014
Jeffrey King British Columbia, Canada	Chief Technology Officer	40	October 2019

Name and Residence	Proposed Position(s) with the Resulting Issuer	Age	Officer of SPUD Since
Robert Horricks Alberta, Canada	Officer of a subsidiary	48	September 2017

The officers of the Resulting Issuer will devote their full time and attention to the business of the Resulting Issuer and will be employees of SPUD. SPUD will assign to the Resulting Issuer all of the employment agreements with each of the officers of the Resulting Issuer following the Completion of the Qualifying Transaction, which agreements provide for non-disclosure and non-compete obligations.

Assuming the completion of the Arrangement, the directors and officers of the Resulting Issuer (as a group) will own, or exercise direction or control over, approximately 29.65% and 24.96% of Resulting Issuer Shares on a basic basis and fully-diluted basis (excluding the Resulting Issuer Shares that could be issued upon the exercise of the A&R Equity Participation Right), respectively.

Management and Director Biographies

The following are brief profiles of the proposed members of management and directors of the Resulting Issuer and its subsidiaries.

Peter van Stolk – Chief Executive Officer and Director

Mr. van Stolk brings more than 30 years of experience to SPUD and serves as its Chief Executive Officer, where in addition to his role as Chief Executive Officer, he oversees all marketing, branding, and purchasing, and sets the strategic direction for SPUD. Mr. van Stolk joined SPUD in 2010. Before joining SPUD, Mr. van Stolk founded the Treefort Group in 2008 and served on the Board of Directors for Kor Water from 2009 to 2011 and Steaz from 2010 to 2013. As founder of Jones Soda Co. in 1987, Mr. van Stolk served as Chief Executive Officer and Chair of the Board of Directors through 2007. Jones Soda was one of the first consumer branded companies recognizing the potential of Social Media to create an emotional connection with its consumers. Jones Soda invited its followers to participate and interact with the brand through proprietary custom labeling and unique flavor development. Mr. Van Stolk has over 35 years of experience in the food and beverage industry, including 10 years at the head of a publicly traded company.

Adrienne Uy – Chief Financial Officer and Corporate Secretary

Ms. Uy is the Chief Financial Officer of SPUD, where she oversees all finance, accounting, payroll and legal operations at SPUD, which she joined in 2010. She has more than 25 years experience in the consumer products, ecommerce, and retail industries. Prior to SPUD, Ms. Uy was Corporate Controller for 3TIER, a global, renewable energy information-to-decision technology company with offices in Seattle, Panama, India and Australia from 2008 to 2010. In addition, Ms. Uy has held roles at Starbucks Coffee Company in their Financial Policies & Compliance, Financial Reporting and Corporate Accounting groups from 2006 to 2008 and, from 1997 to 2005, she served as a Vice-President at Jones Soda Company, where she was responsible for distribution and logistics for both the company's independent distribution and direct store delivery (DSD) networks across North America and its ecommerce business units. Ms. Uy completed a Bachelor's in Science (Accounting) in June 2005, and completed an MBA in March 2009, both at Seattle University. She is also a CPA (WA state) since April 2007.

Jeffrey King – Chief Technology Officer

Mr. King is the Chief Technology Officer of SPUD, where he oversees all technology advancement including software development at SPUD and Food-X. This also includes all operational uptime through to customer satisfaction. Mr. King joined SPUD in 2019 and has over 22 years experience working in the software industry. Prior to SPUD, Mr. King held several senior roles at Microsoft from 2015 to 2019 including the distinguished title Principal Technical Evangelist. While at Microsoft Mr. King, incubated and accelerated the development of hundreds of high-tech SaaS companies, and lead global best practices. Prior to that, Mr. King was a founder of five start-ups and worked closely

with numerous others. Mr. King holds patents in Augmented Reality. Mr. King completed a Certificate in Software Systems at the British Columbia Institute of Technology in March 2004.

Monique Wilberg – Director

Ms. Wilberg is a founding shareholder of Gateway Casinos and Entertainment Inc. Founded in 1992, the small company with two properties and 150 employees grew to nine properties with a staff of 3,000. As the Chief Operating Officer of Gateway Casinos and Entertainment, Ms. Wilberg was responsible for strategic operating decisions as well as management of the execution and measurement of performance. Ms. Wilberg is an active angel investor and mentor to several local, gluten-free, niche vegan food operations. She holds an ICD.D designation granted by the Institute of Corporate Directors.

Todd Cherniak – Director

Mr. Cherniak is the CEO and General Counsel of Canadian Magnetic Imaging (CMI), a diagnostic imaging company he founded in 2002. CMI operates a full-service MRI clinic that offers both routine and specialized imaging, as well as contrast-enhanced studies and arthrograms. Prior to founding CMI, Mr. Cherniak practiced as a commercial trial lawyer with Walsh & Company, a litigation boutique he co-founded in 1990. In practice, Mr. Cherniak specialized in complex commercial disputes, shareholder actions, product liability law, and securities litigation acting for both Plaintiffs and Defendants at all levels of the Courts. Mr. Cherniak continues to be a full practicing member of the Law Society of British Columbia and provides legal services to CMI. Mr. Cherniak obtained his LLB from the University of British Columbia in June 1989 and was called to the bar of British Columbia in May 1990.

Eric Phaneuf – Director

Mr. Phaneuf has been a Managing Partner with Walter Capital Partners since November 2015, before becoming its President and Chief Executive Officer in 2019. Mr. Phaneuf has occupied several key finance and operations management positions mainly in North American publicly traded companies active in international markets, including Cascades, MediaGrif Interactive Technologies (now mdm commerce) and Mega Brands. He has extensive experience in financial planning and business analysis, mergers and acquisitions, due diligence processes, corporate integration, business process improvement and contract negotiations. Mr. Phaneuf completed an undergraduate degree in business administration, with a major in finance, from the Université de Sherbrooke in August 1998 and is a Chartered Financial Analyst (CFA) charterholder since 2002. He currently serves on the Board of Directors of multiple private companies, as well as Chair of the Board for BonLook, Canada's leading tech-enabled eyewear brand and MedicArt, one of the largest aesthetic medicine clinics network in Canada.

Terry Vanderkruyk – Director

Mr. Vanderkruyk is currently President of ZT Capital Inc, a private company which focuses on investing in early stage companies and assisting in their growth. Previously he served as Chief Corporate Development Officer from 2006 to 2014 for Coastal Contacts Inc, a leading online optical provider, co-listed on the TSX and NASDAQ, that was acquired by Essilor International. His responsibilities at Coastal were mainly related to business development and finance. Mr. Vanderkruyk also sits on the Board of NZ Technologies Inc, an early stage technology company focused on touchless human/machine interaction. Mr. Vanderkruyk completed a Bachelor of Arts in Economics, from the University of Victoria in May 1979.

Robert Horricks – Officer of Blush Lane Organic Produce

Mr. Horricks is currently chief executive officer of Blush Lane Organic Produce, a subsidiary of SPUD, and has been since June 2004. Mr. Horricks completed a Bachelor of Philosophy, from the University of Calgary in June 1995.

Chair of the Board

It is proposed that Peter van Stolk will be the Chair of the Resulting Issuer Board, and in such role, he is principally responsible for overseeing the operations and affairs of the Resulting Issuer Board.

Resulting Issuer Board Mandate

It is expected that the Resulting Issuer Board will adopt a written charter describing, *inter alia*, the Board's role and overall responsibility to supervise the management of the business and affairs of the Resulting Issuer following Completion of the Qualifying Transaction.

Ethical Business Conduct

It is expected that the Resulting Issuer Board will adopt a written code of ethics applicable to all of its employees, executive officers and directors following Completion of the Qualifying Transaction.

Committees of the Board of Directors

The Resulting Issuer Board will establish three committees following the Completion of the Qualifying Transaction: an Audit Committee, a Compensation Committee and a Sustainability and Governance Committee.

Audit Committee

The Audit Committee will be comprised of Todd Cherniak, Monique Wilberg and Terry Vanderkruyk. Terry Vanderkruyk will be the Chair of the Audit Committee. For the education and experience of each member of the Audit Committee relevant to the performance of his or her duties as a member of the Audit Committee, see "*Management and Director Biographies*".

Each of the proposed members of the Audit Committee is financially literate within the meaning of NI 52-110. A director is "financially literate" within the meaning of NI 52-110 if he has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Resulting Issuer's financial statements. Additionally, each of the members of the Audit Committee is independent within the meaning of NI 52-110. Subject to certain exceptions, a director is "independent" within the meaning of NI 52-110 if he has no direct or indirect material relationship with the issuer. A "material relationship" is a relationship that could, in the view of the Resulting Issuer Board, be reasonably expected to interfere with the exercise of a director's independent judgment.

The Audit Committee shall be responsible for overseeing the accounting and financial reporting practices of the Resulting Issuer and audits of the Resulting Issuer's financial statements. The Audit Committee's responsibilities also include the selection, recommendation and oversight of Resulting Issuer's independent auditors, as well as the oversight of its internal audit process and system of internal controls over financial reporting and disclosure. The Audit Committee shall also be responsible for the pre-approval of all non-audit services to be provided to the Resulting Issuer by its independent auditors. The Audit Committee shall review and confirm the independence of the independent auditors by obtaining statements from the independent auditors describing all relationships with the Resulting Issuer, including with respect to any non-audit services.

Compensation Committee

The Compensation Committee will be comprised of Todd Cherniak and Monique Wilberg, each of whom has a working familiarity with human resources and compensation matters. Monique Wilberg will be the Chair of the Compensation Committee. Each of Monique Wilberg and Todd Cherniak are independent within the meaning of NI 52-110. For the skills and experience of each proposed member of the Compensation Committee relevant to the performance of his or her duties as a member of the Compensation Committee, see "*Management and Director Biographies*".

The Compensation Committee shall, among other things:

- consider and recommend for approval by the Resulting Issuer Board the appointment of the executive officers of the Resulting Issuer;

- review existing management resources and plans for ensuring that qualified personnel will be available as required and to report on this matter to the Resulting Issuer Board;
- review and assess annually the performance of the Chief Executive Officer, the Chief Financial Officer and the Chief Technology Officer against pre-set specific corporate and individual goals and objectives;
- oversee and recommend for approval by the Resulting Issuer Board the executive compensation principles, policies, programs, grants of equity-based incentives and processes and specifically consider and recommend annually or as required;
- review the compensation discussion and analysis and related executive compensation disclosure for inclusion in the Resulting Issuer's public disclosure documents, in accordance with applicable rules and regulations; and
- review, monitor, report and where appropriate, provide recommendations to the Resulting Issuer Board on the Resulting Issuer's exposure to risks related to executive compensation policies and practices, if any, and identify compensation policies and practices that mitigate any such risk.

The Compensation Committee will have the authority to engage outside counsel or other outside advisors as it deems appropriate to assist the Compensation Committee in the performance of its functions.

The Compensation Committee may also recommend to the Resulting Issuer Board further changes to the existing executive compensation regimes and severance pay practices, employment agreements for executive officers and adoption of stock ownership guidelines.

Sustainability and Governance Committee

The Sustainability and Governance Committee will be comprised of Eric Phaneuf and Terry Vanderkruyk, each of whom has a working familiarity with corporate responsibility, sustainability and governance matters. Eric Phaneuf will be the Chair of the Sustainability and Governance Committee. Eric Phaneuf and Terry Vanderkruyk will be independent within the meaning of NI 52-110. For the skills and experience of each proposed member of the Compensation Committee relevant to the performance of his duties as a member of the Compensation Committee, see "*Management and Director Biographies*".

The Sustainability and Governance Committee shall, among other things:

- identify and actively seek individuals qualified to become members of the Resulting Issuer Board or any committee thereof;
- recommend nominees for election as directors at each annual shareholder meeting (or special meeting of shareholders at which directors are to be elected);
- recommend candidates to fill any vacancies on the Resulting Issuer Board or any committee thereof;
- oversee the evaluation of the Resulting Issuer Board and each committee thereof;
- recommend corporate governance compliance guidelines applicable to the Resulting Issuer;
- review the Resulting Issuer's recommendations with respect to shareholder proposals for the Resulting Issuer's proxy materials; and
- and review the Resulting Issuer's policies and programs that relate to matters of corporate responsibility, including public issues of significance to the Resulting Issuer and its stakeholders.

The Sustainability and Governance Committee will have the authority to engage outside counsel or other outside advisors as it deems appropriate to assist the Sustainability and Governance Committee in the performance of its functions.

Corporate Cease Trade Orders or Bankruptcies

No proposed director, officer or Promoter of the Resulting Issuer is, or within the ten years prior to the date of this Filing Statement has been, a director, officer, or Promoter of any person or company that, while that person was acting in that capacity, (a) was the subject of a cease trade order or similar order, or an order that denied the other issuer access to any exemptions under applicable Securities Laws, for a period of more than 30 consecutive days, or (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

No proposed director, officer or Promoter of the Resulting Issuer, nor securityholder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable securityholder making a decision concerning the Arrangement.

Personal Bankruptcies

No proposed director, officer or Promoter of the Resulting Issuer, nor securityholder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, nor a personal holding company of any such person has, within the 10 years before the date of the Filing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such proposed director or officer, or personal holding company of any such person.

Conflicts of Interest

To the best of SPUD's knowledge, there are no known existing or potential conflicts of interest among the Resulting Issuer or a subsidiary of the Resulting Issuer and a proposed director, officer or Promoter of the Resulting Issuer or a subsidiary of the Resulting Issuer as at the date hereof.

Other Reporting Issuer Experience

The following table sets out the proposed directors, officers and Promoters of the Resulting Issuer that are, or have been within the last ten years, directors, officers or Promoters of other reporting issuers:

Name	Name and Jurisdiction of Reporting Issuer	Market or Exchange Traded On	Position	From	To
Terry Vanderkruyk	Agility Health, Inc.	TSXV	Chief Corporate Development Officer	December 2014	October 2015
	Coastal Contacts Inc.	TSX	Chief Corporate Development Officer	January 2006	April 2014
Eric Phaneuf	Boralex Inc.	TSX	Director	March 2013	November 2015
	AAER Inc.	TSX	Senior Officer	October 2009	June 2010
	MEGA Brands Inc.	TSX	Senior Officer	July 2003	October 2009
	Cascades Inc.	TSX	Director	March 2013	November 2015
	Mdf commerce Inc.	TSX	Senior Officer	June 2011	March 2013

Executive Compensation

This compensation discussion and analysis describes and explains the anticipated compensation policies and practices of the Resulting Issuer for the 12-month period to follow the Completion of the Qualifying Transaction with respect to the compensation the Resulting Issuer NEOs. These individuals are the only individuals expected to be executive officers of the Resulting Issuer following the Completion of the Qualifying Transaction.

Compensation Philosophy and Objectives

After Completion of the Qualifying Transaction, the Resulting Issuer Board will adopt a written charter for the Compensation Committee that will establish such committee's purpose and responsibilities. The Compensation Committee will, in its discretion, recommend to the Resulting Issuer Board the approval of annual and long-term performance goals and objectives for the SPUD NEOs. The Compensation Committee shall seek the input and recommendation of the CEO and the CFO with respect to the compensation and performance goals and objectives of the other senior employees and may also engage outside consultants with respect to any executive compensation matters as it sees fit. The Compensation Committee will take into account executive compensation paid by companies comparable to the Resulting Issuer, although no specific benchmarking policy is expected to be put in place for determining compensation or any element of compensation. Following the Completion of the Qualifying Transaction, the Compensation Committee, in conjunction with the Resulting Issuer Board, will establish an appropriate comparator group for purposes of setting the future compensation of the Resulting Issuer NEOs.

It is expected that following the Completion of the Qualifying Transaction, the Resulting Issuer and the Compensation Committee will develop a formal compensation program which will come into effect for the second half of the 2021 financial year. Following the Completion of the Qualifying Transaction, the general objective of the Resulting Issuer's compensation will be to: (a) compensate management in a manner that encourages and rewards a high level of performance and outstanding results with a view to increasing long-term Resulting Issuer Shareholder value; (b) align management's interests with the long-term interests of Resulting Issuer Shareholders; and (c) provide a compensation package that is commensurate with other similar ecommerce and online food delivery companies in order to enable the Resulting Issuer to attract and retain talent.

Compensation Process

The Resulting Issuer Board, as a whole, upon the recommendation of the Compensation Committee, will seek to ensure that total compensation paid to all Resulting Issuer NEOs is fair and reasonable and accomplishes the following long-term objectives of:

- producing long-term, positive results for Resulting Issuer Shareholders;
- aligning executive compensation with corporate performance; and
- providing market-competitive compensation and benefits that will enable the Resulting Issuer to recruit, retain and motivate the executive talent necessary to be successful.

Analysis of Elements

The compensation to be paid to Resulting Issuer NEOs is expected to be comprised of two main components: short-term incentives (comprised of base salary and bonus) and long-term incentives, comprised of Resulting Issuer Options, Resulting Issuer RSUs and Resulting Issuer PSUs granted pursuant to the Resulting Issuer Securities-Based Compensation Plans which will be adopted by the Resulting Issuer Board upon Completion of the Qualifying Transaction and which will be approved and ratified by the Resulting Issuer Shareholders at their next annual general meeting. The Resulting Issuer Securities-Based Compensation Plans will only become effective upon the listing of the Resulting Issuer Shares on the TSXV or the TSX, as the case may be.

The following discussion describes the expected components of compensation and discusses how each component relates to the Resulting Issuer's overall executive compensation objective. The Resulting Issuer believes that:

- short-term incentives, comprised of base salary and bonus, will provide an immediate cash incentive for the Resulting Issuer NEOs and should be at levels competitive with peer companies that compete with the Resulting Issuer for business opportunities and executive talent; and
- long-term equity incentives (i.e. the Resulting Issuer Options, the Resulting Issuer RSUs and the Resulting Issuer PSUs) will ensure that the Resulting Issuer NEOs are motivated to achieve long-term growth of the Resulting Issuer and continuing increases in Resulting Issuer Shareholder value and provide capital accumulation for the Resulting Issuer NEOs linked directly to the Resulting Issuer's performance.

It is expected that the Resulting Issuer will place an equal emphasis on base salary and equity incentives as short-term and long-term incentives, respectively.

Base Salary

The Resulting Issuer NEOs will receive a base salary which is based primarily on the level of responsibility of the position, the qualifications and experience of the officer and market conditions. The base salaries of the Resulting Issuer NEOs will be reviewed annually to ensure that they take into account the following factors: market and economic conditions, levels of responsibility and accountability of each Resulting Issuer NEO, skill and competencies of each individual, retention considerations and level of demonstrated performance.

Base salaries, including that of the CEO, will be reviewed by the Resulting Issuer Board, upon recommendation of the Compensation Committee, on the basis of its opinion as to a fair and responsible compensation package, taking into account the contribution of the Resulting Issuer NEO to the Resulting Issuer's long-term growth and the knowledge of the members of the Resulting Issuer Board and the Compensation Committee have with respect to remuneration practices in Canada.

Long-Term Incentive Plans and Resulting Issuer Stock Option Plan

It is anticipated that the Resulting Issuer Board will adopt the Resulting Issuer Security-Based Compensation Plans at the time of Completion of the Qualifying Transaction, which will only become effective upon the listing of the Resulting Issuer Shares on the TSXV or the TSX, as the case may be, and which will be subject to such plans being approved and ratified by the shareholders of the Resulting Issuer at the first annual general meeting of the Resulting Issuer following such completion. Following Completion, options will no longer be granted under the existing Resulting Issuer Legacy Stock Option Plan, however, outstanding options granted under the Rainy Hollow Stock Option Plan and Resulting Issuer Replacement Options will remain governed in accordance with the Resulting Issuer Legacy Stock Option Plan following the Completion of the Qualifying Transaction.

The purpose of the Resulting Issuer Security-Based Compensation Plans is to attract and retain qualified individuals to serve as executives, key employees and consultants of the Resulting Issuer and to promote the alignment of interests of such executives, key employees and consultants, on the one hand, and Resulting Issuer Shareholders, on the other hand.

The maximum number of Resulting Issuer Shares issuable under the Resulting Issuer Security-Based Compensation Plans and any other security-based compensation arrangement of the Resulting Issuer will not exceed 10% of the issued and outstanding Resulting Issuer Shares, as calculated on the date of grant of an award thereunder. As of the date of this Filing Statement, no awards are outstanding under the Resulting Issuer Security-Based Compensation Plans. All of the Resulting Issuer Shares covered by exercised, expired, cancelled or forfeited awards will become available Resulting Issuer Shares for the purposes of awards that may be subsequently granted under the Resulting Issuer Security-Based Compensation Plans.

Following the Completion of the Qualifying Transaction, it is expected that 43,782,870 Resulting Issuer Shares will be issued and outstanding. Accordingly, it is expected that an aggregate of 4,378,286 Resulting Issuer Shares will be issuable under the Resulting Issuer Security-Based Compensation Plans and any other security-based compensation arrangement of the Resulting Issuer, including the Resulting Issuer Legacy Stock Option Plan.

The number of Resulting Issuer Shares issuable to insiders of the Resulting Issuer, at any time, under the Resulting Issuer Security-Based Compensation Plans or any other security-based compensation arrangement of the Resulting Issuer may not exceed 10% of the Resulting Issuer's total issued and outstanding Resulting Issuer Shares. In addition, the number of Resulting Issuer Shares issued to insiders of the Resulting Issuer, within any one-year period, under the Resulting Issuer Security-Based Compensation Plans or any other security-based compensation arrangement of the Resulting Issuer may not exceed 10% of the Resulting Issuer's total issued and outstanding Resulting Issuer Shares. As the Resulting Issuer Security-Based Compensation Plans do not have a fixed maximum aggregate number of securities issuable thereunder, the unallocated awards must receive security holder approval no later than three years from the effective date of such plans.

The Resulting Issuer Board will be responsible for administering the Resulting Issuer Security-Based Compensation Plans and the Compensation Committee will make recommendations to the Resulting Issuer Board in respect of matters relating to the Resulting Issuer Security-Based Compensation Plans. The Resulting Issuer Board will have the discretion to determine the vesting schedule of a Resulting Issuer Option or the settlement period of Resulting Issuer RSUs and Resulting Issuer PSUs, and the Resulting Issuer Board will have the full power and authority to accelerate the vesting or exercisability/settlement (as applicable) of any Resulting Issuer RSUs or Resulting Issuer PSUs, or all or any portion of any Resulting Issuer Option.

The Resulting Issuer Security-Based Compensation Plans provide that equitable adjustment, if any, will be made by the Resulting Issuer Board in connection with any reorganization, change in the number of issued and outstanding Resulting Issuer Shares by reason of stock dividend, stock split, reverse stock split, recapitalization, merger, consolidation, combination or exchange of shares or other similar corporate change, including adjustments to the number of Resulting Issuer Shares to which a holder is entitled upon exercise or settlement of awards. For Resulting Issuer Options, this may include equitable adjustments to the exercise price of any outstanding Resulting Issuer Options, while for Resulting Issuer RSUs, Resulting Issuer PSUs and Resulting Issuer DSUs, this may include equitable adjustments to the factors and manner in which the settlement amount of a Resulting Issuer RSU, Resulting

Issuer PSU or Resulting Issuer DSU is to be determined, as well as equitable adjustments to any other term and condition thereof.

The Resulting Issuer may amend the Resulting Issuer Security-Based Compensation Plans or any award thereunder at any time without the consent of the holders of the affected awards provided that such amendment shall (a) not adversely alter or impair any of the affected awards previously granted except as permitted by the terms of the applicable Resulting Issuer Security-Based Compensation Plan, (b) be subject to any required approval of any securities regulatory authority or the TSXV or the TSX, as the case may be, and (c) be subject to Resulting Issuer Shareholder approval, where required, by law, the requirements of the TSXV or the TSX, as the case may be, or the applicable Resulting Issuer Security-Based Compensation Plan; provided, however, that Resulting Issuer Shareholder approval shall not be required for the following amendments and the Resulting Issuer Board may make any changes which may include but are not limited to:

- amendments of a general housekeeping or clerical nature that, among others, clarify, correct or rectify any ambiguity, defective provision, error or omission in a Resulting Issuer Security-Based Compensation Plan;
- amendments necessary to comply with applicable laws or the requirements of any securities regulatory authority or stock exchange;
- changing the eligibility for, and limitations on, participation in a Resulting Issuer Security-Based Compensation Plan;
- modifying the terms and conditions, including restrictions, not inconsistent with the terms of a Resulting Issuer Security-Based Compensation Plan, of any award, which terms and conditions may differ among individual award grants and holders of awards;
- modifying the periods referred to in the Resulting Issuer Security-Based Compensation Plans during which vested awards may be exercised, provided that (a) in the case of Resulting Issuer Options, the option period is not extended beyond ten years after the date of grant, and (b) in the case of Resulting Issuer RSUs, Resulting Issuer PSUs and Resulting Issuer DSUs, the settlement period is not extended beyond the expiry date;
- amendments with respect to the vesting period or with respect to circumstances that would accelerate the vesting of Resulting Issuer Options, Resulting Issuer RSUs, Resulting Issuer PSUs or Resulting Issuer DSUs;
- any amendment resulting from or due to the alteration of share capital as more fully set out in the applicable Resulting Issuer Security-Based Compensation Plan;
- amendments to the provisions relating to the administration of a Resulting Issuer Security-Based Compensation Plan; and
- suspending or terminating a Resulting Issuer Security-Based Compensation Plan.

For greater certainty, the Resulting Issuer Board will be required to obtain Resulting Issuer Shareholder approval to make the following amendments:

- a reduction in the exercise price of Resulting Issuer Options held by an insider;
- any amendment which increases the number of Resulting Issuer Shares that may be issued or paid upon settlements of Resulting Issuer RSUs, Resulting Issuer PSUs or Resulting Issuer DSUs to an insider;
- an extension of the exercise period or settlement period (as applicable) of awards held by an insider;

- any amendment to remove or to exceed the insider participation limits;
- an increase to the maximum number of Resulting Issuer Shares issuable under the Resulting Issuer Security-Based Compensation Plans; and
- any amendment to the amendment provisions of a Resulting Issuer Security-Based Compensation Plan.

For the first four bullet points above, the votes attached to shares held directly or indirectly by insiders benefiting directly or indirectly from the amendment must be excluded. In addition, with respect to the last bullet point above, where the amendment will disproportionately benefit one or more insiders over other holders of awards, the votes of shares held directly or indirectly by those insiders receiving the disproportionate benefit must be excluded.

Awards granted under a Resulting Issuer Security-Based Compensation Plan are not assignable or transferable other than by will or under the law of succession, or as expressly permitted by the Resulting Issuer Board. The Resulting Issuer Security-Based Compensation Plans do not provide for or contemplate the provision of financial assistance to participants, nor is it currently expected that it will be the policy of the Resulting Issuer to provide such financial assistance.

The Resulting Issuer Security-Based Compensation Plans, where applicable, define a “Change of Control” as: (a) the sale of all or substantially all of the assets of the Resulting Issuer on a consolidated basis, in one transaction or a series of related transactions, to a person that is not a subsidiary of the Resulting Issuer; (b) a merger, reorganization, acquisition or consolidation pursuant to which a person (as defined in the *Securities Act* (British Columbia)), or any associate (as defined in the *Securities Act* (British Columbia)) or affiliate (as defined in the BCBCA) of such person, shall acquire and directly or indirectly “beneficially own” (as defined in the BCBCA) of securities of the Resulting Issuer representing 50% or more of the aggregate voting power of all of the Resulting Issuer’s then issued and outstanding securities; (c) a transaction pursuant to which the Resulting Issuer goes out of existence, (d) the dissolution or liquidation of the Resulting Issuer except in connection with the distribution of assets of the Resulting Issuer to one or more subsidiaries prior to such event; or (e) the occurrence of a transaction requiring approval of the Resulting Issuer Shareholders involving the acquisition of the Resulting Issuer by an entity through purchase of assets, by amalgamation, arrangement or otherwise.

The following is a summary of the particular terms of each of the Resulting Issuer Security-Based Compensation Plans.

Resulting Issuer Option Plan

The Resulting Issuer Option Plan allows for the grant of Resulting Issuer Options to purchase Resulting Issuer Shares to directors, executive officers, employees and consultants of the Resulting Issuer and its subsidiaries. The Resulting Issuer Board, in its sole discretion, shall from time to time designate the directors, executive officers, employees or consultants to whom Resulting Issuer Options shall be granted, the number of Resulting Issuer Shares to be covered by each Resulting Issuer Option granted and the terms and conditions thereof.

The exercise price for each Resulting Issuer Share covered by a Resulting Issuer Option shall be established by the Resulting Issuer Board at the time of grant, but shall not be less than the closing market price of the Resulting Issuer Shares on the TSX, on the trading day immediately preceding the date of grant.

A Resulting Issuer Option shall be exercisable during a period established by the Resulting Issuer Board, which shall commence not earlier than the date of grant and shall terminate not later than ten years after the date of grant. The Resulting Issuer Option Plan provides that the exercise period shall automatically be extended if the date on which it is scheduled to terminate shall fall during a black-out period or within ten business days after the last day of a blackout period. In such cases, the extended exercise period shall terminate ten business days after the last day of the exercise period.

The following table describes the impact of certain events upon the rights of holders of options under the Resulting Issuer Option Plan:

Event	Provisions
Resignation or termination other than for cause or death (non-director participants)	Forfeiture of all unvested Resulting Issuer Options 60 days after resignation/termination to exercise vested Resulting Issuer Options (or in the case of a termination, such later date as expressly provided in the optionholder's employment or consulting contract)
Termination for any reason other than death (director participants)	60 days after termination to exercise vested Resulting Issuer Options
Termination for cause (non-director participants)	Forfeiture of all vested or unvested Resulting Issuer Options
Retirement or permanent disability (non-director participants)	Continued vesting of Resulting Issuer Options with no restriction
Death	Forfeiture of all unvested Resulting Issuer Options 180 days after event to exercise vested Resulting Issuer Options
Change of Control	All issued and outstanding Resulting Issuer Options shall become fully vested. If the Change of Control directly results from the acquisition of Resulting Issuer Shares, the Resulting Issuer Options will be deemed exercised concurrently with the Change of Control

The Resulting Issuer Option Plan is intended to replace the current Resulting Issuer Legacy Stock Option Plan. Following the Completion of the Qualifying Transaction, all future options granted by the Resulting Issuer will be granted under the Resulting Issuer Option Plan and no further options will be granted under the Resulting Issuer Legacy Stock Option Plan. The 25,000 Rainy Hollow Options, which will be outstanding, post Consolidation, but prior to the Completion of the Qualifying Transaction, and the 4,352,900 Resulting Issuer Replacement Options will continue to be governed by the Resulting Issuer Legacy Stock Option Plan and may continue to be exercised in accordance with its terms after the Completion of the Qualifying Transaction. For more details on the Resulting Issuer Legacy Stock Option Plan, see "*Part I – Information Concerning Rainy Hollow – Stock Exchange Price*".

The Resulting Issuer Share Unit Plan

The Resulting Issuer Share Unit Plan allows for the grant of Resulting Issuer RSUs and Resulting Issuer PSUs to executive officers, directors, employees and consultants of the Resulting Issuer and its subsidiaries. The Resulting Issuer Board, in its sole discretion, shall from time to time designate the executive officers, employees and consultants to whom Resulting Issuer RSUs and Resulting Issuer PSUs shall be granted, the number of Resulting Issuer RSUs and Resulting Issuer PSUs to be granted and the terms and conditions thereof.

At the time of granting Resulting Issuer RSUs or Resulting Issuer PSUs under the Resulting Issuer Share Unit Plan, the Resulting Issuer Board may determine, in its sole discretion, any vesting conditions, settlement period or other conditions applicable to such grant; and in case of Resulting Issuer PSUs determine the level of attainment of the performance objectives(s) which must be attained for any Resulting Issuer PSUs to be earned. The performance objectives for the vesting of any Resulting Issuer PSUs to be issued have not yet been determined.

The Resulting Issuer RSUs and Resulting Issuer PSUs expire on the business day that is on or that immediately precedes the third anniversary of the date such Resulting Issuer RSUs or Resulting Issuer PSUs are granted. Participants may elect to defer the settlement of Resulting Issuer RSUs and/or Resulting Issuer PSUs to a later date not later than the expiry date of such Resulting Issuer RSUs and/or Resulting Issuer PSUs. Any Resulting Issuer RSU

or Resulting Issuer PSU which has vested in accordance with the applicable grant letter and the Resulting Issuer Share Unit Plan and has not been settled at the expiry date shall be automatically settled on such date.

Resulting Issuer RSUs and Resulting Issuer PSUs may, at the sole discretion of the Resulting Issuer, be settled once vested by delivering (a) Resulting Issuer Shares acquired in the open market, (b) Resulting Issuer Shares issued from treasury, (c) by making a cash payment equal to the number of Resulting Issuer RSUs and/or Resulting Issuer PSUs multiplied by the closing market price of the Resulting Issuer Shares on the TSX on the day preceding the settlement date or (d) any combination of the foregoing.

Event	Provisions
Termination for cause	Forfeiture of all vested and unvested Resulting Issuer PSUs and Resulting Issuer RSUs
Resignation	Forfeiture of all unvested Resulting Issuer PSUs and Resulting Issuer RSUs 60 days after termination to settle vested Resulting Issuer PSUs and Resulting Issuer RSUs
Termination other than for cause	Forfeiture of all unvested Resulting Issuer PSUs Immediate pro-rated vesting of unvested Resulting Issuer RSUs outstanding at date of termination 60 days after termination to settle vested Resulting Issuer PSUs and Resulting Issuer RSUs
Retirement or permanent disability	Pro-rated vesting of unvested Resulting Issuer PSUs as per performance targets Settlement of all vested Resulting Issuer PSUs on date of event Immediate vesting and settlement of all Resulting Issuer RSUs outstanding on date of event
Death	Forfeiture of all unvested Resulting Issuer RSUs Pro-rated vesting of unvested Resulting Issuer PSUs as per performance targets Settlement of all vested Resulting Issuer PSUs and Resulting Issuer RSUs on date of event
Change of Control	All issued and outstanding Resulting Issuer RSUs and Resulting Issuer PSUs will become fully vested and settled. If the Change of Control directly results from the acquisition of Resulting Issuer Shares, the settlement shall be in cash. Otherwise, settlement as a result of a Change of Control will be by way of the delivery of Resulting Issuer Shares to the participant

Awards granted to a participant that do not vest in accordance with the Resulting Issuer Share Unit Plan as set forth above will be forfeited by the participant and cancelled without payment, and the participant will have no further right in such awards.

The Resulting Issuer DSU Plan

The Resulting Issuer DSU Plan allows for the grant of Resulting Issuer DSUs to the Resulting Issuer's non-executive directors. These directors may elect to receive all or part of the retainer fees payable to them as a member of the

Resulting Issuer Board or lead director and as a member or chair of a committee of the Resulting Issuer Board in Resulting Issuer DSUs.

Resulting Issuer DSUs expire on the business day that is immediately preceding December 31 of the calendar year following the calendar year during which the non-executive director ceases to be a director of the Resulting Issuer. Resulting Issuer DSUs have the same value as Resulting Issuer Shares. At the time of granting any Resulting Issuer DSU, the Resulting Issuer Board may impose vesting conditions in respect of such Resulting Issuer DSUs. If no vesting conditions are imposed at the time of grant, such Resulting Issuer DSUs vest at the time of grant. Each non-executive director who wishes to receive all or a portion of his or her retainer fees in Resulting Issuer DSUs shall receive such number of Resulting Issuer DSUs as is obtained by dividing the deferred remuneration payable to such non-executive director by the market price of the Resulting Issuer Shares on the TSX on the date preceding the date on which the Resulting Issuer DSUs are awarded.

Holders of Resulting Issuer DSUs cannot settle their Resulting Issuer DSUs while they are members of the Resulting Issuer Board. Once they cease to be a member of the Resulting Issuer Board, the Resulting Issuer's non-executive directors may request the settlement of all (but not less than all) of his or her Resulting Issuer DSUs at any time up to the expiry date, at which time they are automatically settled. The Resulting Issuer may, at its sole discretion, settle the Resulting Issuer DSUs by: (a) delivering Resulting Issuer Shares acquired in the open market; (b) delivering Resulting Issuer Shares issued from treasury; (c) making a cash payment equal to the number of Resulting Issuer DSUs multiplied by the closing market price of the Resulting Issuer Shares on the TSX, on the day preceding the settlement date; or (d) any combination of the foregoing.

Group Benefits/Perquisites

It is expected that the Resulting Issuer will offer standard benefits to its employees, including certain of the Resulting Issuer NEOs, as part of a group insurance plan. Certain Resulting Issuer NEOs who currently benefit from a car allowance while a SPUD NEO will remain eligible for a car allowance as a perquisite as a Resulting Issuer NEO. No other perquisites are anticipated to be offered to the Resulting Issuer NEOs.

External Compensation Consultants

The Resulting Issuer may retain the services of executive compensation consultants to assist the Resulting Issuer Board and/or the Compensation Committee in determining compensation for any of the Resulting Issuer NEOs or directors.

Assessment of Risks Associated with the Resulting Issuer's Compensation Policies and Practices

The Resulting Issuer Board will assess the Resulting Issuer's compensation plans and programs for its executive officers to ensure alignment with the Resulting Issuer's business plan and to evaluate the potential risks associated with those plans and programs. The Resulting Issuer will consider the risks associated with executive compensation and corporate incentive plans when designing and reviewing such plans and programs.

The Resulting Issuer is expected to adopt a policy restricting the Resulting Issuer NEOs or directors from purchasing financial instruments that are designated to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the Resulting Issuer NEOs or Resulting Issuer directors. To the knowledge of SPUD, none of the Resulting Issuer NEOs or proposed directors of the Resulting Issuer has purchased such financial instruments.

Summary of the Compensation of the Resulting Issuer NEOs

Upon the Completion of the Qualifying Transaction, the Resulting Issuer will have three NEOs. The following table sets forth the proposed compensation for the Resulting Issuer NEOs for the 12-month period following the Completion of the Qualifying Transaction.

Name and Principal Occupation	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All other Compensations (\$)	Total Compensation (\$)
				Annual Incentive Plans	Long-Term Incentive Plans			
Peter van Stolk Chief Executive Officer	240,000	—	—	—	—	—	1,971	241,971
Adrienne Uy Chief Financial Officer and Corporate Secretary	300,000	—	—	—	—	—	818	300,818
Jeffrey King Chief Technology Officer	250,000	—	—	—	—	—	1,971	251,971
Robert Horricks Chief Executive Officer of Blush Lane Organic Produce	85,000	—	—	40,000	—	—	7,330	132,333

Termination and Change of Control Benefits

Following the Completion of the Qualifying Transaction, SPUD will assign all of the employment agreements with its officers to the Resulting Issuer. Such employment agreements include provisions regarding base salary, annual bonuses, eligibility for long-term equity-incentives, benefits, confidentiality, a non-solicitation covenant, and ownership of intellectual property, among other things. For more details concerning the termination and change of control benefits provided in such employment agreements, see “*Part II – Information Concerning SPUD – Termination and Severance under SPUD NEO Employment Agreements*”.

Director Compensation

After Completion of the Qualifying Transaction, the Resulting Issuer Board intends, upon recommendation from the Compensation Committee, to implement a director compensation program designed to attract and retain qualified individuals who possess the relevant experience of board membership with other successful Canadian and U.S. listed corporations, and align the compensation of the directors with the interests of the Resulting Issuer’s shareholders through equity-based compensation. It is expected that the non-executive directors will receive an annual cash retainer of \$40,000 and will be eligible to receive Resulting Issuer Options and Resulting Issuer DSUs under the Resulting Issuer Stock Option Plan and the Resulting Issuer DSU Plan, respectively, and to receive incentive awards under any additional equity incentive plans that the Resulting Issuer may adopt in the future. The chair of each committee of the Resulting Issuer Board is expected to receive an additional \$5,000 per year, each non-chair committee member of the Resulting Issuer Board is expected to receive an additional \$2,000 per year, per committee meeting and the Lead Director or the Chair (if such position is held by a non-executive director) of the Resulting Issuer Board is expected to receive an additional \$10,000 per year. Directors are expected to receive an additional \$2,000 per board meeting. Directors will be entitled to be reimbursed for reasonable travel and other expenses incurred by them in carrying out their duties as directors. There are currently no service contracts or agreements, or predetermined plans or arrangements, between SPUD (or the Resulting Issuer) and any of the directors with respect to payments upon termination of their services as a director. Any non-executive director may elect to receive all or part of the retainer fees payable to them as a member of the Resulting Issuer Board or lead director and as a member or chair of a committee of the Resulting Issuer Board in Resulting Issuer DSUs.

The following table sets forth the proposed compensation for the directors of Resulting Issuer following the Completion of the Qualifying Transaction. It is anticipated that only non-executive directors shall receive compensation for their role as director of the Resulting Issuer.

Board Role	Annual Cash Retainer (\$)	Annual Option Grant (\$)	Annual DSU Grant (\$)	Additional Chair Fee (\$)
Board Member	40,000	—	—	—
Lead Director or Chair of the Board ⁽¹⁾	—	—	—	10,000
Audit Committee Chair	—	—	—	5,000
Compensation Committee Chair	—	—	—	5,000
Sustainability and Governance Committee Chair	—	—	—	5,000

(1) If the Chair of the Board position is held by a non-executive director.

Indebtedness of Directors and Officers

Following the completion of the Arrangement, no director, executive officer or senior officer, and no individual nominated by management for election as a director of the Resulting Issuer or any associate thereof, will be indebted to the Resulting Issuer, or has been so indebted at any time during the preceding financial year.

Investor Relations Arrangements

Pursuant to an agreement dated January 24, 2021, SPUD retained the services of LodeRock Advisors Inc. (“**LodeRock**”), an arm’s length party based in Toronto, Ontario. Pursuant to such agreement, LodeRock provides investor relations services in consideration of a monthly fee of \$12,500 for core investment relations work, and a monthly fee of \$2,500 for digital communication. As at the date of this Filing Statement, LodeRock does not hold any SPUD Common Shares, the agreement provides for a one-time grant of options to purchase securities of the Resulting Issuer, with the number of options to be granted being determined following the Completion of the Qualifying Transaction.

After Completion of the Qualifying Transaction, the Resulting Issuer may or may not continue to retain promotional or investor relations services on an as-needed basis. However, as at the date of this Filing Statement, no written or oral agreements or understandings reached with any persons to provide any promotional or investor relation services for the Resulting Issuer.

Options to Purchase Securities

As of April 9, 2021, assuming the completion of the Arrangement, employees, directors, officers, consultants, agents and underwriters of the Resulting Issuer shall have the following outstanding options and other rights to purchase Resulting Issuer Shares:

Type of Security	Aggregate Number of Securities under option (#)	Holder Category	Exercise Price (\$)	Expiry Date	Value of securities under option at the date of grant	Value of securities under option at the Effective Date (\$)
Resulting Issuer Options	607,500	Officers and Directors of the Resulting Issuer, being eight (8) current/former officers and directors of the Resulting Issuer, or a subsidiary thereof	4.50	2030-04-09	Nil	3.50
	250,000		4.50	2028-11-16		3.50
	30,000		4.50	2028-05-09		4.50
	25,000		3.00	2028-02-01		4.50
	237,000		3.00	2027-09-15		4.80
	160,000		3.00	2026-11-09		4.80
	263,200		2.70	2025-11-04		5.70
	50,000		1.80	2024-09-28		
Resulting Issuer Options	1,295,000	Employees, consultants and past employees of the Resulting Issuer	4.50	2030-04-09	Nil	3.00
	63,000		4.50	2029-05-02		3.00
	357,000		4.50	2028-11-16		3.00
	9,000		3.00	2028-08-17		4.50
	42,500		3.00	2028-05-09		4.50
	4,000		3.00	2028-02-01		4.50
	297,500		3.00	2027-09-15		4.50
	125,500		2.70	2026-11-09		4.80
	86,000		2.70	2025-11-04		4.80
	102,250		1.80	2024-09-28		5.70
	25,000		1.60	2023-05-23		5.90
	221,500		1.00	2022-12-17		6.50
	126,950		0.4853	2021-09-30		7.0147
Resulting Issuer Warrants	608,032 ⁽¹⁾	Officers and Directors of the Resulting Issuer	6.375	On the date that is eighteen months following the Completion of the Qualifying Transaction	Nil	1.125
	115,959	Employees, consultants and past employees of the Resulting Issuer	6.375	On the date that is eighteen months following the Completion of the Qualifying Transaction	Nil	1.125
Resulting Issuer Broker Warrants	192,849	Agents	7.50	December 23, 2022	Nil	Nil
	124,000	Agents	6.375	October 21, 2022	Nil	1.125
	96,563	Agents	2.70	On the date that is eighteen months following the Completion of the Qualifying Transaction	Nil	4.80
	17,041	Agents	2.70	On the date that is eighteen months following the Completion of the Qualifying Transaction	Nil	4.80
	300,000	Agents	2.70	August 25, 2021	Nil	4.80
	150,532	Agents	1.80	On the date that is eighteen months following the Completion of the Qualifying Transaction	Nil	5.70

(1) Of this number, 290,252 Resulting Issuer Warrants will be held by Fonds Agro. Commandité S.P.U.D. Inc., the general partner of Fonds Agro, is indirectly controlled by Walter Capital Partners Inc., a private equity firm. Eric Phaneuf, a director of SPUD, is the President and

Chief Executive Officer of Walter Capital Partners Inc. Mr. Phaneuf is also a director and indirect shareholder of Commandité S.P.U.D. Inc. Mr. Phaneuf is responsible for all the investment decisions of Fonds Agro's with respect to its holding in the Resulting Issuer.

- (2) No options to acquire securities of any subsidiary of the Resulting Issuer will be issued and outstanding upon Completion of the Qualifying Transaction.

The Resulting Issuer Stock Option Plan allows for the grant of incentive stock options to the employees, directors, officers, consultants and advisors of the Resulting Issuer or a subsidiary of the Resulting Issuer, subject to applicable law, provided that the number of Resulting Issuer Shares reserved for issuance may not exceed 4,378,286, which upon the Completion of the Qualifying Transaction, will represent approximately 10% of the Resulting Issuer Shares (on a non-diluted basis). See "*Part I – Qualifying Transaction – Stock Option Plan.*"

Escrowed Securities

In connection with the Resulting Issuer's application for listing on the TSX as a "non-exempt Industrial" issuer (technology companies) pursuant to Section 309(c) of the TSX Company Manual. In addition, the Resulting Issuer has obtained a waiver allowing the 1,700,000 pre-Consolidation Rainy Hollow Common Shares that are subject to the CPC Escrow Agreement to be released in full on the date of the Final QT Exchange Bulletin. As a result, none of the Resulting Issuer's securities will be subject to escrow upon the Completion of the Qualifying Transaction. Pursuant to the Appendix C - *TSX Escrow Policy Statement* of the TSX Company Manual and National Policy 46-201 - *Escrow for Initial Public Offerings*, the TSX does not generally consider that escrow is necessary for a non-exempt issuer with a market capitalization of at least \$100 million. As the Resulting Issuer is expected to have a market capitalization on listing of approximately \$328 million upon Completion of the Qualifying Transaction, it is expected that none of the Resulting Issuer's securities will be subject to escrow upon the Completion of the Qualifying Transaction.

Contractual Agreements

Pursuant to the terms of the Agency Agreement, in relation to the SPUD Private Placement, the directors, executive officers and certain shareholders of SPUD, in the aggregate will be owning or controlling approximately 30.3 million of the Resulting Issuer Shares (representing approximately 70% of the Resulting Issuer Shares that will be issued and outstanding upon the Completion of the Qualifying Transaction), entered into SPUD Lock-Up Agreements and SPUD Undertakings. The terms of the SPUD Lock-Up Agreements provide for the following:

- (a) For all SPUD Shareholders having executed a SPUD Lock-Up Agreement, except as disclosed in (b) below, the terms of the SPUD Lock-Up Agreements provide that each SPUD Shareholder subject thereto is prohibited from (a) selling, transferring, assigning, or otherwise disposing of, or agreeing to sell, transfer, assign or otherwise dispose of their respective SPUD Common Shares, Resulting Issuer Shares or securities convertible thereto, whether owned or controlled, or (b) entering into any swap or hedging or similar transaction relating to such securities (or announcing any intention to do any of the foregoing), from the period beginning on the date of signature thereof and (A) with respect to 50% of such shares ending six months following the listing of the Resulting Issuer Shares on the TSX or the TSXV, as the case may be, and (B) with respect to the remaining 50% of such shares, ending six months following the date referred to in (A);
- (b) With respect to two shareholders that will hold approximately 4.2 million Resulting Issuer Shares, (representing approximately 9.6% of the Resulting Issuer Shares that will be issued and outstanding upon the Completion of the Qualifying Transaction), the terms of the SPUD Lock-Up Agreements provide that each SPUD Shareholder subject thereto is prohibited from (a) selling, transferring, assigning, or otherwise disposing of, or agreeing to sell, transfer, assign or otherwise dispose of their respective SPUD Common Shares, Resulting Issuer Shares or securities convertible thereto, whether owned or controlled, or (b) entering into any swap or hedging or similar transaction relating to such securities (or announcing any intention to do any of the foregoing), from the period beginning on the date of signature thereof and ending six months following the listing of the Resulting Issuer Shares on the TSX or the TSXV, as the case may be; and

The terms of the SPUD Undertakings provide for the following:

- (a) For the 11 SPUD Shareholders having executed a SPUD Undertaking and that will hold approximately 4.9 million Resulting Issuer Shares, (representing approximately 11% of the Resulting Issuer Shares that will be issued and outstanding upon the Completion of the Qualifying Transaction) the terms of such agreements provide that each SPUD Shareholder subject thereto is prohibited from (a) selling, transferring, assigning, or otherwise disposing of, or agreeing to sell, transfer, assign or otherwise dispose of their respective Resulting Issuer Shares or securities convertible thereto, whether owned or controlled, or (b) entering into any swap or hedging or similar transaction relating to such securities (or announcing any intention to do any of the foregoing), from the period beginning on the date of signature thereof and ending twelve months following the listing of the Resulting Issuer Shares on the TSX or the TSXV, as the case may be.

Further, pursuant to the terms of the Arrangement Agreement, a closing condition in favour of SPUD is that Ionic Securities Ltd., a Rainy Hollow shareholder, shall enter into a lock-up agreement addressed to SPUD and the Co-Lead Agents with regard all Resulting Issuer Shares held by such shareholder, which agreement contain similar restrictions on disposition thereof as set forth above with regard to the SPUD Lock-Up Agreements for a period of 12 months following completion of the Arrangement.

Auditors, Transfer Agent and Registrar

It is expected that the Resulting Issuer's independent auditors will be Deloitte LLP, Chartered Professional Accountants, located at 939 Granville Street, Vancouver, British Columbia V6Z 1L3. The transfer agent and registrar for the Resulting Issuer will be Computershare Investor Services Inc., at its principal offices in Vancouver, British Columbia and Toronto, Ontario.

PART IV- RISK FACTORS

SPUD's current business will be the Resulting Issuer's business upon completion of the Arrangement. An investment in the securities of the Resulting Issuer involves significant risks. Additional risks and uncertainties not presently known to Rainy Hollow and SPUD or that Rainy Hollow and SPUD currently consider immaterial may also impair the business and operations of the Resulting Issuer and cause the trading price of the Resulting Issuer Shares to decline. If any of the following or other risks occur, the Resulting Issuer's business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted. In that event, the trading price of the Resulting Issuer Shares could decline and shareholders could lose all or part of their investment. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below or other unforeseen risks.

As used in this section "Risk Factors", references to "SPUD" or the "Resulting Issuer" shall include a reference to each of such entity's subsidiaries. References to "SPUD" in connection with risks to which SPUD may be subject following the completion of the Arrangement should be considered to be risk factors affecting the Resulting Issuer.

Risks Relating to the Resulting Issuer's Business

SPUD may not achieve its business objectives

There can be no assurance that SPUD will be able to implement its business strategy or achieve its business objectives. Past performance is not necessarily indicative of future results and there can be no assurance that SPUD will achieve comparable results or that profitability targets will be met.

SPUD has a history of losses and may continue to incur losses in the future

SPUD has a history of net losses and negative cash flows from operations which may continue in future periods. The history of net losses is a result of SPUD's investment in its software technology and strategic business initiatives. SPUD cannot assure Resulting Issuer Shareholders that it will achieve profitability and SPUD may be required to use net proceeds from future financings to fund negative cash flow from operating activities in order to remain in business. Should SPUD require financing, there is no certainty that SPUD will be able to raise funds, nor that such financing shall be on terms favourable to SPUD.

Key management

A limited number of key senior management personnel are crucial to SPUD's success. Should SPUD lose the services of such personnel and their ability, expertise and professional judgement, there may be significant negative effects on SPUD's business, results or financial condition.

Management of growth

SPUD's growth is dependent on the generation of revenues through new customer acquisition for both its direct-to-consumer and software as a service (SaaS) business, increases in the number of purchase transactions from its consumer segments, strategic partnerships, the continued implementation and improvement of operational and financial systems, and effective expansion, training, and management of its employee base. Failure to perform the above may result in negative and significant effects on SPUD's business, results of operations, financial prospects and financial condition.

Online disruption, collection of information and security

SPUD relies heavily on its proprietary ecommerce platform to deliver grocery products to the end consumer. Should any disruptions occur to the platform, there may be significant loss of sales, depending on the length of disruption. The platform is actively monitored and dependent on technology for prevention of security breaches, which could expose customer information such as payment methods and related information. Such information and the like is subject to federal, provincial, and foreign laws regarding privacy, storage and disclosure of data.

While SPUD actively monitors and identifies best methods for online security, there is no guarantee that all unauthorized attempts to access SPUD's information technology systems can be prevented. Should such an event occur, the business, operations and financial condition of SPUD may be negatively affected and, in more severe situations, damage to SPUD's reputation and exposure to legal proceedings may occur.

SPUD is also subject to federal, provincial and foreign laws regarding cybersecurity and the protection of data. The regulatory framework in Canada, the European Union and many other jurisdictions in respect of privacy issues is constantly evolving and is likely to remain uncertain for the foreseeable future. For example, the European *General Data Protection Regulation* (GDPR) became effective in May 2018 and replaced the data protection laws of each member state of the European Union. The GDPR significantly increased penalties for non-compliance with European data protection regulations. The interpretation and application of such laws is often uncertain and such laws may be interpreted and applied in a manner inconsistent with our current policies and practices or require us to make changes to our platform.

SPUD's failure to comply with legal or contractual requirements around the security of personal information could lead to significant fines and penalties imposed by regulators, as well as claims by our partners, our customers and their consumers, our employees or other relevant stakeholders. These proceedings or violations could force us to spend SPUD's resources, result in the imposition of monetary liability or injunctive relief, divert management's time and attention, increase our costs of doing business, and materially adversely affect our reputation and the demand for our solutions.

Protection of intellectual property

SPUD relies on copyrights, trademarks, patents, intellectual property laws, confidentiality agreements with employees and third parties and other measures to maintain its intellectual property rights, including those relating to proprietary technologies, however, any of SPUD's intellectual property rights could be challenged, invalidated, circumvented or copied, causing a competitive disadvantage, lost opportunities or market share and potential costly litigation to enforce or re-establish SPUD's rights. Further, SPUD relies on proprietary software and hardware technologies in order to operate and compete effectively, provide quality services to its customers and attract and retain potential SaaS partnerships. SPUD is subject to risk that it may not have sufficient funds to continue to develop new technologies, implement such technologies effectively and, if implemented, such technologies may not work as planned, while competitors may be improving their own processes. All of the foregoing could materially and adversely affect SPUD's business, operating results and financial condition.

Reliance on hardware and software

SPUD relies on computer hardware, purchased or leased, and software licensed from and services rendered by third parties in order to run our business. Third-party hardware, software and services may not continue to be available on commercially reasonable terms, or at all. Any loss of the right to use or any failures of third-party hardware, software or services could result in delays in SPUD's ability to run its business until equivalent hardware, software or services are developed by SPUD or, if available, identified, obtained and integrated, which could be costly and time-consuming and may not result in an equivalent solution, any of which could cause an adverse effect on SPUD's business, operating results and financial condition. Further, customers could assert claims against SPUD in connection with service disruptions or cease conducting business with us altogether. Even if not successful, a claim brought against SPUD by any of its customers would likely be time-consuming and costly to defend and could seriously damage SPUD's reputation and brand, making it harder for us to sell our solutions.

SPUD incorporates open source software into its proprietary platform and into other processes supporting its business. The terms of various open source licenses have not been interpreted by courts, and there is a risk that such licenses could be construed in a manner that limits SPUD's use of its software, inhibits certain aspects of the platform and negatively affects SPUD's business operations. Some open source licenses contain requirements that all modifications or derivative works created based on the type of open source are generally made available. If portions of SPUD's intellectual property are determined to be subject to an open source license, or if the license terms for the open source software that SPUD incorporates changes, SPUD could be required to publicly release the affected portions of the source code, reengineer all or a portion of its platform or change its business activities. In addition to risks related to license requirements, the use of open source software can lead to greater risks than the use of third party commercial

software, as open source licensors generally do not provide warranties or controls on the origin of the software. Many of the risks associated with the use of open source software cannot be eliminated, and could adversely affect SPUD's business, results of operations and financial condition.

Data Security Incidents

Data security incidents are increasing in frequency and evolving in nature and include, but are not limited to, installation of malicious software, ransomware, viruses, social engineering (including phishing attacks), denial of service or other attacks, employee theft or misuse, unauthorized access to data and other electronic security breaches. Threats may derive from human error, fraud or malice on the part of employees or third parties, or may result from accidental technological failure. Concerns about security increase when SPUD transmits information (including personal data). Electronic transmissions can be subject to attack, interception, loss or corruption. In addition, computer viruses and malware can be distributed and spread rapidly over the internet and could infiltrate SPUD's systems or those of its merchants, distribution partners, payment networks and other associated participants. Infiltration of SPUD's systems or those of its associated participants could lead to disruptions in systems, accidental or unauthorized access to or disclosure, loss, destruction, disablement or encryption of, use or misuse of or modification of confidential or otherwise protected information (including personal data) and the corruption of data.

SPUD's platform may be subject to such data security incidents in the future, and we cannot guarantee that applicable recovery systems, security protocols, network protection mechanisms and other procedures are or will be adequate to prevent network and service interruption, system failure or data loss. Moreover, SPUD's platform could be breached if vulnerabilities are exploited by unauthorized third parties. Since techniques used by hackers in connection with these data security incidents change frequently, we may be unable to implement adequate preventative measures or stop the attacks while they are occurring. Any such data security incident or security breach could delay or interrupt service to SPUD's clients and their customers and may deter consumers from visiting our merchants' shops.

Third-party data transmission

SPUD's third-party servers may be unable to achieve or maintain data transmission capacity high enough to handle increased traffic or process orders in a timely manner. Failure to achieve or maintain high data transmission capacity could reduce demand for our services. SPUD's ability to deliver its services also depends on the development and maintenance of internet infrastructure by third-parties, including the maintenance of reliable networks with the necessary speed, data capacity and bandwidth. If one of these third-parties suffers from capacity constraints, SPUD's business, results of operations and financial condition may be adversely affected.

Limited data centers

SPUD currently manages its services and serves all of its clients from third-party data center facilities and may in the future experience failures at the third-party data centers from time to time. Data centers are vulnerable to damage or interruption from human error, malice, earthquakes, hurricanes, floods, fires, war, terrorist attacks, power losses, hardware failures, systems failures, telecommunications failures and similar events. Any of these events could result in lengthy interruptions in our services. Changes in law or regulations applicable to data centers in various jurisdictions could also cause a disruption in service. Interruptions in our services would reduce our revenue, subject us to potential liability and adversely affect our ability to retain SPUD's SaaS retail partners clients or attract retail partners. The performance, reliability and availability of our platform is critical to our reputation and our ability to attract and retain clients.

Operating risk and insurance coverage

SPUD has insurance to protect its assets, operations and employees. While SPUD believes its insurance coverage addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which SPUD is exposed. In addition, no assurance can be given that such insurance will be adequate to cover SPUD's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If SPUD were to incur substantial liability and such damages were not covered by insurance or were in excess of

policy limits, or if SPUD were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Conflicts of interest

Certain of the directors and officers of SPUD are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of SPUD and as officers and directors of such other companies.

Litigation

SPUD may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which SPUD becomes involved be determined against it, such a decision could adversely affect SPUD's ability to continue operating and the market price for the Resulting Issuer's Common Shares and could use significant resources. Even if SPUD is involved in litigation and wins, litigation can redirect significant resources.

Grocery industry

The financial performance of SPUD is subject to several factors that affect the grocery industry. There are well established competitors in Canada, including those with greater resources, including financial resources, who can also offer online and delivery services. Price, value proposition, location, food quality and service are distinguishing factors which present intense competition. If SPUD is unable to successfully compete in the online grocery industry, the business, results of operations and financial condition of SPUD may be affected adversely.

Limited operating history as a SaaS platform

Although SPUD launched its grocery business in 1997, it has only recently commenced its SaaS business. This short history makes it difficult to accurately assess SPUD's future prospects with regard to its SaaS business. SPUD also operates in a new and developing market that may not develop as expected. SPUD's future prospects should be considered in light of the challenges and uncertainties that it faces, including the fact that it may not be possible to discern fully the trends that it is subject to, that it operates in a new and developing market and that elements of its SaaS business strategy are new and subject to ongoing development.

Health risks and quality control

Should a consumer improperly handle or prepare SPUD's products, food-borne illness may occur, which may result in such consumer seeking to hold SPUD responsible for resulting damages and suffering. Potential negative publicity from such an occurrence could damage the reputation of SPUD, resulting in a material adverse effect to SPUD's business and reductions to sales and revenue. While SPUD has several procedures in place to ensure grocery safety and quality, including procedures implemented to address the COVID-19 pandemic, there is no guarantee that the risk of food-borne illness will be eliminated.

Regulatory compliance

SPUD, its suppliers and its partners are subject to laws, regulations and orders across all jurisdictions in which they operate, relating to product liability, employment and labour, intellectual property, privacy, environment and other matters. Any changes to these laws and regulations could significantly affect SPUD's operations and financial condition. Failure to comply with the applicable laws and regulations may result in civil and regulatory actions, investigations or proceedings, fines, and damage to the reputation of SPUD.

SPUD is also subject to applicable federal and provincial regulations relating to the manufacturing, handling, preparation and labelling of food products, including Health Canada and Canadian Food Inspection Agency regulations with respect to the handling of grocery products. While SPUD actively implements and monitors internal controls to ensure compliance with these regulations, there is no guarantee there will be no failures to comply. A

failure to comply with these regulations may result in negative and material impacts to SPUD's reputation, business, results of operations and financial condition.

Product recalls

Food products from suppliers may at times be subject to recall due to defects, including contamination, packaging safety and inadequate or inaccurate food labelling disclosures. If any of the products sold by SPUD are recalled, SPUD may be subject to the expense and legal proceedings associated with the recall. Should such an event occur, SPUD may experience a significant loss of revenue and may not recoup the revenue at all or at an acceptable margin. While SPUD actively monitors product safety and recall notices, there can be no guarantee that such issues are detected in a timely manner prior to the products being delivered to the end consumer. A recall could lead to damage of SPUD's reputation, which may lead to decreased demand for SPUD's products, resulting in negative impacts to the business, results of operations and financial condition of SPUD.

Transportation disruption

SPUD relies on fast and efficient delivery operations to deliver products to its customer on time and relies on its ability to adequately store, maintain and deliver perishable foods. While SPUD has its own fleet of vehicles that support temperature control which minimizes the risk of delayed deliveries, SPUD may depend on third-party courier services from time to time to address increased consumer demand its products. Should any prolonged disruption or significant costs occur with such courier services or the ability to procure vehicles, SPUD may not be able to capitalize on the increased customer demand or realize an acceptable margin on the increased demand, resulting in negative and material effects on SPUD's operations and profitability, and could result in significant product inventory losses as well as an increased risk of food-borne illnesses and other food safety risks.

Evolving industry

The online grocery industry is rapidly evolving and new relative to traditional grocery stores. While there has been a shift in consumer preference towards online groceries, fueled in part by the COVID-19 pandemic, there is no guarantee that this trend will continue in a post-pandemic economy. SPUD's success substantially depends on consumers' willingness to continue or increase their online grocery purchases. If this does not occur, SPUD's business, operations and financial condition could be materially and negatively affected. While SPUD is actively engaging and monitoring best methods to attract new customers and keep its existing customers, there is no guarantee that such efforts will produce results.

Competition

There is potential that SPUD will face competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than SPUD. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of SPUD. There are other entities investing in the online grocery industry and SPUD expects this sector to grow. These companies may have an advantage and may have developed a more efficient operational or investment model, may offer competing SaaS platforms, discount pricing and other strategies that may be implemented. SPUD may not have sufficient resources to continue on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of SPUD.

To remain competitive, the Resulting Issuer will continue to invest in software development and revenue diversification. Should competitors introduce new services/software embodying new technologies, the Resulting Issuer's technology may become obsolete and require substantial resources to compete successfully in the market for software and technology services.

COVID-19

While the COVID-19 pandemic has contributed to an increases in deliveries number and frequency, order size and revenues for SPUD to date, there is no guarantee that these upward trends will continue. It is possible that future developments related to COVID-19 could adversely impact SPUD's operations and financial condition, including loss

of available labour, temporary or prolonged closure of a fulfillment center due to a COVID-19 outbreak or government order, or supply chain interruptions and delays. The COVID-19 pandemic has had and may continue to have a negative impact on local and global economic conditions and financial markets, which may impact consumer demand for our products. The duration and long-term severity of the pandemic are unknown at this time and these factors may have an unpredictable impact on our operations and financial condition. In addition, how consumer behaviour patterns will change from the lifting of government restrictions and gradual return to normalcy are unknown, as well its potential impacts on SPUD's business.

Risks Relating to the Ownership of Resulting Issuer Shares

Potential Volatility of Share Price

The market price for Resulting Issuer Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Resulting Issuer's control, including, but not limited to, the following: (a) actual or anticipated fluctuations in the Resulting Issuer's quarterly results of operations; (b) recommendations by securities research analysts; (c) changes in the economic performance or market valuations of other issuers that investors deem comparable to the Resulting Issuer; (d) addition or departure of the Resulting Issuer's executive officers and other key personnel; (e) sales or anticipated sales of additional Resulting Issuer Shares; (f) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Resulting Issuer or its competitors; and (g) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Resulting Issuer's industry or target markets. Financial markets have historically experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of public entities and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such entities. Accordingly, the market price of the Resulting Issuer Shares may decline even if the Resulting Issuer's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, the trading price of the Resulting Issuer Shares may be materially adversely affected.

No Assurance of Active Market for Shares

Upon completion of the Arrangement and provided that the Resulting Issuer satisfies the TSXV or TSX listing conditions, the Resulting Issuer's Common Shares will be listed on the TSXV or TSX, however, there can be no assurance that an active and liquid market for the Resulting Issuer Shares will develop or be maintained. In addition, the majority of SPUD Shareholders have entered into lock-up agreements in connection with the SPUD Private Placement, which agreements restrict such shareholders' ability to trade their securities of the Resulting Issuer.

If an active public market does not develop or is not maintained, shareholders of the Resulting Issuer may have difficulty selling the Resulting Issuer Shares that such shareholders will acquire as a result of the Arrangement. The SPUD Private Placement price for the SPUD Private Placement was determined by negotiation between SPUD and the Co-Lead Agents based on several factors and may bear no relationship to the price at which the Resulting Issuer Shares will trade in the public market subsequent to the Arrangement. The market price of the Resulting Issuer Shares may materially decline below the SPUD Private Placement price of the SPUD Private Placement.

Dividends

The Resulting Issuer has no earnings or dividend record, and does not anticipate paying any dividends on the Resulting Issuer Shares in the foreseeable future. The amount and timing for the declaration and payment of dividends are determined by the board of directors. The intention of the Resulting Issuer is to pay dividends on its common shares when earnings become available. Dividends paid by the Resulting Issuer would be subject to tax and, potentially, withholdings.

Global Financial Conditions

Global financial conditions have always been subject to volatility. This volatility may impact the ability of the Resulting Issuer to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Resulting Issuer. Increased levels of volatility and market turmoil can adversely impact the Resulting Issuer's operations and the value and the price of the Resulting Issuer Shares could be adversely affected.

Future Sales of Resulting Issuer Shares by Existing Shareholders

Sales of a substantial number of Resulting Issuer Shares in the public market could occur at any time following, or in connection with, the completion of the Arrangement. These sales, or the market perception that the holders of a large number of Resulting Issuer Shares intend to sell Resulting Issuer Shares, could reduce the market price of the Resulting Issuer Shares. Although the Resulting Issuer Shares of certain of the shareholders of SPUD will be subject to lock-up agreements imposed by the Co-Lead Agents of the SPUD Private Placement, the Co-Lead Agents may waive the provisions of these agreements and allow these shareholders to sell their Resulting Issuer Shares at any time. There are no pre-established conditions for the grant of such a waiver by the Co-Lead Agents, and any decision by them to waive those conditions would depend on a number of factors, which may include market conditions, the performance of the Resulting Issuer Shares in the market and the Resulting Issuer's financial condition at that time. If the restrictions in such lock-up agreements are waived, additional Resulting Issuer Shares will be available for sale into the public market, subject to applicable Securities Laws and stock exchange requirements, which could reduce the market price for the Resulting Issuer Shares.

Use of Proceeds from the SPUD Private Placement

SPUD cannot specify with certainty the particular uses of the net proceeds it will receive from the SPUD Private Placement. The Resulting Issuer's management will have broad discretion in the application of the net proceeds. Accordingly, a holder of Resulting Issuer Shares will have to rely upon the judgment of the Resulting Issuer's management with respect to the use of the proceeds, with only limited information concerning management's specific intentions. The Resulting Issuer's management may spend a portion or all of the net proceeds from the SPUD Private Placement in ways that the Resulting Issuer's shareholders may not desire, that may not yield a favourable return or that may not increase the value of the Resulting Issuer Shares. The failure by the Resulting Issuer's management to apply such funds effectively could harm the Resulting Issuer's business, financial condition and operations. Pending their use, the Resulting Issuer may invest the net proceeds from the SPUD Private Placement in a manner that does not produce income or that loses value.

Dilution of Shareholders of the Resulting Issuer

The Resulting Issuer will be authorized to issue an unlimited number of Resulting Issuer Shares for the consideration and on those terms and conditions as shall be established by the Resulting Issuer Board without shareholder approval, subject to applicable Securities Laws and stock exchange requirements. The Resulting Issuer Shareholders will have no pre-emptive rights in connection with such further issues.

Publication of Inaccurate or Unfavourable Research and Reports

Following the listing of the Resulting Issuer Shares, the trading market for the Resulting Issuer Shares will rely in part on the research and reports that securities analysts and other third parties choose to publish about the Resulting Issuer. The Resulting Issuer will not control these analysts or other third parties. The price of the Resulting Issuer Shares could decline if one or more securities analysts downgrade the Resulting Issuer Shares or if one or more securities analysts or other third parties publish inaccurate or unfavourable research about the Resulting Issuer or cease publishing reports about the Resulting Issuer. If one or more analysts cease coverage of the Resulting Issuer or fail to regularly publish reports on the Resulting Issuer, the Resulting Issuer could lose visibility in the financial markets, which in turn could cause the Resulting Issuer's share price or trading volume to decline.

Risks to Rainy Hollow Shareholders Relating to the Arrangement

Conditions Precedent to the Proposed Transaction

If the conditions precedent to the completion of the Arrangement are not satisfied or waived, as applicable, Rainy Hollow will continue to be a CPC governed by the CPC Policy and will continue to pursue a qualifying transaction in accordance with the CPC Policy.

The Transaction May Not be Completed

The Arrangement is subject to final acceptance of the TSXV. There can be no assurance(s) that the necessary regulatory approvals will be obtained. If the Arrangement is not completed for these reasons or for any other reason(s), Rainy Hollow will have incurred significant costs associated with the failed implementation of the Arrangement.

Furthermore, Rainy Hollow has only limited funds with which to identify and evaluate potential Qualifying Transactions and there can be no assurance that Rainy Hollow will be able to identify a suitable Qualifying Transaction in the future. Even if a proposed Qualifying Transaction is identified in the future, there can be no assurance that Rainy Hollow will be able to successfully complete such transaction and the completion of such other Qualifying Transaction is subject to a number of conditions including acceptance by the TSXV and, in the case of a Non-Arm's Length Qualifying Transaction, approval of the majority of the minority shareholders.

Operating History

Rainy Hollow has not commenced commercial operations and has no assets other than cash. Rainy Hollow has no history of earnings and will not generate earnings or pay dividends until at least after the completion of a Qualifying Transaction. Until completion of a Qualifying Transaction, Rainy Hollow is not permitted to carry on any business other than the identification and evaluation of potential transactions.

Management and Conflicts of Interest

The ability of Rainy Hollow to successfully complete a Qualifying Transaction is dependent on the performance of its current directors and officers, who devote only a portion of their time to the business and affairs of Rainy Hollow and are, or will be, engaged in other projects or businesses. The current directors and officers of Rainy Hollow also serve as directors and/or officers of other companies which may compete with Rainy Hollow in its search for the businesses or assets targeted in order to complete a Qualifying Transaction. Accordingly, situations may arise where the directors and officers of Rainy Hollow are in a position of conflict with Rainy Hollow.

PART V - GENERAL MATTERS

Sponsorship and Relationships

In connection with the Resulting Issuer's application for listing on the TSX as a "non-exempt Industrial" issuer, the Resulting Issuer will seek to rely on a waiver from the TSX sponsorship requirements, as well as the TSXV sponsorship requirements, on the basis, among other things, that were: (i) there was significant involvement of a bank or other major financial institution in the SPUD Convertible Debenture Private Placement, the SPUD Private Placement and the Qualifying Transaction; (ii) in connection with the Arrangement, SPUD completed the SPUD Private Placement, which was a brokered private placement, for aggregate gross proceeds of approximately \$24.2 million through the issuance of the SPUD Subscription Receipts; (iii) the Co-Lead Agents have completed appropriate due diligence on both SPUD and Rainy Hollow in connection with the SPUD Convertible Debenture Private Placement, the SPUD Private Placement and the Qualifying Transaction. There are no actual or anticipated agreements between the Resulting Issuer and any registrant to provide sponsorship or corporate finance services to the Resulting Issuer either now or in the future.

Experts

There is no Person or Company whose profession or business gives authority to a report, valuation, statement or opinion made by such person or company and who is named as having prepared or certified a report, valuation, statement or opinion in this prospectus other than Davidson & Company LLP, Chartered Professional Accountants and Deloitte LLP, Chartered Professional Accountants.

Davidson & Company LLP, Chartered Professional Accountants, (the auditor of Rainy Hollow) prepared an auditor's report to the Rainy Hollow Shareholders on the consolidated statements of financial position of Rainy Hollow as at November 30, 2020, November 30, 2019 and 2018, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years ended November 30, 2020, November 30, 2019 and 2018 and for the period from incorporation on January 17, 2018 to November 30, 2018. Davidson & Company LLP, Chartered Professional Accountants has advised that it is independent with respect to Rainy Hollow within the meaning of the CPABC Code of Professional Conduct in British Columbia, Canada.

Deloitte LLP, Chartered Professional Accountants, (the auditor of SPUD) prepared an auditor's report to the SPUD Shareholders on the consolidated statements of financial position of SPUD as at October 3, 2020 and September 28, 2019 and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements cash flows for the years ended October 3, 2020, September 28, 2019 and September 29, 2018 and the notes to the consolidated financial statements, including a summary of significant accounting policies. Deloitte LLP, Chartered Professional Accountants are independent with respect to SPUD within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia.

Other Material Facts

There are no material facts about Rainy Hollow, SPUD, or the Arrangement which are not otherwise disclosed in this Filing Statement.

Rainy Hollow Board Approval

The Rainy Hollow Board has approved this Filing Statement. Where information contained in this Filing Statement rests particularly within the knowledge of a person other than Rainy Hollow, Rainy Hollow has relied upon information furnished by such person.

Acknowledgement – Personal Information

“Personal Information” means any information about an identifiable individual, and includes information contained in any Items in the Filing Statement that are analogous to Items 4.2, 11, 12.1, 15, 17.3, 18, 22, 23, 25, 30.3, 31, 32, 33, 34, 35, 36, 37, 40 and 41 of Form 3B2 of the TSXV, as applicable.

The undersigned hereby acknowledges and agrees that it has obtained the express written consent of each individual to:

- (a) the disclosure of Personal Information by the undersigned to the TSXV (as defined in Appendix 6B of the TSXV) pursuant to this Filing Statement; and
- (b) the collection, use and disclosure of Personal Information by the TSXV for purposes described in Appendix 6B of the TSXV or as otherwise identified by the TSXV from time to time.

**SUSTAINABLE PRODUCE URBAN
DELIVERY INC.**

RAINY HOLLOW VENTURES INC.

Per: (signed) Peter van Stolk
Peter van Stolk
Chief Executive Officer

Per: (signed) Michael Atkinson
Michael Atkinson
Chief Executive Officer, Chief Financial
Officer and Corporate Secretary

EXHIBIT “A”
FINANCIAL STATEMENTS OF RAINY HOLLOW FOR THE YEAR ENDED
NOVEMBER 30, 2020, NOVEMBER 30, 2019 AND FOR THE PERIOD FROM
INCORPORATION ON JANUARY 17, 2018 TO NOVEMBER 30, 2018

See attached.

RAINY HOLLOW VENTURES INC.

FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Rainy Hollow Ventures Inc.

Opinion

We have audited the accompanying financial statements of Rainy Hollow Ventures Inc. (the "Company"), which comprise the statements of financial position as at November 30, 2020 and 2019, and the statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

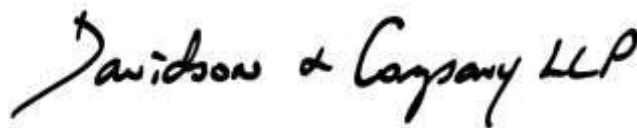
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Glenn Parchomchuk.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

March 29, 2021

RAINY HOLLOW VENTURES INC.
STATEMENT OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	November 30, 2020	November 30, 2019
	\$	\$
ASSETS		
Current assets		
Cash	477,142	537,301
Total assets	477,142	537,301
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Notes 4 and 9)	79,277	9,340
Total liabilities	79,277	9,340
Shareholders' equity		
Share capital (Note 5)	584,478	584,478
Equity reserves (Note 5)	40,873	40,873
Deficit	(227,486)	(97,390)
Total shareholders' equity	397,865	527,961
Total liabilities and shareholders' equity	477,142	537,301

Nature of operations (Note 1)

Events subsequent to the reporting date (Note 1)

Basis of presentation (Note 2)

On behalf of the Board:

Signed: "Frank Stronach" Director Signed: "John Downes" Director

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

RAINY HOLLOW VENTURES INC.
STATEMENT OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Year Ended November 30, 2020	Year Ended November 30, 2019
	\$	\$
EXPENSES		
Professional fees	89,563	8,149
Transfer agent, listing, filing and shareholder communications	27,777	14,921
Corporate and administrative services (Note 9)	12,600	12,600
Office and other	156	131
Loss and comprehensive loss for the year	(130,096)	(35,801)
Basic and diluted loss per common share (Note 5)	(0.05)	(0.01)

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

RAINY HOLLOW VENTURES INC.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

	Share Capital		Equity Reserves	Deficit	Total
	Number of Shares	Amount			
		\$		\$	\$
November 30, 2018	4,294,130	584,478	40,873	(61,589)	563,762
Net loss for the year	-	-	-	(35,801)	(35,801)
November 30, 2019	4,294,130	584,478	40,873	(97,390)	527,961
Net loss for the year	-	-	-	(130,096)	(130,096)
November 30, 2020	4,294,130	584,478	40,873	(227,486)	397,865

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

RAINY HOLLOW VENTURES INC.
STATEMENT OF CASH FLOWS
(Expressed in Canadian dollars)

	Year Ended November 30, 2020	Year Ended November 30, 2019
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	(130,096)	(35,801)
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	69,937	2
Net cash used in operating activities	(60,159)	(35,799)
Change in cash during the year	(60,159)	(35,799)
Cash, beginning of year	537,301	573,100
Cash, end of year	477,142	537,301

Non-cash investing and financing activities:

There were no non-cash investing or financing activities during the years ended November 30, 2020 or 2019.

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

1. NATURE OF OPERATIONS

Rainy Hollow Ventures Inc. (the “Company”) was incorporated on January 17, 2018 under the Business Corporations Act (British Columbia) and is a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (“TSX-V”) Policy 2.4 (“Policy 2.4”). As a CPC, the Company’s immediate objective is to identify and acquire either operating assets or a business, subject to regulatory approval, that meet the criteria of a Qualifying Transaction as defined by the TSX-V (“Qualifying Transaction”). Until such time that a Qualifying Transaction is completed, the Company will have no significant revenue and will incur expenses primarily for Qualifying Transaction investigation, TSX-V listing and filing requirements, professional services and office facilities and administration, subject to certain restrictions under Policy 2.4.

The Company’s registered office address is Suite 1200, 200 Burrard St., Vancouver, BC, and its principal place of business is Suite 1703, 595 Burrard Street, Vancouver, BC.

These financial statements were authorized for issue by the Audit Committee and Board of Directors on March 29, 2021.

Potential Qualifying Transaction

On December 21, 2020, the Company entered into an arrangement agreement (the “Arrangement Agreement”) with Sustainable Produce Urban Delivery Inc. (“SPUD”), which sets out the terms of the reverse take-over of Rainy Hollow by SPUD by way of a statutory plan of arrangement under Section 288 of the Business Corporations Act (British Columbia) involving the Company, SPUD and the securityholders of SPUD (the “Arrangement”). Pursuant to the Arrangement, the Company will consolidate its existing share capital on an 8-for-1 basis and will acquire all common shares of SPUD (the “Transaction”) in exchange for an equal number of post-consolidation shares in the Company. Additionally, all stock options and share purchase warrants issued by SPUD and outstanding on completion of the Transaction will be replaced by equivalent post-consolidation securities in the Company.

Following the Transaction, the combined entity (the “Resulting Issuer”) will operate as Freshlocal Solutions Inc. and will continue the operations of SPUD providing organic and natural foods via its online platform through which consumers can order and schedule delivery of produce, groceries and other essentials. SPUD has also developed a software-as-a-service platform, the FoodX eGMS, which facilitates the creation of an integrated food business ecosystem that includes online retail, community retail locations, food preparation services, wholesale and last mile distribution.

The Transaction, which is subject to regulatory approval and certain conditions precedent, will be the Company’s Qualifying Transaction.

On February 26, 2020, the Company entered into a letter of intent (the “Reciprocity LOI”) with Reciprocity Corp. (“Reciprocity”) with respect to a potential Qualifying Transaction (the “Reciprocity Transaction”). The Reciprocity LOI expired on May 31, 2020 and the Company is no longer pursuing the Reciprocity Transaction.

1. NATURE OF OPERATIONS (cont'd...)

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the COVID-19 coronavirus outbreak a pandemic, which continues to spread globally. As a CPC with no commercial operations, the COVID-19 pandemic has not had a significant impact on the Company's routine operations or on the carrying value of its assets. However, the pandemic's effect on the Company's post-Transaction operations and its ability to raise additional capital is dependent factors such as infection rates, government shut-downs, vaccination rates, and operational changes, all of which are unknown and may change frequently.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

b) Basis of Measurement

These financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These financial statements are presented in Canadian dollars, which is also the Company's functional currency.

c) Continuance of Operations

The Company had cash of \$477,142 as at November 30, 2020, which the Company's management believes is sufficient to pay \$79,277 in accounts payable and accrued liabilities then outstanding as well as its projected operating costs for the next 12 months, including costs to investigate a limited number of potential Qualifying Transactions should the Transaction (Note 1) not be completed. However, additional equity financing may be required in the longer-term should no Qualifying Transaction be completed. There is no certainty that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue its existence.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value along with, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit and loss.

The Company classifies its financial assets and financial liabilities in the following measurement categories:

- i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- ii) those to be measured at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income.

Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). Any fair value changes due to credit risk for liabilities designated at fair value through profit and loss are recorded in other comprehensive income.

The Company has implemented the following classifications for financial instruments:

- The Company's sole financial asset is cash. Cash is classified as an asset at fair value and any changes to fair value subsequent to initial recognition are recorded in profit or loss for the period in which they occur.
- Financial liabilities comprise accounts payable and accrued liabilities. Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method. Interest expense is recorded in profit or loss, as applicable.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Impairment of financial assets

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The Company's sole financial asset is cash and, accordingly, does not hold any financial assets measured at amortized cost.

Financing costs and warrants

Costs incurred to obtain equity financing are deducted from the value assigned to shares issued. Such costs may be in the form of cash or warrants which allow the holder to acquire common shares in the Company at a pre-determined exercise price. These warrants are measured at their fair values determined on their grant date, using the Black-Scholes option pricing model and a corresponding increase is recorded to equity reserves. When warrants are exercised, the cash proceeds along with the amount previously recorded as equity reserves are recorded as share capital.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financing costs and warrants (cont'd...)

When costs are incurred prior to the closing of a financing arrangement, these amounts are presented as a deferred asset until the financing has closed. When an expected financing arrangement does not occur, any deferred costs are recorded as an expense.

Share-based compensation

The Company may grant stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

Stock options granted to directors, officers and employees are measured at their fair values determined on their grant date, using the Black-Scholes option pricing model, and are recognized as an expense over the vesting periods of the options on a graded basis. Options granted to consultants or other non-insiders are measured at the fair value of goods or services received from these parties, or at their Black-Scholes fair values if the fair value of goods or services received cannot be measured. A corresponding increase is recorded to equity reserves for share-based compensation recorded.

When stock options are exercised, the cash proceeds along with the amount previously recorded as equity reserves are recorded as share capital. When the right to receive options is forfeited before the options have vested, any expense previously recorded is reversed.

Income taxes

Tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, a provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in income in the period in which the change occurs.

Deferred tax assets or liabilities, arising from temporary differences between the tax and accounting values of assets and liabilities, are recorded based on tax rates expected to be enacted when these differences are reversed. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recovered. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as in the amounts recognized in income in the period in which the change occurs.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in income both in the period of change, which would include any impact on cumulative provisions, and in future periods.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

(Loss) earnings per share

Basic (loss) earnings per share is calculated by dividing net (loss) earnings by the weighted average number of common shares outstanding during the period which excludes shares held in escrow. All of the escrow shares are considered contingently returnable until the Company completes a Qualifying Transaction and, accordingly, are not considered to be outstanding shares for the purposes of the loss per share calculation.

Diluted (loss) earnings per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of "in-the-money" stock options and common share purchase warrants are used to purchase common shares of the Company at their average market price for the period.

In periods that the Company reports a net loss, any stock options or warrants outstanding are excluded from the calculation of diluted loss per share as their inclusion would be anti-dilutive.

Use of estimates and measurement uncertainties

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the measurements of assets, liabilities, revenues, expenses and certain disclosures reported in these financial statements. Significant estimates made by management include the following:

i. Valuation of share-based compensation and warrants

Management uses the Black-Scholes option pricing model to determine the fair value of employee stock options and compensatory warrants. This model requires assumptions of the expected future price volatility of the Company's common shares, expected life of options and warrants, future risk-free interest rates and the dividend yield of the Company's common shares.

ii. Income taxes

Provisions for income and other taxes are based on management's interpretation of taxation laws, which may differ from the interpretation by taxation authorities. Such differences may result in eventual tax payments differing from amounts accrued. Reported amounts for deferred tax assets and liabilities are based on management's expectation for the timing and amounts of future taxable income or loss, as well as future taxation rates. Changes to these underlying estimates may result in changes to the carrying value, if any, of deferred income tax assets and liabilities.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities of the Company are due to service providers, including professional fees, transfer agent, filing and listing fees, and office facilities and administrative services. All payables and accrued liabilities for the Company fall due within the next 12 months.

RAINY HOLLOW VENTURES INC.
NOTES TO THE FINANCIAL STATEMENTS
AS AT FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019
(Expressed in Canadian dollars)

5. SHAREHOLDERS' EQUITY

Authorized share capital

The Company is authorized to issue an unlimited number of common and preferred shares without par value.

No preferred shares have been issued and as at November 30, 2020 and 2019, the number of common shares outstanding are as follows:

	Number of Shares	Assigned Value
Outstanding, November 30, 2020 and 2019	4,294,130	\$ 584,478

There were no changes to the number of common shares outstanding during the years ended November 30, 2020 or 2019.

Equity reserves

Stock options

The Company has adopted an incentive stock option plan which provides that the board of directors of the Company may from time to time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase its common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares, exercisable for a period of up to ten years from the date of grant. The vesting conditions, if any, for stock options granted are determined at the discretion of the Company's board of directors.

The Company's stock options outstanding as at November 30, 2020 and 2019, and during the years then ended, are as follows:

	Number of Stock Options	Expiry Date	Exercise Price
Outstanding and exercisable, November 30, 2020 and 2019	200,000	May 29, 2023	\$ 0.20

Warrants

Changes to the Company's warrants outstanding during the years ended November 30, 2020 and 2019 are as follows:

	Number of Warrants	Expiry Date	Exercise Price
			\$
Outstanding and exercisable, November 30, 2019 and 2018	55,870	May 29, 2020	0.20
Warrants expired	(55,870)	May 29, 2020	0.20
Outstanding and exercisable, November 30, 2020	-	-	-

RAINY HOLLOW VENTURES INC.
NOTES TO THE FINANCIAL STATEMENTS
AS AT FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019
(Expressed in Canadian dollars)

5. SHAREHOLDERS' EQUITY (cont'd...)

Per share amounts

Weighted average loss per common share for the years ended November 30, 2020 and 2019 is calculated as follows:

	Year Ended November 30, 2020	Year Ended November 30, 2019
	\$	\$
Numerator		
Net loss for the year	(130,096)	(35,801)
Denominator		
Weighted average number of common shares outstanding, basic and diluted	2,594,130	2,594,130
Loss per common share, basic and diluted	(0.05)	(0.01)

In accordance with the Company's accounting policy, weighted average number of common shares outstanding excludes 1,700,000 common shares held in escrow.

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at November 30, 2020, the Company's financial instruments comprise cash and accounts payable and accrued liabilities. The fair values of accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

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 (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs that are not based on observable market data (unobservable inputs).

As at November 30, 2020, the fair value of cash held by the Company was based on level 1 of the fair value hierarchy.

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

Credit risk

Credit risk is the risk of loss arising from a customer or third party to a financial instrument failing to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient working capital to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. As at November 30, 2020, the Company had a cash balance of \$477,142 which is sufficient to settle current liabilities of \$79,277, and, should the Transaction (Note 1) not be completed to fund continuing operations for the next 12 months. However, longer-term financing may be required should another Qualifying Transaction not be completed.

RAINY HOLLOW VENTURES INC.
NOTES TO THE FINANCIAL STATEMENTS
AS AT FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019
(Expressed in Canadian dollars)

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

Liquidity risk (cont'd...)

All the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices. As the Company does not currently hold and does not expect to hold interest-bearing financial instruments other than cash, assets or liabilities denominated in a foreign currency, and marketable securities or other financial instruments subject to fluctuations in equity prices, it currently does not have exposure to these market risks.

7. CAPITAL MANAGEMENT

Capital is composed of the Company's shareholders' equity and any debt that it may issue. As at November 30, 2020, the Company's shareholders' equity was \$397,865 and it had current liabilities of \$79,277. The Company's objectives when managing capital are to maintain financial viability and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The Company's current capital was received from the issuance of common shares and will only be sufficient to identify and evaluate a limited number of assets and businesses for the purpose of identifying and completing a Qualifying Transaction. Additional funds may be required in the longer-term should the Transaction (Note 1) not be completed or should another Qualifying Transaction not be completed on a timely basis.

The Company is not subject to any externally imposed capital requirements other than the expenditure restrictions applicable under Policy 2.4. These expenditure restrictions limit the aggregate amount that the Company is permitted to spend on certain share issuance costs, professional fees, transfer agent fees, listing and filing fees and other general and administrative costs to the lesser of \$210,000 or 30% of the gross proceeds from share issuances.

8. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	Year Ended November 30, 2020	Year Ended November 30, 2019
	\$	\$
Loss and comprehensive loss for the period	(130,096)	(35,801)
Expected income tax recovery	(35,000)	(9,000)
Adjustment to prior tax provisions and other	(2,000)	-
Change in unrecognized deductible temporary differences	37,000	9,000
Total income tax recovery	-	-

The Company's combined federal and provincial tax rate applicable for the years ended November 30, 2020 and 2019 was 27%.

RAINY HOLLOW VENTURES INC.
NOTES TO THE FINANCIAL STATEMENTS
AS AT FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019
(Expressed in Canadian dollars)

8. INCOME TAXES (cont'd...)

The significant components of the Company's unrecorded deferred tax assets as at November 30, 2020 and 2019 are as follows:

	November 30, 2020	November 30, 2019
	\$	\$
Non-capital losses available for future periods	67,000	25,000
Share issuance costs	13,000	18,000
Unrecognized deferred tax assets	(80,000)	(43,000)
Net deferred tax assets	-	-

The significant components of the Company's temporary differences and unused tax losses that have not been included on the statement of financial position are as follows:

	November 30, 2020	Expiry Date Range	November 30, 2019	Expiry Date Range
Non-capital losses available for future periods	\$ 247,000	2038 - 2040	\$ 93,000	2038 - 2039
Share issuance costs	\$ 49,000	2041 - 2043	\$ 68,000	2040 - 2043

Tax attributes are subject to review, and potential adjustment, by tax authorities.

9. RELATED PARTY TRANSACTIONS

The Company is party to a corporate services agreement with Earlston Management Corp. ("Earlston"), whereby Earlston provides various corporate and administrative services to the Company for a fee of \$1,050 per month plus sundry office costs. Earlston is related to the Company by virtue of providing key management personnel services and by way of certain officers and directors of Earlston exerting significant influence over the Company. The Company's expense for corporate and administrative services for the year ended November 30, 2020 includes \$12,600 (2019 - \$12,600) in such costs incurred with Earlston of which \$1,050 is included in accounts payable and accrued liabilities as at November 30, 2020 (November 30, 2019 - \$1,051).

RAINY HOLLOW VENTURES INC.

FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED NOVEMBER 30, 2019

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Rainy Hollow Ventures Inc.

Opinion

We have audited the accompanying financial statements of Rainy Hollow Ventures Inc. (the "Company"), which comprise the statements of financial position as at November 30, 2019 and 2018 and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Glenn Parchomchuk.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

February 4, 2020

RAINY HOLLOW VENTURES INC.
STATEMENT OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	November 30, 2019	November 30, 2018
	\$	\$
ASSETS		
Current assets		
Cash	537,301	573,100
Total assets	537,301	573,100
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Notes 4 and 9)	9,340	9,338
Total liabilities	9,340	9,338
Shareholders' equity		
Share capital (Note 5)	584,478	584,478
Equity reserves (Note 5)	40,873	40,873
Deficit	(97,390)	(61,589)
Total shareholders' equity	527,961	563,762
Total liabilities and shareholders' equity	537,301	573,100

Basis of presentation (Note 2)

On behalf of the Board:

Signed: "Frank Stronach" Director Signed: "John Downes" Director

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

RAINY HOLLOW VENTURES INC.
STATEMENT OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Year Ended November 30, 2019	Period from Incorporation on January 17, 2018 to November 30, 2018
	\$	\$
EXPENSES		
Transfer agent, listing, filing and shareholder communications	14,921	7,018
Corporate and administrative services (Note 9)	12,600	6,300
Professional fees	8,149	14,004
Office and other	131	435
Share-based compensation (Note 5)	-	33,832
Loss and comprehensive loss for the period	(35,801)	(61,589)
Basic and diluted loss per common share (Note 5)	(0.01)	(0.03)

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

RAINY HOLLOW VENTURES INC.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

	Share Capital				
	Number of Shares	Amount	Equity Reserves	Deficit	Total
		\$	\$	\$	\$
Balance, January 17, 2018	-	-	-	-	-
Shares issued in private placements	2,900,000	410,000	-	-	410,000
Shares issued in initial public offering	1,350,000	270,000	-	-	270,000
Share issuance costs	-	(109,909)	12,602	-	(97,307)
Share-based compensation	-	-	33,832	-	33,832
Exercise of warrants	44,130	14,387	(5,561)	-	8,826
Net loss for the period	-	-	-	(61,589)	(61,589)
November 30, 2018	4,294,130	584,478	40,873	(61,589)	563,762
Net loss for the year	-	-	-	(35,801)	(35,801)
November 30, 2019	4,294,130	584,478	40,873	(97,390)	527,961

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

RAINY HOLLOW VENTURES INC.
STATEMENT OF CASH FLOWS
(Expressed in Canadian dollars)

	Year Ended November 30, 2019	Period from Incorporation on January 17, 2018 to November 30, 2018
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	(35,801)	(61,589)
Share-based compensation	-	33,832
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	2	9,338
Net cash used in operating activities	(35,799)	(18,419)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares, net of share issuance costs	-	591,519
Net cash from financing activities	-	591,519
Change in cash during the period	(35,799)	573,100
Cash, beginning of period	573,100	-
Cash, end of period	537,301	573,100

Non-cash investing and financing activities:

There were no non-cash investing or financing activities during the year ended November 30, 2019.

During the period from incorporation on January 17, 2018 to November 30, 2018, the Company recognized a non-cash share issuance cost of \$12,602 for warrants issued to an agent as compensation for services provided in connection with the Company's initial public offering. Some of these warrants were exercised in the period, resulting in \$5,561 in fair value attributed to the exercised warrants being recorded in share capital in addition to cash proceeds.

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

1. NATURE OF OPERATIONS

Rainy Hollow Ventures Inc. (the “Company”) was incorporated on January 17, 2018 under the Business Corporations Act (British Columbia) and is a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (“TSX-V”) Policy 2.4 (“Policy 2.4”). As a CPC, the Company’s immediate objective is to identify and acquire either operating assets or a business, subject to regulatory approval, that meet the criteria of a Qualifying Transaction as defined by the TSX-V (“Qualifying Transaction”). Until such time that a Qualifying Transaction is completed, the Company will have no significant revenue and will incur expenses primarily for Qualifying Transaction investigation, TSX-V listing and filing requirements, professional services and office facilities and administration, subject to certain restrictions under Policy 2.4.

The Company’s registered office address is Suite 1200, 200 Burrard St., Vancouver, BC, and its principal place of business is Suite 1703, 595 Burrard Street, Vancouver, BC.

These financial statements were authorized for issue by the Audit Committee and Board of Directors on February 4, 2020.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

b) Basis of Measurement

These financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

c) Continuation of Operations

The Company had cash of \$537,301 as at November 30, 2019, which the Company’s management believes is sufficient to pay \$9,340 in accounts payable and accrued liabilities then outstanding as well as its projected operating costs for the next 12 months, including costs to investigate a limited number of potential Qualifying Transactions. However, additional equity financing may be required in the longer-term should no Qualifying Transaction be completed. There is no certainty that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue its existence.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value along with, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit and loss.

The Company classifies its financial assets and financial liabilities in the following measurement categories:

- i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- ii) those to be measured at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income.

Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). Any fair value changes due to credit risk for liabilities designated at fair value through profit and loss are recorded in other comprehensive income.

The Company has implemented the following classifications for financial instruments:

- The Company's sole financial asset is cash. Cash is classified as an asset at fair value and any changes to fair value subsequent to initial recognition are recorded in profit or loss for the period in which they occur.
- Financial liabilities comprise accounts payable and accrued liabilities. Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method. Interest expense is recorded in profit or loss, as applicable.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Impairment of financial assets

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The Company's sole financial asset is cash and, accordingly, does not hold any financial assets measured at amortized cost.

Financing costs and warrants

Costs incurred to obtain equity financing are deducted from the value assigned to shares issued. Such costs may be in the form of cash or warrants which allow the holder to acquire common shares in the Company at a pre-determined exercise price. These warrants are measured at their fair values determined on their grant date, using the Black-Scholes option pricing model and a corresponding increase is recorded to equity reserves. When warrants are exercised, the cash proceeds along with the amount previously recorded as equity reserves are recorded as share capital.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financing costs and warrants (cont'd...)

When costs are incurred prior to the closing of a financing arrangement, these amounts are presented as a deferred asset until the financing has closed. When an expected financing arrangement does not occur, any deferred costs are recorded as an expense.

Share-based compensation

The Company may grant stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

Stock options granted to directors, officers and employees are measured at their fair values determined on their grant date, using the Black-Scholes option pricing model, and are recognized as an expense over the vesting periods of the options on a graded basis. Options granted to consultants or other non-insiders are measured at the fair value of goods or services received from these parties, or at their Black-Scholes fair values if the fair value of goods or services received cannot be measured. A corresponding increase is recorded to equity reserves for share-based compensation recorded.

When stock options are exercised, the cash proceeds along with the amount previously recorded as equity reserves are recorded as share capital. When the right to receive options is forfeited before the options have vested, any expense previously recorded is reversed.

Income taxes

Tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, a provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in income in the period in which the change occurs.

Deferred tax assets or liabilities, arising from temporary differences between the tax and accounting values of assets and liabilities, are recorded based on tax rates expected to be enacted when these differences are reversed. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recovered. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as in the amounts recognized in income in the period in which the change occurs.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in income both in the period of change, which would include any impact on cumulative provisions, and in future periods.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

(Loss) earnings per share

Basic (loss) earnings per share is calculated by dividing net (loss) earnings by the weighted average number of common shares outstanding during the period which excludes shares held in escrow. All of the escrow shares are considered contingently returnable until the Company completes a Qualifying Transaction and, accordingly, are not considered to be outstanding shares for the purposes of the loss per share calculation.

Diluted (loss) earnings per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of "in-the-money" stock options and common share purchase warrants are used to purchase common shares of the Company at their average market price for the period.

In periods that the Company reports a net loss, any stock options or warrants outstanding are excluded from the calculation of diluted loss per share as their inclusion would be anti-dilutive.

Use of estimates and measurement uncertainties

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the measurements of assets, liabilities, revenues, expenses and certain disclosures reported in these financial statements. Significant estimates made by management include the following:

i. Valuation of share-based compensation and warrants

Management uses the Black-Scholes option pricing model to determine the fair value of employee stock options and compensatory warrants. This model requires assumptions of the expected future price volatility of the Company's common shares, expected life of options and warrants, future risk-free interest rates and the dividend yield of the Company's common shares.

ii. Income taxes

Provisions for income and other taxes are based on management's interpretation of taxation laws, which may differ from the interpretation by taxation authorities. Such differences may result in eventual tax payments differing from amounts accrued. Reported amounts for deferred tax assets and liabilities are based on management's expectation for the timing and amounts of future taxable income or loss, as well as future taxation rates. Changes to these underlying estimates may result in changes to the carrying value, if any, of deferred income tax assets and liabilities.

Accounting standards and interpretations issued but not yet effective

The following new accounting standards and interpretations have been published, but have not been applied in the preparation of these financial statements:

a) IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 Leases which replaces the previous leases standard, IAS 17 Leases. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessors continue to classify leases as operating leases or finance leases, and account for those two types of leases differently. IFRS 16 is effective for periods beginning on or after January 1, 2019.

The eventual application of this standard is not expected to have a significant impact on the Company's existing accounting policies or financial statement presentation.

RAINY HOLLOW VENTURES INC.
NOTES TO THE FINANCIAL STATEMENTS
AS AT FOR THE YEAR ENDED NOVEMBER 30, 2019
(Expressed in Canadian dollars)

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities of the Company are due to service providers, including professional fees, transfer agent, filing and listing fees, and office facilities and administrative services. All payables and accrued liabilities for the Company fall due within the next 12 months.

5. SHAREHOLDERS' EQUITY

Authorized share capital

The Company is authorized to issue an unlimited number of common and preferred shares without par value.

No preferred shares have been issued and changes to the number of common shares outstanding are as follows:

	Number of Shares	Assigned Value
Outstanding, January 17, 2018	-	\$ -
Shares issued in private placements	2,900,000	410,000
Shares issued in initial public offering	1,350,000	270,000
Share issuance costs	-	(109,909)
Shares issued by exercise of warrants	44,130	14,387
Outstanding, November 30, 2018 and 2019	4,294,130	\$ 584,478

On January 17, 2018, the Company issued 1,700,000 shares at a price of \$0.10 per share for total proceeds of \$170,000 (the "Seed Shares"). The Seed Shares are held in escrow and will be released ratably over an 18-36 month period following the completion of a Qualifying Transaction. Should a Qualifying Transaction not be completed within two years, then one-half of the Seed Shares may be subject to cancellation in accordance with policies of the TSX-V.

On January 29, 2018, the Company issued 1,200,000 common shares at a price of \$0.20 per share for total proceeds of \$240,000.

On May 29, 2018, the Company completed its initial public offering and issued 1,350,000 common shares at a price of \$0.20 per share for total gross proceeds of \$270,000. In connection with this offering, the Company incurred \$109,909 of issuance costs for legal, TSX-V, agency and other services, of which \$12,602 is for the fair value of warrants issued to the placement agent ("Agent's Warrants").

On September 28, 2018, the Company issued 44,130 common shares on the exercise of Agent's Warrants. Total proceeds on exercise was \$8,826 and \$5,561 in the fair value attributed to the exercised Agent's Warrants was reclassified from equity reserves to share capital.

Equity reserves

Stock options

The Company has adopted an incentive stock option plan which provides that the board of directors of the Company may from time to time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase its common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares, exercisable for a period of up to ten years from the date of grant. The vesting conditions, if any, for stock options granted are determined at the discretion of the Company's board of directors.

RAINY HOLLOW VENTURES INC.
NOTES TO THE FINANCIAL STATEMENTS
AS AT FOR THE YEAR ENDED NOVEMBER 30, 2019
(Expressed in Canadian dollars)

5. SHAREHOLDERS' EQUITY (cont'd...)

Equity reserves (cont'd...)

Stock options (cont'd...)

Changes to the Company's stock options outstanding are as follows:

	Number of Stock Options	Expiry Date	Exercise Price	Fair Value per Option
			\$	\$
Outstanding and exercisable, January 17, 2018	-	-	-	-
Options granted	200,000	May 29, 2023	0.20	0.17
Outstanding and exercisable, November 30, 2018 and 2019	200,000	May 29, 2023	0.20	0.17

On May 29, 2018, the Company granted 200,000 stock options to directors of the Company. These options have an exercise price of \$0.20 per common share and are exercisable until May 29, 2023 without further vesting conditions. The \$33,832 fair value of these stock options was recorded as a share-based compensation expense and was determined using the Black-Scholes option-pricing model using the following assumptions:

Risk-free interest rate	2.03%
Dividend yield	-
Expected stock price volatility	125%
Expected forfeiture rate	-
Expected life	5.0 years

Warrants

Changes to the Company's warrants outstanding are as follows:

	Number of Warrants	Expiry Date	Exercise Price	Fair Value per Warrant
			\$	\$
Outstanding and exercisable, January 17, 2018	-	-	-	-
Warrants issued	100,000	May 29, 2020	0.20	0.13
Warrants exercised	(44,130)	May 29, 2020	0.20	0.13
Outstanding and exercisable, November 30, 2018 and 2019	55,870	May 29, 2020	0.20	0.13

On May 29, 2018, the Company issued 100,000 Agent's Warrants for finder's services in connection with the Company's initial public offering. These warrants have an exercise price of \$0.20 per common share and are exercisable until May 29, 2020 without further vesting conditions. The \$12,602 fair value of these warrants was recorded as a share issuance cost and was determined using the Black-Scholes option-pricing model using the following assumptions:

Risk-free interest rate	1.84%
Dividend yield	-
Expected stock price volatility	125%
Expected forfeiture rate	-
Expected life	2.0 years

RAINY HOLLOW VENTURES INC.
NOTES TO THE FINANCIAL STATEMENTS
AS AT FOR THE YEAR ENDED NOVEMBER 30, 2019
(Expressed in Canadian dollars)

5. SHAREHOLDERS' EQUITY (cont'd...)

Per share amounts

Weighted average loss per common share for the year ended November 30, 2019 and the period from incorporation on January 17, 2018 to November 30, 2018 is calculated as follows:

	Year Ended November 30, 2019	Period from Incorporation on January 17, 2018 to November 30, 2018
	\$	\$
Numerator		
Net loss for the period	(35,801)	(61,589)
Denominator		
Weighted average number of common shares outstanding, basic and diluted	2,594,130	2,439,604
Loss per common share, basic and diluted	(0.01)	(0.03)

In accordance with the Company's accounting policy, weighted average number of common shares outstanding excludes 1,700,000 common shares held in escrow.

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at November 30, 2019, the Company's financial instruments comprise cash and accounts payable and accrued liabilities. The fair values of accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

- 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 (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs that are not based on observable market data (unobservable inputs).

As at November 30, 2019, the fair value of cash held by the Company was based on level 1 of the fair value hierarchy.

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

Credit risk

Credit risk is the risk of loss arising from a customer or third party to a financial instrument failing to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient capital to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company believes that these sources are sufficient to cover its short-term cash requirements, but that further funding may be required to meet long-term requirements. As at November 30, 2019, the Company had a cash balance of \$537,301 to settle current liabilities of \$9,340.

RAINY HOLLOW VENTURES INC.
NOTES TO THE FINANCIAL STATEMENTS
AS AT FOR THE YEAR ENDED NOVEMBER 30, 2019
(Expressed in Canadian dollars)

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

Liquidity risk (cont'd...)

All the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices. As the Company does not currently hold and does not expect to hold interest-bearing financial instruments other than cash, assets or liabilities denominated in a foreign currency, and marketable securities or other financial instruments subject to fluctuations in equity prices, it currently does not have and is not expected to have exposure to these market risks.

7. CAPITAL MANAGEMENT

Capital is composed of the Company's shareholders' equity and any debt that it may issue. As at November 30, 2019, the Company's shareholders' equity was \$527,961 and it had current liabilities of \$9,340. The Company's objectives when managing capital are to maintain financial viability and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The Company's current capital was received from the issuance of common shares. The net proceeds raised to date and future proceeds from the Offering will only be sufficient to identify and evaluate a limited number of assets and businesses for the purpose of identifying and completing a Qualifying Transaction. Additional funds may be required in the longer-term to finance the Company's Qualifying Transaction.

The Company is not subject to any externally imposed capital requirements.

8. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	Year Ended November 30, 2019	Period from Incorporation on January 17, 2018 to November 30, 2018
	\$	\$
Loss and comprehensive loss for the period	(35,801)	(61,589)
Expected income tax recovery	(9,000)	(17,000)
Permanent differences between accounting and taxable expenses	-	(17,000)
Change in unrecognized deductible temporary differences	9,000	34,000
Total income tax recovery	-	-

The Company's combined federal and provincial tax rate applicable for the year ended November 30, 2019 and the period from incorporation on January 17, 2018 to November 30, 2018 was 27%.

RAINY HOLLOW VENTURES INC.
NOTES TO THE FINANCIAL STATEMENTS
AS AT FOR THE YEAR ENDED NOVEMBER 30, 2019
(Expressed in Canadian dollars)

8. INCOME TAXES (cont'd...)

The significant components of the Company's unrecorded deferred tax assets as at November 30, 2019 and 2018 are as follows:

	November 30, 2019	November 30, 2018
	\$	\$
Non-capital losses available for future periods	25,000	10,000
Share issuance costs	18,000	24,000
Unrecognized deferred tax assets	(43,000)	(34,000)
Net deferred tax assets	-	-

The significant components of the Company's temporary differences and unused tax losses that have not been included on the statement of financial position are as follows:

	November 30, 2019	Expiry Date Range	November 30, 2018	Expiry Date Range
Non-capital losses available for future periods	\$ 93,000	2038 - 2039	\$ 37,000	2038
Share issuance costs	\$ 68,000	2040 - 2043	\$ 88,000	2039 - 2043

Tax attributes are subject to review, and potential adjustment, by tax authorities.

9. RELATED PARTY TRANSACTIONS

The Company is party to a corporate services agreement with Earlston Management Corp. ("Earlston"), whereby Earlston provides various corporate and administrative services to the Company for a fee of \$1,050 per month plus sundry office costs, beginning June 1, 2018. Earlston is related to the Company by virtue of providing key management personnel services and by way of certain officers and directors of Earlston exerting significant influence over the Company. The Company's expense for corporate and administrative services for the year ended November 30, 2019 includes \$12,600 (January 17, 2018 to November 30, 2018 - \$6,300) in such costs incurred with Earlston of which \$1,051 is included in accounts payable and accrued liabilities as at November 30, 2019 (November 30, 2018 - \$1,050).

During the period from incorporation on January 17, 2018 to November 30, 2018, the Company granted 200,000 stock options with a total fair value of \$33,832, determined using the Black-Scholes option-pricing model to directors of the Company. No other compensation was paid to directors or officers during this period or the year ended November 30, 2019.

EXHIBIT “B”
MANAGEMENT’S DISCUSSION AND ANALYSIS OF RAINY HOLLOW FOR THE
YEAR ENDED NOVEMBER 30, 2020, NOVEMBER 30, 2019 AND FOR THE PERIOD
FROM INCORPORATION ON JANUARY 17, 2018 TO NOVEMBER 30, 2018

See attached.

RAINY HOLLOW VENTURES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED NOVEMBER 30, 2020

Background

This management discussion and analysis (“MD&A”) for Rainy Hollow Ventures Inc. (“Rainy Hollow” or the “Company”) is prepared as at March 29, 2021 and should be read in conjunction with the Company’s audited financial statements as at and for the year ended November 30, 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

All dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company’s activities can be found on SEDAR at www.sedar.com.

Company overview

The Company was incorporated on January 17, 2018 under the Business Corporations Act (British Columbia) and is a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (“TSX-V”) Policy 2.4 (“Policy 2.4”). As a CPC, the Company’s immediate objective is to identify and acquire either operating assets or a business, subject to shareholders’ approval, that meet the criteria of a Qualifying Transaction as defined by the TSX-V (“Qualifying Transaction”). Until such time that a Qualifying Transaction is completed, the Company will have no significant revenue and will incur expenses primarily for Qualifying Transaction investigation, TSX-V listing and filing requirements, professional services and office facilities and administration, subject to certain restrictions under Policy 2.4.

The Company was incorporated with 1,700,000 shares being issued at a price of \$0.10 per share for total proceeds of \$170,000 (the “Seed Shares”). The Seed Shares are held in escrow and will be released ratably over a period following the completion of a Qualifying Transaction. Should a Qualifying Transaction not be completed within two years, then one-half of the Seed Shares may be cancelled in accordance with policies of the TSX-V.

On January 29, 2018, the Company issued 1,200,000 common shares at a price of \$0.20 per share for total proceeds of \$240,000 and on May 29, 2018, the Company completed its initial public offering and issued 1,350,000 common shares at a price of \$0.20 per share for total gross proceeds of \$270,000. In connection with this offering, the Company incurred cash costs of \$97,307 for legal, TSX-V, agency and other services. Additionally, the Company granted 100,000 warrants with a total fair value of \$12,602 to agent for the IPO (the “Agent’s Warrants”). Each Agent’s Warrant entitled the holder to acquire an additional common share in the Company at a price of \$0.20 for a two-year period. Of the Agent’s Warrants, 44,130 were exercised into common shares for proceeds of \$8,826 and 55,870 expired.

Potential Qualifying Transaction

On December 21, 2020, the Company entered into an arrangement agreement (the “Arrangement Agreement”) with Sustainable Produce Urban Delivery Inc. (“SPUD”), which sets out the terms of the reverse take-over of Rainy Hollow by SPUD by way of a statutory plan of arrangement under Section 288 of the Business Corporations Act (British Columbia) involving the Company, SPUD and the securityholders of SPUD (the “Arrangement”). Pursuant to the Arrangement, the Company will consolidate its existing share capital on an 8-for-1 basis and will acquire all common shares of SPUD (the “Transaction”) in exchange for an equal number of post-consolidation shares in the Company. Additionally, all stock options and share purchase warrants issued by SPUD and outstanding on completion of the Transaction will be replaced by equivalent post-consolidation securities in the Company.

Following the Transaction, the combined entity (the “Resulting Issuer”) will operate as Freshlocal Solutions Inc. and will continue the operations of SPUD providing organic and natural foods via its online platform through which consumers can order and schedule delivery of produce, groceries and other essentials. SPUD has also developed a software-as-a-service platform, the FoodX eGMS, which facilitates the creation of an integrated food business ecosystem that includes online retail, community retail locations, food preparation services, wholesale and last mile distribution.

The Transaction, which is subject to regulatory approval and certain conditions precedent, will be the Company’s Qualifying Transaction.

On February 26, 2020, the Company entered into a letter of intent (the “Reciprocity LOI”) with Reciprocity Corp. (“Reciprocity”) with respect to a potential Qualifying Transaction (the “Reciprocity Transaction”). The Reciprocity LOI expired on May 31, 2020 and the Company is no longer pursuing the Reciprocity Transaction.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the COVID-19 coronavirus outbreak a pandemic, which continues to spread globally. As a CPC with no commercial operations, the COVID-19 pandemic has not had a significant impact on the Company’s routine operations or on the carrying value of its assets. However, the pandemic’s effect on the Company’s post-Transaction operations and its ability to raise additional capital is dependent factors such as infection rates, government shut-downs, vaccination rates, and operational changes, all of which are unknown and may change frequently.

Forward-Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These risks include, but are not limited to, the Company completing the Transaction, and its ability to maintain sufficient capital for short-term

operations and to pursue another Qualifying Transaction should the Transaction not be completed. Readers are cautioned not to place undue reliance on these forward-looking statements.

Selected Financial Information

	November 30, 2020	November 30, 2019
	\$	\$
Total assets	477,142	537,301
Total long-term liabilities	-	-
Total shareholders' equity	397,865	527,961

	Year Ended November 30, 2020	Year Ended November 30, 2019
	\$	\$
Net loss for the year	(130,096)	(35,801)
Basic and diluted loss per share ⁽¹⁾	(0.05)	(0.01)

⁽¹⁾Basic and diluted loss per share is calculated using a weighted average number of common shares that excludes 1,700,000 of the Company's common shares that are held in escrow.

Results of Operations

The Company currently has no business operations and until such time as the Company completes a Qualifying Transaction as defined by the TSX-V, corporate expenditures will be restricted to costs of raising equity financing, administrative costs to maintain the Company in good standing and costs to identify and evaluate potential Qualifying Transactions.

The Company incurred a loss of \$130,096 for the year ended November 30, 2020 compared to a \$35,801 net loss for the year ended November 30, 2019. The increase in net loss is primarily the result of a \$81,414 increase in professional fees for legal services provided for the Transaction with SPUD and the terminated Reciprocity Transaction. Additionally, in connection with these transactions, the Company incurred TSX-V filing and shareholder communication charges that increased the Company's expense for transfer agent, listing, filing and shareholder communications charges by \$14,921 to \$27,777 for the year ended November 30, 2020.

Other expenses for the year ended November 30, 2020 included a \$12,600 charge for corporate and administrative services and \$156 for office cost. These expenses were comparable to those for the year ended November 30, 2019.

Results for Most Recent Fiscal Quarter:

The Company recorded a loss of \$91,152 for the three months ended November 30, 2020 (2019 - \$14,990). Significant expenses in the period included an \$83,390 expense for professional fees for legal services related to the Transaction and for the audit of the Company's financial statements, which was 75,390 higher than the three months ended November 30, 2019. Other costs, which are consistent with those incurred for the three months ended November 30, 2019, included \$4,544 for transfer agent services and TSX-V listing fees, and \$3,150 in corporate and administrative services.

Quarterly Information

Results for recent fiscal quarters are as follows:

Three Months Ended	General and Administrative Expenses	Net Loss	Basic & Diluted Loss per Share
	\$	\$	\$
November 30, 2020	91,152	91,152	0.04
August 31, 2020	10,573	10,573	0.00
May 31, 2020	4,980	4,980	0.00
February 28, 2020	23,391	23,391	0.01
November 30, 2019	14,990	14,990	0.01
August 31, 2019	4,730	4,730	0.00
May 31, 2019	4,383	4,383	0.00
February 28, 2019	11,698	11,698	0.00

Quarterly general and administrative expenses are typically consistent for each period and reflect ongoing charges for transfer agent, TSX-V and corporate administration. Additional charges are incurred in certain quarters for charges in connection with the Company's annual audit and for its annual general meeting. There were additional expenses in the quarters ended February 28, 2020 and November 30, 2020 for legal and TSX-V fees incurred in connection with the Reciprocity Transaction and the Transaction with SPUD.

Financial Condition including Cash Flows, Liquidity and Capital Resources

At November 30, 2020, the Company's working capital was \$397,865, comprising cash of \$477,142 less accounts payable and accrued liabilities of \$79,277. As a CPC, the Company's routine expenses are typically limited to general administrative costs such as TSX-V listing and filing fees, audit fees and accounting fees. However, the Company incurs additional expenses for legal services and TSX-V filing fees in connection with potential Qualifying Transactions such as the Transaction with SPUD.

The Company's current cash balance is sufficient to pay its existing accounts payable and accrued liabilities, to maintain routine on-going operations and to investigate further potential Qualifying Transactions for the next 12 months should the Transaction with SPUD not be completed.

Related Party Transactions

The Company is party to a corporate services agreement with Earlston Management Corp. (“Earlston”), whereby Earlston provides various corporate and administrative services to the Company for a fee of \$1,050 per month plus sundry office costs. Earlston is related to the Company by virtue of providing key management personnel services and by way of certain officers and directors of Earlston exerting significant influence over the Company. The Company’s expense for corporate and administrative services for the year ended November 30, 2020 includes \$12,600 (2019 - \$12,600) in such costs incurred with Earlston of which \$1,050 is included in accounts payable and accrued liabilities as at November 30, 2020 (November 30, 2019 - \$1,051).

Capital Management

Capital is composed of the Company’s shareholders’ equity and any debt that it may issue. As at November 30, 2020, the Company’s shareholders’ equity was \$397,865 and it had current liabilities of \$79,277. The Company’s objectives when managing capital are to maintain financial viability and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The Company’s current capital was received from the issuance of common shares and will only be sufficient to identify and evaluate a limited number of assets and businesses for the purpose of identifying and completing a Qualifying Transaction. Additional funds may be required in the longer-term should the Transaction with SPUD not be completed or should another Qualifying Transaction not be completed on a timely basis.

The Company is not subject to any externally imposed capital requirements other than the expenditure restrictions applicable under Policy 2.4. These expenditure restrictions limit the aggregate amount that the Company is permitted to spend on certain share issuance costs, professional fees, transfer agent fees, listing and filing fees and other general and administrative costs to the lesser of \$210,000 or 30% of the gross proceeds from share issuances.

Financial Instruments and Risk Management

As at November 30, 2020, the Company's financial instruments comprise cash and accounts payable and accrued liabilities. The fair values of accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

- 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 (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs that are not based on observable market data (unobservable inputs).

As at November 30, 2020, the fair value of cash held by the Company was based on level 1 of the fair value hierarchy.

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

Credit risk

Credit risk is the risk of loss arising from a customer or third party to a financial instrument failing to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient working capital to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. As at November 30, 2020, the Company had a cash balance of \$477,142 which is sufficient to settle current liabilities of \$79,277, and, should the Transaction with SPUD not be completed to fund continuing operations for the next 12 months. However, longer-term financing may be required should another Qualifying Transaction not be completed.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices. As the Company does not currently hold and does not expect to hold interest-bearing financial instruments other than cash, assets or liabilities denominated in a foreign currency, and marketable securities or other financial instruments subject to fluctuations in equity prices, it currently does not have and is not expected to have exposure to these market risks.

Outstanding Share Data

As of the date of this MD&A, the Company has 4,294,130 common shares outstanding of which 1,700,000 are in escrow. Additionally, the Company has 200,000 stock options outstanding.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Critical Accounting Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the measurements of assets, liabilities, revenues, expenses and certain disclosures reported in these financial statements. Significant estimates made by management include the following:

i. Valuation of share-based compensation and Agent's Warrants

Management uses the Black-Scholes option pricing model to determine the fair value of compensatory stock options and warrants. This model requires assumptions of the expected future price volatility of the Company's common shares, expected life of options and warrants, future risk-free interest rates and the dividend yield of the Company's common shares.

ii. Income taxes

Provisions for income and other taxes are based on management's interpretation of taxation laws, which may differ from the interpretation by taxation authorities. Such differences may result in eventual tax payments differing from amounts accrued. Reported amounts for deferred tax assets and liabilities are based on management's expectation for the timing and amounts of future taxable income or loss, as well as future taxation rates. Changes to these underlying estimates may result in changes to the carrying value, if any, of deferred income tax assets and liabilities.

The Company's significant accounting policies and estimates are included in Note 3 of its audited financial statements for the period ended November 30, 2020.

Risks and Uncertainties

The Company's objective is to identify and complete a Qualifying Transaction and until such time as it does so, the Company will not have a source of recurring income, commercial operations, significant assets other than cash and shall not generate earnings or pay dividends. Until the completion of a Qualifying Transaction, the Company is not permitted to carry on any other business other than the identification and evaluation of potential Qualifying Transactions.

Should the Company be unable to complete a Qualifying Transaction, such as the Transaction with SPUD, before its existing cash has been spent, it will require additional capital financing and there is no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable.

The Company's success depends to a certain degree upon key members of its management to identify a potential Qualifying Transaction. The loss of the service of members of the management team or certain key employees could have a material adverse effect on the Company.

Corporate Governance

The Company's Board of Directors and its committees substantially follow the recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The current Board comprises four individuals, one of whom is an executive officer of the Company. The three non-executive members of the Board comprise the Audit Committee.

RAINY HOLLOW VENTURES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED NOVEMBER 30, 2019

Background

This management discussion and analysis (“MD&A”) for Rainy Hollow Ventures Inc. (“Rainy Hollow” or the “Company”) is prepared as at February 4, 2020 and should be read in conjunction with the Company’s audited financial statements as at and for the year ended November 30, 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

All dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company’s activities can be found on SEDAR at www.sedar.com.

Company overview

The Company was incorporated on January 17, 2018 under the Business Corporations Act (British Columbia) and is a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (“TSX-V”) Policy 2.4 (“Policy 2.4”). As a CPC, the Company’s immediate objective is to identify and acquire either operating assets or a business, subject to shareholders’ approval, that meet the criteria of a Qualifying Transaction as defined by the TSX-V (“Qualifying Transaction”). Until such time that a Qualifying Transaction is completed, the Company will have no significant revenue and will incur expenses primarily for Qualifying Transaction investigation, TSX-V listing and filing requirements, professional services and office facilities and administration, subject to certain restrictions under Policy 2.4.

The Company was incorporated with 1,700,000 shares being issued at a price of \$0.10 per share for total proceeds of \$170,000 (the “Seed Shares”). The Seed Shares are held in escrow and will be released ratably over a period following the completion of a Qualifying Transaction. Should a Qualifying Transaction not be completed within two years, then one-half of the Seed Shares may be cancelled in accordance with policies of the TSX-V.

On January 29, 2018, the Company issued 1,200,000 common shares at a price of \$0.20 per share for total proceeds of \$240,000 and on May 29, 2018, the Company completed its initial public offering and issued 1,350,000 common shares at a price of \$0.20 per share for total gross proceeds of \$270,000. In connection with this offering, the Company incurred cash costs of \$97,307 for legal, TSX-V, agency and other services. Additionally, the Company granted 100,000 warrants with a total fair value of \$12,602 to agent for the IPO (the “Agent’s Warrants”). Each Agent’s Warrant will entitle the holder to acquire an additional common share in the Company at a price of \$0.20 for a two-year period. To date, 44,130 Agent’s Warrants have been exercised into common shares for proceeds of \$8,826.

As of the date of this MD&A, the Company is not investigating a specific potential Qualifying Transaction.

Forward-Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These risks include, but are not limited to, the Company completing a Qualifying Transaction, and its ability to raise sufficient capital for short-term operations and to fund a Qualifying Transaction. Readers are cautioned not to place undue reliance on these forward-looking statements.

Selected Financial Information

	November 30, 2019	November 30, 2018
	\$	\$
Total assets	537,301	573,100
Total long-term liabilities	-	-
Total shareholders' equity	527,961	563,762

	Year Ended November 30, 2019	Period from Incorporation on January 17, 2018 to November 30, 2018
	\$	\$
Net loss for the period	(35,801)	(61,589)
Basic and diluted loss per share ⁽¹⁾	(0.01)	(0.03)

⁽¹⁾Basic and diluted loss per share is calculated using a weighted average number of common shares that excludes 1,700,000 of the Company's common shares that are held in escrow.

Results of Operations

The Company currently has no business operations and until such time as the Company completes a Qualifying Transaction as defined by the TSX-V, corporate expenditures will be restricted to costs of raising equity financing, administrative costs to maintain the Company in good standing and costs to identify and evaluate potential Qualifying Transactions.

The Company incurred a loss of \$35,801 in the year ended November 30, 2019 compared to a \$61,589 net loss in the period from incorporation on January 17, 2018 to November 30, 2018. The decrease in net loss is primarily the result of a \$33,832 expense for share-based compensation expense for the fair value of 200,000 stock options granted in the period ended November 30, 2018. These options were fully-vested when granted and no equivalent expense was incurred in the year ended November 30, 2019.

The net loss for the year ended November 30, 2019 is the result of expenses including \$14,921 for transfer agent, listing, filing and shareholder communications services, \$12,600 in corporate and administrative services and \$8,149 in professional fees for legal and accounting services. With the exception of the expenses for professional fees, these expenses were higher than those incurred for the period ended November 30, 2018 because the Company was publicly-listed for the entire year. In the period ended November 30, 2018, professional fees were higher than the year ended November 30, 2019 as a result of legal fees for incorporation.

In addition to expenses recognized during the period from incorporation on January 17, 2018 to November 30, 2018, the Company also recorded a total of \$109,909 in legal, agency and other costs incurred for the issuance of shares which has been recorded as a reduction in share capital.

Results for Most Recent Fiscal Quarter:

The Company recorded a loss of \$14,990 for the three months ended November 30, 2019 (2018 - \$17,414). Significant expenses in the period included an \$8,000 accrual for professional fees related to the audit of the Company's financial statements, \$3,555 in expenses incurred for transfer agent services and TSX-V listing fees, and \$3,150 in corporate and administrative services. These expenses are consistent with those incurred for the three months ended November 30, 2018.

Quarterly Information

Results for recent fiscal quarters are as follows:

Three Months Ended	General and Administrative Expenses, Excluding Share-based Compensation	Stock-based Compensation	Net Loss	Basic & Diluted Loss per Share
	\$	\$	\$	\$
November 30, 2019	14,990	-	14,990	0.01
August 31, 2019	4,730	-	4,730	0.00
May 31, 2019	4,383	-	4,383	0.00
February 28, 2019	11,698	-	11,698	0.00
November 30, 2018	17,414	-	17,414	0.01
August 31, 2018	3,691	-	3,691	0.00
May 31, 2018	1,395	33,832	35,227	0.03
February 28, 2018 ¹	5,257	-	5,257	0.00

¹ Period reported is from incorporation on January 17, 2018 to February 28, 2018.

Financial Condition including Cash Flows, Liquidity and Capital Resources

At November 30, 2019, the Company's working capital was \$527,961, comprising cash of \$537,301 less accounts payable and accrued liabilities of \$9,340. As a CPC, the Company's routine expenses are limited to general administrative costs such as TSX-V listing and filing fees, audit fees and accounting fees. When the Company has identified a potential Qualifying

Transaction, additional legal or other transaction-related costs may be incurred, regardless of whether or not the transaction is ultimately completed.

It is uncertain as to when a Qualifying Transaction can be completed, but the Company's current cash balance is sufficient to pay its existing accounts payable and accrued liabilities, to maintain routine on-going operations and to investigate potential Qualifying Transactions for the next 12 months.

Related Party Transactions

The Company is party to a corporate services agreement with Earlston Management Corp. ("Earlston"), whereby Earlston provides various corporate and administrative services to the Company for a fee of \$1,050 per month plus sundry office costs, beginning June 1, 2018. Earlston is related to the Company by virtue of providing key management personnel services and by way of certain officers and directors of Earlston exerting significant influence over the Company. The Company's expense for corporate and administrative services for the year ended November 30, 2019 includes \$12,600 (January 17, 2018 to November 30, 2018 - \$6,300) in such costs incurred with Earlston of which \$1,051 is included in accounts payable and accrued liabilities as at November 30, 2019 (November 30, 2018 - \$1,050).

During the period from incorporation on January 17, 2018 to November 30, 2018, the Company granted 200,000 stock options with a total fair value of \$33,832, determined using the Black-Scholes option-pricing model to directors of the Company. No other compensation was paid to directors or officers during this period or the year ended November 30, 2019.

Capital Management

Capital is composed of the Company's shareholders' equity and any debt that it may issue. As at November 30, 2019, the Company's shareholders' equity was \$527,961 and it had current liabilities of \$9,340. The Company's objectives when managing capital are to maintain financial viability and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

Excluding the current liabilities, which relate to standard operating accounts payable, the Company's current capital is the result of the sale of common shares. The net proceeds raised to date are sufficient to identify and evaluate a limited number of assets and businesses for the purpose of identifying and completing a Qualifying Transaction. However, additional funds may be required in the longer-term should the Company be unable to complete a Qualifying Transaction.

The Company is not subject to any externally imposed capital requirements.

Financial Instruments and Risk Management

As at November 30, 2019, the Company's financial instruments comprise cash and accounts payable and accrued liabilities. The fair values of accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

- 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 (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs that are not based on observable market data (unobservable inputs).

As at November 30, 2019, the fair value of cash held by the Company was based on level 1 of the fair value hierarchy.

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

Credit risk

Credit risk is the risk of loss arising from a customer or third party to a financial instrument failing to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient capital to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company believes that these sources are sufficient to cover its short-term cash requirements, but that further funding may be required to meet long-term requirements. As at November 30, 2019, the Company had a cash balance of \$537,301 to settle current liabilities of \$9,340. All the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices. As the Company does not currently hold and does not expect to hold interest-bearing financial instruments other than cash, assets or liabilities denominated in a foreign currency, and marketable securities or other financial instruments subject to fluctuations in equity prices, it currently does not have and is not expected to have exposure to these market risks.

Outstanding Share Data

As of the date of this MD&A, the Company has 4,294,130 common shares outstanding of which 1,700,000 are in escrow. Additionally, the Company has 200,000 stock options and 55,870 warrants outstanding.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Critical Accounting Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the measurements of assets, liabilities, revenues, expenses and certain disclosures reported in these financial statements. Significant estimates made by management include the following:

i. Valuation of share-based compensation and Agent's Warrants

Management uses the Black-Scholes option pricing model to determine the fair value of compensatory stock options and warrants. This model requires assumptions of the expected future price volatility of the Company's common shares, expected life of options and warrants, future risk-free interest rates and the dividend yield of the Company's common shares.

ii. Income taxes

Provisions for income and other taxes are based on management's interpretation of taxation laws, which may differ from the interpretation by taxation authorities. Such differences may result in eventual tax payments differing from amounts accrued. Reported amounts for deferred tax assets and liabilities are based on management's expectation for the timing and amounts of future taxable income or loss, as well as future taxation rates. Changes to these underlying estimates may result in changes to the carrying value, if any, of deferred income tax assets and liabilities.

The Company's significant accounting policies and estimates are included in Note 3 of its audited financial statements for the period ended November 30, 2019.

Future Changes in Accounting Policies

Certain new accounting standards and interpretations have been published that are not mandatory for the November 30, 2019 reporting period. The following standard has been assessed by the Company's management, but is not expected to have a significant impact on the Company's existing accounting policies or financial statement presentation:

i. IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 Leases which replaces the previous leases standard, IAS 17 Leases. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessors continue to classify leases as operating leases or finance leases, and account for those two types of leases differently. IFRS 16 is effective for periods beginning on or after January 1, 2019.

Risks and Uncertainties

The Company's objective is to identify and complete a Qualifying Transaction and until such time as it does so, the Company will not have a source of recurring income, commercial operations, significant assets other than cash and shall not generate earnings or pay dividends. Until the completion of a Qualifying Transaction, the Company is not permitted to carry on any other business other than the identification and evaluation of potential Qualifying Transactions.

Should the Company be unable to complete a Qualifying Transaction before its existing cash has been spent, it will require additional capital financing and there is no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable.

The Company's success depends to a certain degree upon key members of its management to identify a potential Qualifying Transaction. The loss of the service of members of the management team or certain key employees could have a material adverse effect on the Company.

Corporate Governance

The Company's Board of Directors and its committees substantially follow the recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The current Board comprises four individuals, one of whom is an executive officer of the Company. The three non-executive members of the Board comprise the Audit Committee.

RAINY HOLLOW VENTURES INC.
MANAGEMENT DISCUSSION AND ANALYSIS

**FOR THE PERIOD FROM INCORPORATION ON JANUARY 17, 2018
TO NOVEMBER 30, 2018**

Background

This management discussion and analysis (“MD&A”) for Rainy Hollow Ventures Inc. (“Rainy Hollow” or the “Company”) is prepared as at February 14, 2019 and should be read in conjunction with the Company’s audited financial statements for the period from incorporation on January 17, 2018 to November 30, 2018, which have been prepared in accordance with International Financial Reporting Standard (“IFRS”).

All dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company’s activities can be found on SEDAR at www.sedar.com.

Company overview

The Company was incorporated on January 17, 2018 under the Business Corporations Act (British Columbia) and is a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (“TSX-V”) Policy 2.4 (“Policy 2.4”). As a CPC, the Company’s immediate objective is to identify and acquire either operating assets or a business, subject to shareholders’ approval, that meet the criteria of a Qualifying Transaction as defined by the TSX-V (“Qualifying Transaction”). Until such time that a Qualifying Transaction is completed, the Company will have no significant revenue and will incur expenses primarily for Qualifying Transaction investigation, TSX-V listing and filing requirements, professional services and office facilities and administration, subject to certain restrictions under Policy 2.4.

The Company was incorporated with 1,700,000 shares being issued at a price of \$0.10 per share for total proceeds of \$170,000 (the “Seed Shares”). The Seed Shares are held in escrow and will be released ratably over a period following the completion of a Qualifying Transaction. Should a Qualifying Transaction not be completed within two years, then one-half of the Seed Shares may be cancelled in accordance with policies of the TSX-V.

On January 29, 2018, the Company issued 1,200,000 common shares at a price of \$0.20 per share for total proceeds of \$240,000 and on May 29, 2018, the Company completed its initial public offering and issued 1,350,000 common shares at a price of \$0.20 per share for total gross proceeds of \$270,000. In connection with this offering, the Company incurred cash costs of \$97,307 for legal, TSX-V, agency and other services. Additionally, the Company granted 100,000 warrants with a total fair value of \$12,602 to agent for the IPO (the “Agent’s Warrants”). Each Agent’s Warrant will entitle the holder to acquire an additional common share in the Company at a price of \$0.20 for a two-year period. To date, 44,130 Agent’s Warrants have been exercised into common shares for proceeds of \$8,826.

As of the date of this MD&A, the Company is not investigating a specific potential Qualifying Transaction.

Forward-Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These risks include, but are not limited to, the Company completing a Qualifying Transaction, and its ability to raise sufficient capital for short-term operations and to fund a Qualifying Transaction. Readers are cautioned not to place undue reliance on these forward-looking statements.

Selected Financial Information

	November 30, 2018
	\$
Total assets	573,100
Total long-term liabilities	-
Total shareholders' equity	563,762
	From Incorporation on January 17, 2018 to November 30, 2018
	\$
Net loss for the period	61,589
Basic and diluted loss per share ⁽¹⁾	(0.03)

⁽¹⁾Basic and diluted loss per share is calculated using a weighted average number of common shares that excludes 1,700,000 of the Company's common shares that are held in escrow.

Results of Operations

The Company currently has no business operations and until such time as the Company completes a Qualifying Transaction as defined by the TSX-V, corporate expenditures will be restricted to costs of raising equity financing, administrative costs to maintain the Company in good standing and costs to identify and evaluate potential Qualifying Transactions.

The Company incurred a loss of \$61,589 for the period from incorporation on January 17, 2018 to November 30, 2018. Of this, \$33,832 was a share-based compensation expense for the fair value of 200,000 stock options granted to directors which were fully-vested when granted. Further, the Company incurred \$14,004 for legal and accounting services, primarily owing to audit services, \$7,018 for transfer agent, listing and filing fees, \$6,300 for corporate and administrative services provided by a related party, and \$435 in other general and administrative expenses.

In addition to expenses recognized during the period from incorporation on January 17, 2018 to November 30, 2018, the Company also recorded a total of \$109,909 in legal, agency and other costs incurred for the issuance of shares which has been recorded as a reduction in share capital.

Results for Most Recent Fiscal Quarter:

The Company recorded a loss of \$17,414 for the three months ended November 30, 2018, primarily owing an \$8,000 accrual for professional fees related to the audit of the Company's financial statements, \$6,234 in expenses incurred for transfer agent services and TSX-V listing fees, and \$3,150 in corporate and administrative services.

Quarterly Information

Results for recent fiscal quarters are as follows:

Three Months Ended	General and Administrative Expenses, Excluding Share-based Compensation	Stock-based Compensation	Net Loss	Basic & Diluted Loss per Share
	\$	\$	\$	\$
November 30, 2018	17,414	-	17,414	0.01
August 31, 2018	3,691	-	3,691	0.00
May 31, 2018	1,395	33,832	35,227	0.03
February 28, 2018 ¹	5,257	-	5,257	0.00

¹ Period reported is from incorporation on January 17, 2018 to February 28, 2018.

Financial Condition including Cash Flows, Liquidity and Capital Resources

At November 30, 2018, the Company's working capital was \$563,762, comprising cash of \$573,100 less accounts payable and accrued liabilities of \$9,338. The Company's cash balance as at November 30, 2018 is the result of proceeds from various share issuances since January 17, 2018, net of cash costs for the share issuances and general and administrative purposes.

As a CPC, the Company's routine expenses are limited to general administrative costs such as TSX-V listing and filing fees, audit fees and accounting fees. When the Company has identified a potential Qualifying Transaction, additional legal or other transaction-related costs may be incurred, regardless of whether or not the transaction is ultimately completed.

It is uncertain as to when a Qualifying Transaction can be completed, but the Company's current cash balance is sufficient to pay its existing accounts payable and accrued liabilities, to maintain routine on-going operations and to investigate potential Qualifying Transactions for the next 12 months.

Related Party Transactions

The Company is party to a corporate services agreement with Earlston Management Corp. (“Earlston”), whereby Earlston provides various corporate and administrative services to the Company for a fee of \$1,050 per month plus sundry office costs, beginning June 1, 2018. Earlston is related to the Company by virtue of providing key management personnel services and by way of certain officers and directors of Earlston exerting significant influence over the Company. The Company’s expense for corporate and administrative services for the period from January 17, 2018 to November 30, 2018 includes \$6,300 in such costs incurred with Earlston of which \$1,050 is included in accounts payable and accrued liabilities as at November 30, 2018.

During the period from incorporation on January 17, 2018 to November 30, 2018, the Company granted 200,000 stock options with a total fair value of \$33,832, determined using the Black-Scholes option-pricing model to directors of the Company. No other compensation was paid to directors or officers during this period.

Capital Management

Capital is composed of the Company’s shareholders’ equity and any debt that it may issue. As at November 30, 2018, the Company’s shareholders’ equity was \$563,762 and it had current liabilities of \$9,338. The Company’s objectives when managing capital are to maintain financial viability and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

Excluding the current liabilities, which relate to standard operating accounts payable, the Company’s current capital is the result of the sale of common shares. The net proceeds raised to date are sufficient to identify and evaluate a limited number of assets and businesses for the purpose of identifying and completing a Qualifying Transaction. However, additional funds may be required in the longer-term should the Company be unable to complete a Qualifying Transaction.

The Company is not subject to any externally imposed capital requirements.

Financial Instruments and Risk Management

As at November 30, 2018, the Company's financial instruments comprise cash and accounts payable and accrued liabilities. The fair values of accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

- 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 (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs that are not based on observable market data (unobservable inputs).

As at November 30, 2018, the fair value of cash held by the Company was based on level 1 of the fair value hierarchy.

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

Credit risk

Credit risk is the risk of loss arising from a customer or third party to a financial instrument failing to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient capital to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company believes that these sources are sufficient to cover its short-term cash requirements, but that further funding may be required to meet long-term requirements. As at November 30, 2018, the Company had a cash balance of \$573,100 to settle current liabilities of \$9,338. All the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices. As the Company does not currently hold and does not expect to hold interest-bearing financial instruments other than cash, assets or liabilities denominated in a foreign currency, and marketable securities or other financial instruments subject to fluctuations in equity prices, it currently does not have and is not expected to have exposure to these market risks.

Outstanding Share Data

As of the date of this MD&A, the Company has 4,294,130 common shares outstanding of which 1,700,000 are in escrow. Additionally, the Company has 200,000 stock options and 55,870 warrants outstanding.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Critical Accounting Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the measurements of assets, liabilities, revenues, expenses and certain disclosures reported in these financial statements. Significant estimates made by management include the following:

i. Valuation of share-based compensation and Agent's Warrants

Management uses the Black-Scholes option pricing model to determine the fair value of compensatory stock options and warrants. This model requires assumptions of the expected future price volatility of the Company's common shares, expected life of options and warrants, future risk-free interest rates and the dividend yield of the Company's common shares.

ii. Income taxes

Provisions for income and other taxes are based on management's interpretation of taxation laws, which may differ from the interpretation by taxation authorities. Such differences may result in eventual tax payments differing from amounts accrued. Reported amounts for deferred tax assets and liabilities are based on management's expectation for the timing and amounts of future taxable income or loss, as well as future taxation rates. Changes to these underlying estimates may result in changes to the carrying value, if any, of deferred income tax assets and liabilities.

The Company's significant accounting policies and estimates are included in Note 3 of its audited financial statements for the period ended November 30, 2018.

Future Changes in Accounting Policies

Certain new accounting standards and interpretations have been published that are not mandatory for the November 30, 2018 reporting period. The following standard has been assessed by the Company's management, but is not expected to have a significant impact on the Company's existing accounting policies or financial statement presentation:

i. IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 Leases which replaces the previous leases standard, IAS 17 Leases. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessors continue to classify leases as operating leases or finance leases, and account for those two types of leases differently. IFRS 16 is effective for periods beginning on or after January 1, 2019.

Risks and Uncertainties

The Company's objective is to identify and complete a Qualifying Transaction and until such time as it does so, the Company will not have a source of recurring income, commercial operations, significant assets other than cash and shall not generate earnings or pay dividends. Until the completion of a Qualifying Transaction, the Company is not permitted to carry on any other business other than the identification and evaluation of potential Qualifying Transactions.

Should the Company be unable to complete a Qualifying Transaction before its existing cash has been spent, it will require additional capital financing and there is no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable.

The Company's success depends to a certain degree upon key members of its management to identify a potential Qualifying Transaction. The loss of the service of members of the management team or certain key employees could have a material adverse effect on the Company.

Corporate Governance

The Company's Board of Directors and its committees substantially follow the recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The current Board comprises four individuals, one of whom is an executive officer of the Company. The three non-executive members of the Board comprise the Audit Committee.

EXHIBIT “C”
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SPUD FOR YEARS
ENDED OCTOBER 3, 2020, SEPTEMBER 28, 2019 AND SEPTEMBER 29, 2018

See attached.

Sustainable Produce Urban Delivery Inc.

Consolidated Financial Statements

For the years ended October 3, 2020, September 28, 2019 and September 29, 2018
(in Canadian dollars)

Independent Auditor's Report

To the Shareholders of
Sustainable Produce Urban Delivery, Inc.

Opinion

We have audited the financial statements of Sustainable Produce Urban Delivery, Inc. (the "Company"), which comprise the consolidated statements of financial position as at October 3, 2020 and September 28, 2019, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended October 3, 2020, September 28, 2019 and September 29, 2018 and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 3, 2020 and September 28, 2019, and its financial performance and its cash flows for the years ended October 3, 2020, September 28, 2019 and September 29, 2018 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company reported a net loss of \$30.7 million during the year ended October 3, 2020 and, as at that date, the Company's current liabilities exceeded its current assets by \$26.4 million. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, British Columbia
March 16, 2021

Table of contents

Consolidated Statements of Financial Position	1
Consolidated Statements of Loss and Comprehensive Loss	2
Consolidated Statements of Changes in Equity	3
Consolidated Statements of Cash Flows.....	4
Notes to the Consolidated Financial Statements.....	5-25

Sustainable Produce Urban Delivery Inc.

Consolidated Statements of Financial Position

As at October 3, 2020 and September 28, 2019

(Expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	October 3 2020	September 28 2019
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		1,143	7,069
Trade and other receivable	10	4,756	2,961
Inventories	11	4,319	2,841
Prepaid expenses and deposits		874	713
		11,092	13,584
Non-current assets			
Deposits on real estate & other long-term deposits		9	448
Property and equipment	12	30,100	17,484
Intangible assets	13	4,316	3,570
Goodwill		1,586	1,586
Total assets		47,103	36,672
Liabilities			
Current liabilities			
Trade and other payables	15	15,206	12,548
Deferred revenue	16	789	299
Current portion of lease liabilities	14	2,112	704
Short-term debt	17	19,355	17,631
Current portion of deferred rent inducements		—	131
		37,462	31,313
Non-current liabilities			
Non-current portion of lease liabilities	14	16,197	2,006
Warrants	17	10,290	—
Conversion option	17	2,436	—
Contingent warrant liability	18	4,825	—
Deferred revenue	16	4,243	—
Deferred rent inducements		—	2,488
Total liabilities		75,453	35,807
Shareholders' Equity			
Share capital	18	59,881	59,828
Other equity reserve		3,695	2,239
Accumulated deficit		(91,926)	(61,202)
Total equity		(28,350)	865
Total liabilities and equity		47,103	36,672

Subsequent events (note 29)

/s/ Terry Vanderkruyk

Terry Vanderkruyk, Director

/s/ Monique Wilberg

Monique Wilberg, Director

Sustainable Produce Urban Delivery Inc.

Consolidated Statements of Loss and Comprehensive Loss

For the years ended October 3, 2020 and September 28, 2019 and September 29, 2018

(Expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	2020 \$	2019 \$	2018 \$
Revenue	6	107,561	76,528	76,163
Expenses				
Cost of sales		(69,043)	(50,380)	(50,409)
Selling, general and administration	7	(42,319)	(34,439)	(25,960)
Distribution costs	8	(13,195)	(9,421)	(8,149)
		(124,557)	(94,240)	(84,518)
Loss from operations		(16,996)	(17,712)	(8,355)
Other (expense) income				
Other income (expense)		294	61	170
Finance expense	9	(14,020)	(910)	(193)
Start-up costs		—	—	(474)
		(13,726)	(849)	(497)
Loss before tax from continuing operations		(30,722)	(18,561)	(8,852)
Income taxes	21	—	—	—
Loss for the year from discontinued operations		—	—	(144)
Net loss and comprehensive loss for the year		(30,722)	(18,561)	(8,996)
Attributable to the shareholders of the parent company		(30,722)	(18,561)	(8,996)
Basic and diluted loss per share	25	(0.86)	(0.53)	(0.29)
Basic and diluted weighted average number of common shares outstanding		35,536,681	35,520,010	33,331,385

Sustainable Produce Urban Delivery Inc.

Consolidated Statements of Changes in Equity

For the years ended October 3, 2020 and September 28, 2019 and September 29, 2018

(Expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	Number of Common shares #	Share capital \$	Other equity reserves \$	Accumulated deficit \$	Total \$
Balance, September 30, 2017		30,925,189	43,234	1,306	(33,646)	10,894
Share issuance on stock option exercise		290,665	547	(338)	—	209
Share issuance on warrant exercise		1,100,000	3,300	—	—	3,300
Shares issued in connection with acquisition		229,167	—	—	—	—
Private placement	18	786,364	3,539	—	—	3,539
Less: fees incurred on share issuance	18	—	(137)	—	—	(137)
Stock-based compensation	19	—	—	405	—	405
Total Comprehensive loss		—	—	—	(8,997)	(8,997)
Balance, September 29, 2018		33,331,385	50,483	1,373	(42,643)	9,213
Balance, September 30, 2018		33,331,385	50,483	1,373	(42,643)	9,213
Share issuance on stock option exercise		19,750	65	(9)	—	56
Private placement	18	2,168,875	9,760	—	—	9,760
Less: fees incurred on share issuance	18	—	(480)	—	—	(480)
Stock-based compensation	19	—	—	875	—	875
Total comprehensive loss		—	—	—	(18,561)	(18,561)
Balance, September 28, 2019		35,520,010	59,828	2,239	(61,204)	863
Balance, September 29, 2019		35,520,010	59,828	2,239	(61,204)	863
Share issuance on stock option exercise		4,897	—	—	—	—
Stock-based compensation	19	11,774	53	1,456	—	1,509
Total comprehensive loss		—	—	—	(30,722)	(30,722)
Balance, October 3, 2020		35,536,681	59,881	3,695	(91,926)	(28,350)

Sustainable Produce Urban Delivery Inc.

Consolidated Statements of Cash Flows

For the years ended October 3, 2020 and September 28, 2019 and September 29, 2018

(Expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	2020 \$	2019 \$	2018 \$
Operating activities				
Net loss		(30,722)	(18,561)	(8,996)
Adjustments to reconcile non-cash items				
Depreciation of property and equipment	12	4,087	2,117	1,270
Amortization of intangible assets	13	474	371	94
Amortization of rent inducement		—	(129)	—
Stock based compensation expense	19	1,457	1,449	608
(Gain) loss disposal of property and equipment		—	(12)	—
Interest expense - Lease		1,033	—	—
Interest on short-term debt		3,944	577	(14)
Accretion expense		2,262	—	—
Warrants expense		405	—	—
Conversion option expense		1,421	—	—
Contingent warrant expense		4,825	—	—
Other		1	10	134
Changes in non-cash operating working capital				
Trade and other receivables		(1,340)	(806)	(1,078)
Government remittances		(482)	(80)	(287)
Inventories		(1,372)	(38)	99
Prepaid expenses and deposits		(360)	(186)	234
Right-of-use asset		—	—	266
Trade and other payables		2,866	2,797	2,429
Deferred revenue		4,733	22	69
Net cash used in operating activities		(6,768)	(12,469)	(5,172)
Investing activities				
Proceeds from disposal of property and equipment		—	15	10
Purchase of property and equipment	12	(1,320)	(3,191)	(6,137)
Purchase of intangible assets	13	(1,220)	(1,479)	(1,998)
Proceeds from loan repayment		—	120	133
Net cash used in investing activities		(2,540)	(4,535)	(7,992)
Financing activities				
Payments of obligations under lease liabilities		(2,394)	(907)	(440)
Repayment of debt		(291)	(2,232)	(243)
Proceeds from stock option exercise		—	56	7
Proceeds from warrant exercise		—	—	3,300
Repayment of BFI loan	17	(27,203)	—	—
Proceeds from Agro Fund LP loan, net of transaction costs	17	27,233	—	—
Proceeds from BFI short term debt	17	9,981	18,430	—
Repayment of interest on short term debt	17	(3,944)	(361)	—
Proceeds from private placement, net of costs	18	—	8,658	3,401
Net cash provided by financing activities		3,382	23,644	6,025
Change in cash and cash equivalents		(5,926)	6,640	(7,139)
Cash and cash equivalents, beginning of the year		7,069	429	7,568
Cash and cash equivalents, end of the year		1,143	7,069	429

Sustainable Produce Urban Delivery Inc.

Notes to the Consolidated Financial Statements

For the years ended October 3, 2020, September 28, 2019 and September 29, 2018

(All tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

1. Nature of operations

Sustainable Produce Urban Delivery Inc. (the "Company" or "SPUD") is a company incorporated under the *Business Corporations Act* (British Columbia). The principal business activities of the Company are:

- The online sales and distribution of grocery products in Greater Vancouver, Victoria, Calgary, and Edmonton via the www.spud.ca ecommerce portal;
- The operations of retail stores in Vancouver (Be Fresh) and in Calgary and Edmonton (Blush Lane Organic Markets); and
- The development and sale of eGrocery management solutions software to international and domestic grocery store operators.

The address of its registered office and principal place of business is Unit 105, 5566 Trapp Avenue, Burnaby, BC. The Company's fiscal year ends on the Saturday closest to September 30.

These financial statements have been prepared on the basis that the Company will continue as a going concern which contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern.

The Company adopted a change in presenting cost of sales caption on the Company's Consolidated Statement of Loss and Comprehensive Loss. Cost of sales was previously presented as a direct offset to revenues to present gross profit. As at October 3, 2020, cost of sales is captioned as an expense to offset revenues in presenting a loss from operations.

Sales and marketing and Gain (loss) on disposal of property and equipment were previously presented as a separate line item in the Company's Statement of Loss and Comprehensive Loss under Expenses. In addition, Start-up costs were previously presented as a separate line item within Other income and expense. As of October 3, 2020, the Company includes its Sales and marketing expenses, Gain (loss) on disposal of property and equipment and Start-up costs under the financial statement caption of selling, general and administration.

The Consolidated Statement of Loss and Comprehensive Loss for the years ended September 28, 2019 and September 29, 2018 were reclassified and presented as comparatives to conform with the current period's presentation.

2. Basis of presentation

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Standards Interpretations Committee. The Consolidated Financial Statements of the Company for the year ended October 3, 2020 were authorized for issue by the Board of Directors on March 11, 2021.

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

For the fiscal year ended October 3, 2020 the Company reported a consolidated net loss of \$30.8 million and a net loss of \$18.6 million and \$8.9 million for the years ended September 28, 2019 and September 29, 2018, respectively. For the years ended October 3, 2020, September 28, 2019 and September 29, 2018, the Company had negative cash flows used in operating activities of \$6.8 million, \$12.5 million, and \$5.2 million, respectively. The Company had net cash outflows for the year ended October 3, 2020 of \$5.9 million. At October 3, 2020, the Company's current liabilities exceeded its current assets by \$26.4 million.

The Company's ability to continue as a going concern is dependent upon obtaining additional financing to meet anticipated cash needs for working capital, operating and investing activities for the next twelve months and ultimately its ability to achieve profitable operations. Subsequent to October 3, 2020, the Company completed both a \$15.5 million unsecured convertible debenture financing and a \$24.2 million brokered private placement as further described in Note 28. The \$24.2 million in private placement funds is held in escrow and will be released to the Company subject to completion of the reverse takeover of Rainy Hollow also described in Note 28 and the successful commencement of trading of the Company's shares on the TSX Venture Exchange or Toronto Stock Exchange, as the case may be, among other conditions. The Company also confirmed that a portion of its existing debt facility will be converted into equity and it has obtained a commitment for a new secured a new line of credit to refinance any unpaid balance of the facility.

Sustainable Produce Urban Delivery Inc.

Notes to the Consolidated Financial Statements

For the years ended October 3, 2020, September 28, 2019 and September 29, 2018

(All tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

As release of the private placement funds from escrow and the full benefit and effect of the these subsequent financings will not be realized until the reverse takeover of Rainy Hollow as described in Note 28 is complete; which requires court, shareholder and exchange approval, the Company has concluded that there is a material uncertainty that may cast significant doubt with respect to its ability to continue as a going concern for at least the next twelve months and realize its assets and satisfy its liabilities in the normal course of operations as they come due. These financial statements do not include any adjustments to the results of operations or the carrying value of assets or liabilities which might be required in the event that the Company is unable to continue as a going concern.

The preparation of financial statements in accordance with IFRS requires the use of certain accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in Note 5.

3. Significant new accounting standards

IFRS 16 – Leases ("IFRS 16")

Effective September 29, 2019, the Company has adopted IFRS 16 using the modified retrospective application method, where the figures as at September 28, 2019 and for the years ended September 28, 2019 and September 29, 2018 are not restated.

IFRS 16 introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset ("ROU asset") and a lease liability at the lease commencement for all leases, except for short term leases (lease terms of 12 months or less) and leases of low-value assets, if this election is taken.

In applying IFRS 16 for all leases, except as noted above, the Company (i) recognizes the ROU asset and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments; (ii) recognizes the amortization of ROU assets and interest on lease liabilities in the consolidated statement of loss and comprehensive loss and (iii) separates the total amount of cash paid into a principal portion (presented in financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows. For short-term leases and leases of low value assets, with the exception of storage leases, the Company has opted to recognize a lease expense on a straight-line basis, and this expense is presented under general and administrative expenses in the consolidated statement of operations. As at adoption date, there have been no identified leases that were considered short-term or low value.

The Company has made use of the following practical expedients available on transition to IFRS 16:

- A single discount rate will be applied to the portfolio of former operating leases with reasonably similar characteristics.
- Hindsight has been used in determining the lease term if the contract contains options to extend or terminate the lease
- Initial direct costs have been excluded from the measurement of right of use assets at the date of initial adoption

In transitioning to IFRS 16, the Company analyzed its contracts to identify whether they are or contain a lease arrangement. This analysis identified contracts containing leases that increased both the Company's ROU assets and lease liabilities by \$15.7 million and \$18.3 million, respectively. As a result of the transition deferred rent inducements are no longer shown as separate line on the balance sheet but are included in the calculation of lease liabilities and ROU assets. The opening value of accumulated deficit did not change as at September 28, 2019. In addition, \$2.6 million of unamortized rent adjustments previously received were derecognized and the ROU asset reduced to reflect the lease incentives received. The incremental borrowing rate for lease liabilities initially recognized on adoption of IFRS 16 ranged from 4.11% - 5.2%.

4. Significant accounting policies

4.1) Basis of preparation

The financial statements have been prepared on an accrual basis and are based on historical cost, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

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 that 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 consider

Sustainable Produce Urban Delivery Inc.

Notes to the Consolidated Financial Statements

For the years ended October 3, 2020, September 28, 2019 and September 29, 2018

(All tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

those characteristics when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described in Note 4.8.

4.2) *Basis of consolidation*

The consolidated financial statements of the Company as at and for the year ended October 3, 2020 include the accounts of the parent, Sustainable Produce Urban Delivery Inc. (doing business as Spud Vancouver) and the accounts of the following wholly owned subsidiaries:

- (i) Organics Express Inc. (doing business as Spud Alberta: Calgary and Edmonton);
- (ii) 569672 B.C. Ltd. (doing business as Spud Victoria);
- (iii) Mainland Fresh Distribution Inc. (formerly "Be Fresh Local Market Inc.") (doing business as Juice Box, Be Fresh and Mainland Milk);
- (iv) Food-X Urban Delivery Inc.
- (v) Food-X Technologies Inc. ("FoodX")

The consolidated financial statements also include Be Fresh (AB) Inc. ("Be Fresh"). Be Fresh has three subsidiaries: Blush Lane Organic Produce Ltd., Blush Lane Marda Loop Ltd. and Blush Lane Windsor Ltd., all of which are wholly-owned subsidiaries other than Blush Lane Marda Loop Ltd., of which Be Fresh owns 51% of the issued and outstanding voting shares. Blush Lane Marda Loop Ltd. and Blush Lane Windsor Ltd. have no active operations.

Intercompany balances and transactions are eliminated in preparing these consolidated financial statements.

4.3) *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, outstanding deposits and short-term deposits which are highly liquid with original maturities of less than three months.

4.4) *Inventory*

Inventory is recorded at the lower of cost and net realizable value. The cost of inventory is based on its weighted average cost. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Inventory includes all costs to purchase and bring the inventories to their present location and condition.

4.5) *Property and equipment*

Property and equipment is measured at cost less accumulated depreciation and impairment losses. Cost includes expenses that are directly attributable to the acquisition of assets. An asset's residual value, useful life and depreciation method are reviewed during each financial year and adjusted if appropriate. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Gains and losses on disposal of an item are determined by comparing the proceeds from disposal with the carrying amount of the item and is recognized in profit or loss.

Depreciation is calculated based on the cost of the asset less its residual value and is recognized in net loss on a straight-line or declining balance basis over the estimated useful life of each item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. The estimated useful lives for the current and comparative year are as follows:

Assets	Basis	Estimated useful life/rate
Furniture and equipment	Straight-line	5-12 years
Vehicles	Straight-line	6-10 years
Computer hardware	Straight-line	3 years
Leasehold improvements	Straight-line over life of lease	5-15 years
Delivery equipment	Declining balance	10% per year

4.6) *Intangible assets*

Intangible assets are stated at cost less accumulated amortization and accumulated write downs for impairment.

Amortization is provided over the estimated useful lives of the assets using the following methods and annual rates:

Sustainable Produce Urban Delivery Inc.

Notes to the Consolidated Financial Statements

For the years ended October 3, 2020, September 28, 2019 and September 29, 2018

(All tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

Assets	Basis	Rate
Trademarks	Straight-line	10 years
Customer lists	Straight-line	5 years
Computer software	Straight-line	3-10 years

4.7) *Property and equipment*

The Company assesses impairment of property and equipment when an impairment indicator arises (e.g. change in use or discontinued use, obsolescence or physical damage). When the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, the asset is tested at the cash generating unit ("CGU") level. In assessing impairment, the Company compares the carrying amount of the asset or CGU to the recoverable amount, which is determined as the higher of the asset or CGU's fair value less costs of disposal and its value-in-use. Value-in-use is assessed based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects applicable market and economic conditions, the time value of money and the risks specific to the asset. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. An impairment loss is recognized whenever the carrying amount of the asset or CGU exceeds its recoverable amount and is recorded in the consolidated statements of loss and comprehensive loss.

At the end of each reporting period, the Company reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount shall be estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an entity shall determine the recoverable amount of the CGU to which the asset belongs..

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

4.8) *Financial instruments*

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI.

The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Other long-term deposits, and trade and other receivables, and investments and advances are measured at amortized cost with subsequent impairments recognized in the consolidated statement of loss.

Financial liabilities are accounted for as either: (i) fair value through profit or loss; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Trade and other payables and short-term debt are classified as amortized cost and carried on the consolidated statement of financial position at amortized cost.

Financial assets and financial liabilities are measured at fair value using a valuation hierarchy for disclosure of fair value measurements. The determination of the applicable level within the hierarchy of a particular asset or liability depends on the inputs used in the valuation as of the measurement date, notably the extent to which the inputs are market-based (observable) or internally derived (unobservable). The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1: defined as observable inputs such as quoted prices in active markets.

Level 2: defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.

Level 3: defined as inputs that are based on little or no observable market data and, therefore, requiring entities to develop their own assumptions.

Sustainable Produce Urban Delivery Inc.

Notes to the Consolidated Financial Statements

For the years ended October 3, 2020, September 28, 2019 and September 29, 2018

(All tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

Impairment and un-collectability of financial assets

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. This applies to financial assets measured at amortized cost. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in the consolidated statement of loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through the consolidated statement of loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

4.9) *Translation of foreign currency transactions*

All figures presented in the consolidated financial statements and tabular disclosures to the financial statements are reflected in Canadian dollars, which is the functional currency of the Company.

Monetary items denominated in foreign currencies are translated to the functional currency of the Company at exchange rates in effect at the statement of financial position date. Revenue and expenses are translated at exchange rates in effect at the time of the transaction. Foreign exchange gains and losses are included in the determination of net income (loss) for the year.

4.10) *Goodwill*

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

4.11) *Income taxes*

Deferred tax assets are recognized for tax losses that can be carried forward to the extent that such assets can be realized. Deferred tax is also recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences:

- (i) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss,
- (ii) differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and,
- (iii) deferred tax for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when the related asset is realized or liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Sustainable Produce Urban Delivery Inc.

Notes to the Consolidated Financial Statements

For the years ended October 3, 2020, September 28, 2019 and September 29, 2018

(All tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

4.12) *Stock-based compensation and other stock-based payments*

The Company has a stock-based compensation plan, which is described in Note 19. Equity instruments awarded to employees are measured and recognized based on the fair value of the equity instruments at the grant date. The compensation cost is recognized over the period in which the related employee services are rendered. Awards for past service are recognized as an expense in the period when granted.

4.13) *Revenue recognition*

The Company recognizes revenue from the following major sources:

- sale of grocery and consumer goods through its own online channels and retail outlets, including a loyalty program; and
- provisioning of warehousing, warehousing management and distribution services for third parties.

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control of a product or service to a customer. Estimated allowances for returns and credits are recorded as a reduction of revenue at the time of revenue recognition.

Sale of grocery and consumer goods

For sales of goods to customers through online channels, revenue is recognized when control of the goods has transferred, being at the point goods are delivered to the customer. Delivery occurs when the goods have been delivered to the customer's specific location. For sales of goods at retail outlets, revenue is recognized when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Provision of warehousing and related services

The Company provides warehousing, warehousing management and distribution services. Such services are recognized as an integrated service and determined to be one performance obligation satisfied over time. Revenue is recognized for these warehousing services in line with the right to invoice.

4.14) *Investment tax credit*

Investment tax credits are recorded when SPUD has complied with eligible requirements to receive the credit, using the cost reduction approach. Investment tax credits related to current research and development expenditures are included in the statement of loss and comprehensive loss as a reduction of the expenses that they relate to. Investment tax credits related to the acquisition of property and equipment are deducted from the cost of the related assets, with any amortization calculated on the net amount.

The investment tax credits are subject to review and audit by the Canada Revenue Agency ("CRA"). Although the Company has used its best judgment and understanding of the related income tax legislation in determining the amounts and timing of investment tax credits, it is possible that the amounts could change by a material amount in the near term depending on a review and audit by the CRA.

4.15) *Leases*

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

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date.

Right-of-use assets

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

Sustainable Produce Urban Delivery Inc.

Notes to the Consolidated Financial Statements

For the years ended October 3, 2020, September 28, 2019 and September 29, 2018

(All tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

The right-of-use asset is subsequently amortized using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is subject to impairment assessment and adjusted for certain remeasurements of its associated lease liability.

Lease Liabilities

The lease liability is initially measured at the present value of future lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate specific to the lease.

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

- fixed lease payments, including in-substance fixed payments;
- lease payments that depend on an index or a rate (such as inflation), initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise;
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, a lessee shall recognise any remaining amount of the remeasurement in net earnings.

A lease modification is accounted for as a separate lease if there is an increase in the scope of a lease and a corresponding increase in consideration, such as adding the right to use one or more underlying assets in a contract. Otherwise, a lease modification is considered a remeasurement of the lease liability, as discussed above.

Recognition Exemptions

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

4.16) Government grants

Government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attached to the grant and the grant will be received. Government grants that reimburse the Company for expenses incurred are recorded as an offset to the expense in the same period. Government grants which reimburse the Company for assets purchased are deducted from the related asset, with amortization calculated on the net amount.

5. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. These assumptions and estimates are regularly reviewed. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

The Company's main judgements, estimates, and assumptions are presented below:

Sustainable Produce Urban Delivery Inc.

Notes to the Consolidated Financial Statements

For the years ended October 3, 2020, September 28, 2019 and September 29, 2018

(All tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

5.1) *Going concern*

Management has applied judgements in the assessment of the Company's ability to continue as a going concern when preparing its financial statements. Management prepares the financial statements on a going concern basis unless management either intends to liquidate the Company or has no realistic alternative other than to do so.

5.2) *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the recoverable amount (higher of fair value less costs of disposal and value in use) of the cash generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

5.3) *Revenue recognition*

Revenue is recognized for warehousing services based on the Company's right to invoice. Management has applied judgement in determining that the "right to invoice" practical expedient is applicable to the Company.

5.4) *Determination of useful life*

Each significant component of property and equipment and intangible assets are depreciated over their estimated useful lives. Estimated useful lives are determined based on current facts and past management experience and take into consideration the anticipated physical life of the asset, existing long-term sales agreements and contracts, current and forecasted demand, lease term, and the potential for technological obsolescence.

6. Revenue

Disaggregation of revenue from contracts with customers:

	October 3 2020	September 28 2019	September 29 2018
	\$	\$	\$
Online customers	62,831	38,948	46,329
Retail customers	40,305	35,302	29,541
Inventory management	3,178	1,203	85
Other	1,247	1,075	208
	107,561	76,528	76,163

7. Selling, general and administrative

	October 3 2020	September 28 2019	September 29 2018
	\$	\$	\$
Salaries and benefits	24,638	21,693	8,292
General and administrative	11,550	8,303	12,970
Depreciation of property and equipment	2,656	948	1,031
Sales and marketing	1,507	1,444	3,039
Stock based compensation	1,433	1,407	603
Amortization of intangible assets	474	371	19
Start-up costs	97	269	—
Foreign exchange (gain)/loss	(36)	16	6
Gain on disposal of property and equipment	—	(12)	—
	42,319	34,439	25,960

Sustainable Produce Urban Delivery Inc.

Notes to the Consolidated Financial Statements

For the years ended October 3, 2020, September 28, 2019 and September 29, 2018

(All tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

8. Distribution costs

	October 3 2020	September 28 2019	September 29 2018
	\$	\$	\$
Distribution	11,968	8,210	7,829
Depreciation of property and equipment	1,203	1,169	315
Stock based compensation	24	42	5
	13,195	9,421	8,149

9. Finance expense

	Note	October 3 2020	September 28 2019	September 29 2018
		\$	\$	\$
Warrant expense	17	405	—	—
Conversion option expense	17	1,421	—	—
Contingent warrant expense	17	4,825	—	—
Loss on extinguishment		130	—	—
Accretion expense		2,262	—	—
Short-term debt interest	17	3,896	577	—
Lease interest		1,033	253	—
Bank and other		48	80	193
		14,020	910	193

10. Trade and other receivables

	October 3 2020	September 28 2019
	\$	\$
Trade receivables	4,636	2,110
Expected credit losses	(723)	—
Accounts receivable – other	843	691
Research tax credit receivable	—	160
	4,756	2,961

11. Inventories

Inventory expensed during the year ended October 3, 2020 is represented by the amount reported as cost of sales in the amount of \$69.0 million (\$50.4 million in 2019 and \$50.4 million in 2018).

	October 3 2020	September 28 2019
	\$	\$
Groceries	3,888	2,428
Produce	367	149
Materials	64	264
	4,319	2,841

Sustainable Produce Urban Delivery Inc.

Notes to the Consolidated Financial Statements

For the years ended October 3, 2020, September 28, 2019 and September 29, 2018

(All tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

12. Property and equipment

Property and equipment, leased buildings, and right-of-use assets are carried at cost less accumulated depreciation. As at October 3, 2020, the Company has \$1.9 million (2019 - \$nil) in rent inducement that is offset against the right-of-use asset and will be amortized starting in 2021.

	October 3 2020	September 28 2019
	\$	\$
Property and Equipment	14,430	17,484
Right-of-use assets	15,670	—
	30,100	17,484

12.1) Property and Equipment

	Furniture and equipment	Vehicles	Delivery equipment	Leasehold improvements	Computer hardware	Total
	\$	\$	\$	\$	\$	\$
Cost						
September 28, 2019	4,881	3,089	1,024	13,230	1,673	23,897
Reclassification of PP&E to Right of Use assets	(294)	(2,072)	—	—	—	(2,366)
Additions	196	34	97	160	423	910
October 3, 2020	4,783	1,051	1,121	13,390	2,096	22,441
Accumulated depreciation						
September 28, 2019	2,536	773	409	1,866	829	6,413
Reclassification of PP&E to Right of Use assets	(62)	(344)	—	—	—	(406)
Depreciation	395	96	230	913	370	2,004
October 3, 2020	2,869	525	639	2,779	1,199	8,011
Net book value						
September 28, 2019	2,345	2,316	615	11,364	844	17,484
October 3, 2020	1,914	526	482	10,611	897	14,430

Sustainable Produce Urban Delivery Inc.

Notes to the Consolidated Financial Statements

For the years ended October 3, 2020, September 28, 2019 and September 29, 2018

(All tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

12.2) Right-of-use Assets

	Furniture and equipment \$	Vehicles \$	Buildings \$	Total \$
Cost				
September 28, 2019	—	—	—	—
Reclassification of PP&E to Right of Use assets	294	2,072	—	2,366
Adjustment on initial application	—	—	15,383	15,383
Additions	76	334	—	410
October 3, 2020	370	2,406	15,383	18,159
Accumulated depreciation				
September 28, 2019	62	344	—	406
Adjustment on initial application	—	—	—	—
Depreciation	36	276	1,771	2,083
October 3, 2020	98	620	1,771	2,489
Net book value				
September 28, 2019	232	1,728	—	1,960
October 3, 2020	272	1,786	13,612	15,670

Sustainable Produce Urban Delivery Inc.

Notes to the Consolidated Financial Statements

For the years ended October 3, 2020, September 28, 2019 and September 29, 2018

(All tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

13. Intangible assets

	Trademarks	Customer lists	Computer software	Total
	\$	\$	\$	\$
Cost				
September 28, 2019	246	22	4,188	4,456
Additions	3	—	1,217	1,220
Disposals	—	—	—	—
October 3, 2020	249	22	5,405	5,676
Accumulated depreciation				
September 28, 2019	78	2	806	886
Amortization	6	—	468	474
October 3, 2020	84	2	1,274	1,360
Net Book Value				
September 28, 2019	168	20	3,382	3,570
October 3, 2020	165	20	4,131	4,316

14. Lease Liabilities

The continuity of the Company's lease liabilities from September 28, 2019 to October 3, 2020 is as follows:

Balance, September 29, 2018	\$	2,382
Additions		795
Disposals		(137)
Payment of lease obligations		(505)
Interest expense on lease obligations		175
Balance, September 28, 2019		2,710
Recognition of lease liabilities on initial application of IFRS 16		18,005
Adjusted balance, September 28, 2019		20,715
Additions		520
Disposals		-
Payment of lease obligations		(4,181)
Interest expense on lease obligations		1,255
Balance, October 3, 2020		18,309
Current portion		(2,112)
Non-current portion		16,197

15. Trade and other payables

	October 3 2020	September 28 2019
	\$	\$
Trade payables	10,733	10,235
Accrued compensation and related costs	2,881	1,677
Accrued liabilities and other	1,592	636
	15,206	12,548

Sustainable Produce Urban Delivery Inc.

Notes to the Consolidated Financial Statements

For the years ended October 3, 2020, September 28, 2019 and September 29, 2018

(All tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

16. Deferred Revenue

Deferred revenue is recognized for consideration received in advance of the related revenue. The Company records deferred revenue in relation to gift certificates purchased and for consideration received from FoodX. clients for implementation and development work prior to go-live.

	October 3 2020	September 28 2019
	\$	\$
Balance, beginning of the year	299	278
Supercluster grant	195	—
eGrocery management solution development/integration fees	4,454	—
Gift cards	84	21
Balance, end of the year	5,032	299
Less: current portion of deferred revenue	(789)	—
Non-current portion of deferred revenue	4,243	299

17. Short-term debt & derivative liabilities

On July 31, 2020, the Company entered into a related party debt facility arrangement with Fonds Agro WF S.E.C./WF Agro Fund L.P. ("Walter Financial") for \$28.0 million at an annual interest rate of 15% which matures and is repayable in March 2021 ("Debt Facility").

Subject to certain conversion features, the Debt Facility is automatically converted into common shares, at the holder's option ("Conversion Option"), upon the occurrence of certain events such as: an event of default; a significant financing; a change of control; a sale of Blush Lane Organic Markets or the sale or other disposition of any other significant asset or property; or an initial public offering of the Company or any other transaction resulting in the shares of the Company being publicly traded ("IPO") (collectively "Triggering Events").

The Company can at any time repay the Debt Facility in full without penalty ("Repayment Option").

In addition to the above, the Company issued 3,600,000 warrants to the holder which entitles the holder to acquire at any time prior to the fifth anniversary of the closing, one common share of the Company ("Warrants").

The Conversion Option, Repayment Option and Warrants are classified as derivative liabilities as they are exercisable at variable prices. The Company will account for these derivative liabilities at Fair Value Through Profit or Loss ("FVTPL") where initially the derivative liabilities are recognized at fair value with subsequent changes in fair value recognized in the consolidated statement of loss and comprehensive loss.

Subsequent to initial recognition, the Debt Facility is measured at amortized cost using the effective interest method.

Interest, dividends, losses, and gains relating to the financial liabilities are recognized in Finance expense within the consolidated statement of loss and comprehensive loss.

On initial recognition, the Conversion Option was recognized at fair value of \$1.0 million; the Repayment Option was recognized at fair value of nil; the Warrants at fair value of \$9.9 million with the residual of \$16.3 million net of \$0.8 million in transaction costs being assigned to the Debt Facility.

On September 11, 2020, a portion of the Debt Facility was assigned to a group of lenders under the same terms and conditions; this reassignment was considered to be a modification with no effect on recognition.

Sustainable Produce Urban Delivery Inc.

Notes to the Consolidated Financial Statements

For the years ended October 3, 2020, September 28, 2019 and September 29, 2018

(All tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

The Walter Financial debt was fair valued at valuation date using a discount cashflow model ("DCF"). Repayment option, conversion option and warrants' fair values use a simulation model (ie. Simulation of stock price at the qualified financing date using geometric Brownian motions, then valued the warrant at qualified financing date as an at the money call option for corresponding to each simulation and discounted to valuation date. This process is repeated 50,000 times to calculate the average payoff. Key assumptions of this debt at inception and period end were as follows:

	October 3 2020	July 31 2020
IPO triggering event probability	60%	25%
Volatility	48%	48%
Exercise price	\$8.00	\$8.00
Share price	\$6.80	6.80
Fair value debt host	\$18.6 million	\$16.3 million

On October 3, 2020 the derivative liabilities were remeasured as follows:

- The Conversion Option was remeasured at fair value of \$2.4 million with a loss of \$1.4 million being recognized in Finance expense within the consolidated statement of loss and comprehensive loss. Key assumptions used in the fair value determination were a triggering event probability of 60%. Assumptions are reassessed at each period end and a mark-to-market adjustment will be made through the statement of profit and loss.
- The Warrants were remeasured at fair value of \$10.3 million with a loss of \$0.4 million being recognized in Other income (expense) within the consolidated statement of loss and comprehensive loss. Key assumptions used in the fair value determination were: a volatility rate of 48% and exercise price of \$8.00 and a share price of \$6.80.

	October 3 2020	September 28 2019
	\$	\$
Walter Financial, 15% annual	28,000	—
Less: Transaction cost	(766)	—
Less: Warrants	(10,290)	—
Less: Conversion options	(2,436)	—
Interest and accretion	4,157	—
Bridging Finance Inc., prime plus 8.05%	—	17,000
Less: Unamortized finance costs	—	(349)
ATB Financial, ranging from 1.5% to prime plus 3%	690	980
	19,355	17,631

In August 2019, the Company secured a loan facility of up to \$17.0 million with Bridging Finance Inc. ("BFI"). As at September 28, 2019, the Company had drawn the balance of the loan facility, net of \$0.6 million of finance costs. The loan was due on July 25, 2020 and bears interest at prime plus 8.05% per annum calculated on the daily outstanding balance of the loan, paid monthly. As at September 28, 2019, the Company accrued \$0.4 million of interest and had paid \$0.1 million (September 29, 2018: nil). The loan facility was secured by:

1. First priority security over all assets of the Company;
2. Unconditional guarantee of the payment and performance by the Company's subsidiaries; and
3. All issued and outstanding shares of the Company's subsidiaries.

On September 28, 2019, the Company amended its existing credit agreement to increase this loan facility by \$10.0 million.

The above BFI loan facility was increased by \$10.0 million on January 6, 2020 which was considered to be a substantial modification as the increase in the face amount was substantially different from the original credit agreement. As a result, the original financial liability was extinguished and a loss on derecognition of \$0.1 million was recorded during the fiscal year. The BFI loan was paid off entirely through the Walter Financial debt facility arrangement on July 31, 2020.

Sustainable Produce Urban Delivery Inc.

Notes to the Consolidated Financial Statements

For the years ended October 3, 2020, September 28, 2019 and September 29, 2018

(All tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

ATB Financial loans are held by Blush Lane and were acquired during the 2017 financial year. The Company accrued interest of \$50,086 on these loans during the year ended October 3, 2020 (September 28, 2019: \$0.1 million). These loans are due on demand and are secured by:

1. Unlimited guarantee or postponement and assignment of claims resulting from amounts owing from Blush Lane Organic Produce Ltd.;
2. Limited personal guarantee of the director and postponement and assignment of claims; and
3. Unlimited guarantee and postponement and assignment of claims from Blush Lane Organic Produce Ltd. supported by a general security agreement providing first-ranking security interest over all present and after-acquired property.

The Company secured short-term financing of \$2.0 million during the year ended September 28, 2019, which was repaid during the year. The Company recorded interest of \$nil related to these short-term loans (September 28, 2019: \$0.1 million).

18. Share capital

The authorized share capital of the Company is unlimited number of common shares without par value.

On September 28, 2018, the Company closed a non-brokered private placement for gross proceeds of \$3.5 million by issuing 786,364 common shares at \$4.50 each. The total costs incurred were \$0.1 million.

During the year ended September 28, 2019 the Company completed non-brokered private placements for gross proceeds of \$6.7 million on November 21, 2018, \$1.3 million on February 11, 2019, and \$1.7 million on July 31, 2019 by issuing 2,168,875 common shares at \$4.50 each. The total costs incurred were \$0.5 million.

Additional covenants with the above private placements include:

- In the event the Company completes a strategic transaction where the majority of its assets or shares are transferred to another party and the subscriber for common shares under the private placement (the "Subscriber") does not receive consideration equal to 150% of the subscription price (the "Minimum Return"), the Company will provide a cash payment equal to the difference;
- In the event the Company completes a public listing activity, the Subscriber shall receive one common share purchase warrant for each Subscriber share with each warrant entitling the Subscriber to purchase one common share at an exercise price of the public listing price less the maximum discount permitted by the stock exchange for a period of 12 months following the listing date; and
- In no instance shall the Subscriber receive both the Minimum Return and the warrants, as described above.

19. Stock-based compensation

On September 28, 2014, the Company adopted a Stock Option Plan (the "Plan") and has granted stock options with exercise prices ranging from \$0.01 to \$4.50 under the Plan. Included in the grants were options previously granted with an exercise price of \$0.01, to key employees in lieu of cash salaries and to its non-management directors for director fees. The options issued expire ten years from the original grant date and vest in 25% increments every six months from the date of grant.

The Company uses the Black-Scholes option pricing model to calculate the fair value of the stock options and recognizes costs over the vesting period of each option group. For the fiscal year ended October 3, 2020, a total of \$1.5 million (\$0.9 million in the year ended September 28, 2019 and \$0.4 million in the year ended September 29, 2018) of stock-based compensation expense was recognized, with a corresponding charge to other equity reserve.

The value of stock options issued was determined using the following assumptions:

	October 3 2020	September 28 2019	September 29 2018
	\$	\$	\$
Expected life of options	5 years	5 years	4.8 years
Risk-free interest rate	0.42%	2.23%	1.26%
Dividend yield	0.00%	0.00%	0.00%
Expected forfeitures	40.00%	26.00%	15.17%
Volatility	45.00%	30.00%	16.39%
Weighted average fair value of the options	\$1.76	\$1.38	\$0.52
Weighted average exercise price	\$4.50	\$4.50	\$1.76

Sustainable Produce Urban Delivery Inc.

Notes to the Consolidated Financial Statements

For the years ended October 3, 2020, September 28, 2019 and September 29, 2018

(All tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

The following tables summarize the stock options outstanding:

	Number outstanding	Number vested and exercisable	October 3, 2020 weighted average remaining contractual life (years)
	\$	\$	\$
Exercise prices (\$)			
0.01 to 1.00	368,450	368,450	1.8
1.80 to 2.70	813,750	813,750	5.2
2.71 to 3.00	645,000	645,000	7.1
3.00 to 4.50	2,600,000	1,120,500	9.2
	4,427,200	2,947,700	7.5

	Number outstanding	Number vested and exercisable	September 28, 2019 weighted average remaining contractual life (years)
	\$	\$	\$
Exercise prices (\$)			
0.01 to 1.00	441,700	441,700	2.8
1.80 to 2.70	1,078,250	1,078,250	6.4
2.71 to 3.00	779,500	717,250	8.1
3.00 to 4.50	802,500	181,875	9.2
	3,101,950	2,419,075	7.0

	Number outstanding	Number vested and exercisable	September 29 2018 weighted average remaining contractual life (years)
	\$	\$	\$
Exercise prices (\$)			
0.01 to 1.00	455,450	455,450	3.8
1.80 to 2.70	1,121,250	1,006,750	7.4
2.71 to 3.00	899,000	366,500	9.1
	2,475,700	1,828,700	7.9

Sustainable Produce Urban Delivery Inc.

Notes to the Consolidated Financial Statements

For the years ended October 3, 2020, September 28, 2019 and September 29, 2018

(All tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

20. Financial Instruments

The Company has determined that the fair values of cash and cash equivalents, amounts receivable included in other current assets, line of credit, and accounts payable and accrued liabilities approximate their respective carrying amounts at the consolidated statement of financial position date, due to the short-term maturity of those instruments.

The Company is exposed to certain financial risks as listed below. There has been no change in the exposure to risk, nor its objectives, policies, and process for managing risk from the prior years.

(a) 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 customers. In order to reduce its credit risk, the Company deals only with financially sound counterparties and, accordingly, does not anticipate loss for non-performance. An expected credit loss is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Company has a significant number of customers which minimizes concentration of credit risk.

The Company's cash and cash equivalents are also exposed to credit risk. Cash and cash equivalents are held with a major financial institution.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Management monitors its interest rates compared to market rates on a regular basis. The Company does not use derivative instruments to reduce its exposure to interest rate risk.

(c) Currency risk

Currency risk is the risk that the Company's net income (loss) will vary from fluctuations of foreign exchange rates and the degree of volatility of these rates. The following table includes amounts expressed in Canadian dollars with respect to financial assets for which cash flows are denominated in U.S. dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

(d) Liquidity risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cash flows generated from operations to meet its requirements. As at October 3, 2020, the most significant financial liabilities are short-term debt, trade and other payables, and lease liabilities.

	Carrying Amount October 3, 2020 \$	Contractual Cash Flows		
		1 Year	1-3 Years	3+ Years
Short Term Debt	19,355	28,690	—	—
Trade Payable	15,206	15,206	—	—
Lease Liability	18,309	2,112	6,230	9,967

(e) Fair value

The fair values of the Company's financial assets and liabilities approximate their carrying amounts. There were no transfers between levels during the year. Refer to Note 4 (4.8) for valuation hierarchy used by the Company in measuring fair value.

The Company determined the valuation of its warrants and derivatives related to the short-term debt using the discounted cash flow method which is a level 3 fair value measurement.

Sustainable Produce Urban Delivery Inc.

Notes to the Consolidated Financial Statements

For the years ended October 3, 2020, September 28, 2019 and September 29, 2018

(All tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

21. Income taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	October 3 2020	September 28 2019	September 29 2018
	\$	\$	\$
Loss for the year	(30,722)	(18,561)	(8,852)
Effective tax rate	27.00%	27.00%	27.00%
Expected income tax recovery	8,295	5,011	2,390
Less: Non-deductible items	2,436	431	220
Less: change in unrecognized deductible temporary differences	4,163	4,580	2,170
Add: Impact of IFRS 16 adoption	(653)	—	—
Less: Impact on convertible debt issuance	3,149	—	—
Add: Return to provision adjustments	(752)	—	—
Less: Other	48	—	—
Total Income tax expense (recovery)	—	—	—

The significant components of the company's deferred tax assets and deferred tax liabilities are as follows:

	October 3 2020	September 28 2019	September 29 2018
	\$	\$	\$
Deferred tax assets			
Non-capital losses	4,653	700	44
Property and equipment	1,546	—	—
Deferred tax liabilities			
Property and equipment	—	(700)	(44)
Right-of-use asset	(3,675)	—	—
Convertible loan	(2,524)	—	—
Net deferred tax assets	—	—	—

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position as at October 3, 2020 are as follows:

	\$	Expiry
Non-capital losses	40,981	2024 to 2039
Capital losses	12,266	No expiry
Capital lease obligation	4,535	No expiry
Deferred finance costs	1,509	No expiry
Intangibles	1,410	No expiry
SR&ED expenditures	460	No expiry
Charitable donations	456	2033 to 2038
Reserves	191	No expiry

Tax attributes are subject to review, and potential adjustment by tax authorities. As at October 3, 2020, the Company has unused tax losses of \$58.2 million (\$37.6 million in 2019) available for offset against future taxable income. The company has recorded a deferred tax asset in respect of \$17.2 million (\$2.6 million in 2019) of these losses. No deferred tax asset has been recognized on the balance of these losses, as it is not sufficiently probable that there will be future taxable profits available.

Sustainable Produce Urban Delivery Inc.

Notes to the Consolidated Financial Statements

For the years ended October 3, 2020, September 28, 2019 and September 29, 2018

(All tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

22. Related party disclosure

During the year, the Company entered a related party debt facility arrangement with Walter Financial for \$28.0 million (Note 17).

Key management include the Company's directors and officers. The remuneration of key management personnel during the year was as follows:

	October 3 2020	September 28 2019	September 29 2018
	\$	\$	\$
Salaries and short-term employee benefits	1,008	667	644
Equity-based compensation	512	880	389
	1,520	1,546	1,033

23. Capital management

In the management of capital, the Company includes components of shareholders' equity. The Company aims to manage its capital resources to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and to maximize its financial flexibility by maintaining strong liquidity and by utilizing alternative sources of capital including equity, debt and bank loans or lines of credit to fund continued growth. The Company sets the amount of capital in proportion to risk and based on the availability of funding sources. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Additional debt and/or equity financing may be pursued in future as deemed appropriate to balance debt and equity. To maintain or adjust the capital structure, the Company may issue new shares, take on additional debt or sell assets to reduce debt.

The Company is not subject to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

24. Government grants

Canada's Digital Technology Supercluster Grant

FoodX, the project lead, entered into an agreement for funding of up to \$2.6 million under the Canadian government's Technology Supercluster grant program. The total value of the project is up to \$3.3 million and eligible costs will be reimbursed at a maximum co-investment rate of 78.52%. The agreement is effective June 22, 2020 and work will continue until June 22nd, 2021. As at October 3, 2020 the Company had incurred \$0.1 million in eligible costs in relation to the Supercluster Project.

25. Loss per share

Share issuances are weighted from the transaction date.

For the years ended October 3, 2020, September 28, 2019 and September 29, 2018 the diluted loss per share calculation did not take into consideration the potential dilutive effect of the employee stock options, warrants and the debt conversion feature as they are not dilutive.

26. Segment Reporting

The Company's principal business activities are e-grocery sales and distribution via its *spud.ca* platform, operation of retail stores via Blush Lane Organic Markets and the development and sale of e-grocery management solutions software to grocery retailers.

In accordance with IFRS 8 "Operating Segments", an operating segment is defined as a business activity whose operating results are reviewed by the chief operating decision-maker ("CODM"), for which discrete information is available. Operating segments are reported in a manner consistent with the internal reporting provided to the CODM,

Sustainable Produce Urban Delivery Inc.

Notes to the Consolidated Financial Statements

For the years ended October 3, 2020, September 28, 2019 and September 29, 2018

(All tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

as required by IFRS 8. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

The operating segment for the development and sale of e-grocery management solutions software to grocery retailers is below the 10% threshold specified under IFRS 8 and has not been disclosed as a separate operating segment.

The Board assesses the performance of all segments on the basis of revenue and cost of goods sold as reported internally; this is the key measure utilized in assessing the performance of operating segments within the SPUD group of companies.

The accounting policies of the segments are the same as those for the Group as a whole. Any transactions between the business segments are subject to normal commercial terms and market conditions. Segmental results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

For the period ended October 3, 2020

	eGrocery	Blush Lane	Intercompany Elimination / Reclass	Consolidation
Total revenue, net of returns and credits	78,004	37,494	(7,937)	107,561
Cost of sales	(50,575)	(24,925)	6,457	(69,043)
Distribution costs	(12,829)	(365)	—	(13,195)
	14,600	12,204	(1,480)	25,324
Selling, general and administrative expenses	—	—	—	(42,319)
				(16,996)
Other income (expense)	—	—	—	294
Finance expense	—	—	—	(14,020)
Net loss and comprehensive loss				(30,722)

For the period ended September 28, 2019

	eGrocery	Blush Lane	Intercompany Elimination / Reclass	Consolidation
Total revenue, net of returns and credits	49,638	31,602	(4,712)	76,528
Cost of sales	(32,203)	(21,680)	3,503	(50,380)
Distribution costs	(9,126)	(295)	—	(9,421)
	8,309	9,627	(1,209)	16,727
Selling, general and administrative expenses	—	—	—	(34,439)
				(17,712)
Other income (expense)	—	—	—	61
Finance expense	—	—	—	(910)
Net loss and comprehensive loss				(18,561)

Sustainable Produce Urban Delivery Inc.

Notes to the Consolidated Financial Statements

For the years ended October 3, 2020, September 28, 2019 and September 29, 2018

(All tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

	For the period ended September 29, 2018			
	eGrocery	Blush Lane	Intercompany Elimination / Reclass	Consolidation
Total revenue, net of returns and credits	50,791	30,252	(4,880)	76,163
Cost of sales	(31,819)	(21,385)	2,795	(50,409)
Distribution costs	(7,982)	(167)	—	(8,149)
	10,990	8,700	(2,085)	17,605
Selling, general and administrative expenses	—	—	—	(25,960)
				(8,355)
Other income (expense)	—	—	—	170
Finance expense	—	—	—	(193)
Start-up costs	—	—	—	(474)
Net loss and comprehensive loss				(8,852)

27. Contingent warrants

The Company has 3.5 million contingent warrants which were granted between November 20, 2013 and January 3, 2020 with exercise prices ranging from \$1.80 to \$6.80. The warrants are contingent on an IPO or other go-public transaction and given the likelihood of a qualifying transaction taking place an expense of \$4.8 million was recorded in the Statement of Loss and Comprehensive Loss during the year-ended October 3, 2020. Key assumptions used in the fair value calculation are volatility rate of 45% and a stock price of \$7.50.

28. Subsequent events

On September 30, 2020, the Company entered into a letter of intent (the "Letter of Intent") with Rainy Hollow Ventures Inc. ("Rainy Hollow"), which outlined the terms and conditions pursuant to which Rainy Hollow and SPUD will complete a transaction that will result in a reverse take-over of Rainy Hollow by SPUD, whereby Rainy Hollow will acquire all of the issued and outstanding common shares of SPUD, to form the resulting issuer (the "Resulting Issuer").

On October 21, 2020, SPUD completed a brokered private placement financing (the "Convertible Debenture Financing") pursuant to which it issued an aggregate principal amount of \$15.5 million unsecured convertible debentures (the "Convertible Debentures"), each Convertible Debenture being convertible upon certain events, including the proposed take-over by of Rainy Hollow by SPUD, into a SPUD common share at a price equal to an amount representing a 15% discount to the listing price of the Resulting Issuer Shares (as defined below) on the TSX Venture Exchange or the Toronto Stock Exchange, as the case may be.

On December 21, 2020, the Company entered into an arrangement agreement with Rainy Hollow, replacing the Letter of Intent between the same parties, which sets out the terms of the reverse take-over of Rainy Hollow by SPUD by way of a statutory plan of arrangement under Section 288 of the Business Corporations Act (British Columbia) involving Rainy Hollow, SPUD and the securityholders of SPUD (the "Arrangement"). Rainy Hollow, as it will exist as the Resulting Issuer after completion of the Arrangement, will change its name to "Freshlocal Solutions Inc." or such other name that Rainy Hollow and SPUD may agree to.

On December 23, 2020 and in connection with the Arrangement, SPUD completed a brokered private placement financing (the "Subscription Receipt Financing") pursuant to which it issued 3,227,500 subscription receipts at a price of \$7.50 per subscription receipt for gross proceeds of \$24.2 million which subscription receipts pursuant to their terms

Sustainable Produce Urban Delivery Inc.

Notes to the Consolidated Financial Statements

For the years ended October 3, 2020, September 28, 2019 and September 29, 2018

(All tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

will be converted into SPUD common shares immediately prior to the completion of the Arrangement provided all required conditions are met.

The following transactions will be recognized in conjunction with the Arrangement:

- Prior to the acquisition by Rainy Hollow of all issued and outstanding shares of SPUD:
 - The conversion of the Convertible Debentures into common shares;
 - The exchange of the Subscription Receipts for common shares;
 - The issuance of common share purchase warrants to the Subscribers (Note 17);
 - The conversion of a portion of SPUD's convertible notes evidencing the loan under the Debt Facility (the "Convertible Notes"), into common shares and the repayment of the balance of the Convertible Notes by cash; and
 - The conversion of all of the convertible loan warrants, issued in connection with the Debt Facility and the Convertible Notes, into common shares.
- The consolidation of common shares of Rainy Hollow on an 8 to 1 basis;
- At the time of completion of the acquisition by Rainy Hollow of all issued and outstanding shares of SPUD:
 - The exchange of all outstanding SPUD common shares for post-consolidation Rainy Hollow common shares ("Resulting Issuer Shares") on a 1 to 1 basis;
 - The cancellation of all outstanding SPUD stock options and their replacement with Resulting Issuer options issued by the Resulting Issuer pursuant to a newly adopted Resulting Issuer stock option plan, exercisable for Resulting Issuer Shares;
 - The cancellation of all outstanding SPUD warrants, including broker warrants, and their replacement with warrants issued by the Resulting Issuer, exercisable for Resulting Issuer Shares;
- The incurrence of share issuance, transaction and reorganization costs related to the conversions, [the Convertible Debenture Financing], the Subscription Receipt Financing and the Arrangement;

A reverse acquisition occurs when the entity that issues securities (the legal acquirer or, in this case, Rainy Hollow) is identified as the acquiree for accounting purposes. The entity whose interests are acquired (the legal acquiree or, in this case, SPUD) is the acquirer for accounting purposes in a reverse acquisition. It has been determined that Rainy Hollow is the accounting acquiree and that SPUD is the accounting acquirer based upon the guidance in IFRS 10, Consolidated Financial Statements, and IFRS 3, Business Combinations.

The acquisition date fair value of the consideration transferred by the accounting acquirer, SPUD, for its interest in the accounting acquiree, Rainy Hollow, is based on the equity interests that SPUD would have had to issue to provide the owners of Rainy Hollow before the transaction, with the same percentage equity interest in the combined entity that results from the reverse acquisition.

In connection with the Convertible Debenture Financing, Canaccord Genuity Corp. ("Canaccord") and Desjardins Securities Inc. acted as co-lead agents (the "Co-Lead Agents") and received, as consideration for their services, cash commission in an aggregate amount of \$0.9 million. The Co-Lead Agents also received an aggregate of 124,000 agent warrants entitling them upon a liquidity event, such as the Arrangement, to purchase at the listing price, for a period of 24 months from the closing date of the Arrangement, one Resulting Issuer Share for each warrant.

In connection with the Subscription Receipt Financing, the Co-Lead Agents again acted as co-lead agents as part of a syndicate of agents along with Cormark Securities Inc. and PI Financial Corp. Together, the agents received, as consideration for their services, cash commission in an aggregate amount of \$1,446. The agents also received an aggregate of 192,849 agent warrants entitling them upon a liquidity event, such as the Arrangement, to purchase at the listing price, for a period of 24 months from the closing date of the Arrangement, one Resulting Issuer Share for each warrant. Further, a corporate finance fee of \$100, plus applicable taxes, will be payable to Canaccord in conjunction with the completion of the Arrangement, payable by way of \$50 plus applicable taxes in cash and the issuance of 6,666 SPUD shares.

EXHIBIT “D”
MANAGEMENT’S DISCUSSION AND ANALYSIS OF SPUD FOR THE YEARS
ENDED OCTOBER 3, 2020, SEPTEMBER 28, 2019 AND SEPTEMBER 29, 2018

See attached.

**Sustainable Produce Urban Delivery Inc.
Management's Discussion & Analysis**

For the years ended October 3, 2020, September 28, 2019 and September 29, 2018
(in Canadian dollars)

CONTENTS

BASIS OF PRESENTATION	3
FORWARD-LOOKING STATEMENTS.....	3
METRICS AND NON-IFRS FINANCIAL MEASURES	3
COMPANY PROFILE	4
FINANCIAL OUTLOOK	5
HIGHLIGHTS FOR FISCAL 2020.....	6
RESULTS OF OPERATIONS FOR FISCAL 2020.....	9
FINANCIAL POSITION, LIQUIDITY AND CAPITAL MANAGEMENT	10
RECONCILIATION OF NON-IFRS FINANCIAL MEASURES	12
SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS	13
ADOPTION OF IFRS STANDARDS	14
STOCK-BASED COMPENSATION.....	14
DIVIDEND POLICY	15
TRENDS AND SEASONALITY	15
FINANCIAL RISK MANAGEMENT.....	15
BUSINESS RISK	16
RELATED PARTY TRANSACTIONS	16
SUBSEQUENT EVENTS.....	16

BASIS OF PRESENTATION

The following has been prepared for the purpose of providing Management's Discussion and Analysis ("MD&A") of the financial condition as at October 3, 2020 and September 28, 2019 and operating results of the Company for the years ended October 3, 2020, September 28, 2019 and September 29, 2018. It should be read in conjunction with the information in the Consolidated Financial Statements and the accompanying notes thereto.

In this document, unless otherwise indicated, all financial information is prepared in accordance with International Financial Reporting Standards (IFRS) and the term "dollar", as well as the symbol "\$" designate Canadian dollars. When referenced, Fiscal 2020, 2019 and 2018 reflect the years ending October 3, 2020, September 28, 2019 and September 29, 2018, respectively.

In this MD&A, in addition to the periods described above we report on items deemed material that have taken place from October 3, 2020 up to and including March 16, 2021, which is the date on which this MD&A was approved by the Company's Board of Directors. Management determines whether information is material based on whether they believe a reasonable investor's decision to buy, sell, or hold securities of the Company would likely be influenced or changed should the information be omitted or misstated, and discloses material information accordingly.

Finally, to facilitate the reading of this report, the terms "SPUD", "Company", "we", "our", and "us" all refer to Sustainable Produce Urban Delivery Inc.

FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. This information includes, but is not limited to, information with respect to our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimates, and intentions. This forward-looking information is identified by the use of terms and phrases such as "may", "would", "should", "could", "expect", "intend", "estimate", "anticipate", "plan", "foresee", "believe", "continue", and similar terminology, although not all forward-looking information will contain these terms and phrases.

Forward-looking information is provided for the purposes of assisting the reader in understanding the Company and its business, operations, prospects, and risks at a point in time in context of historical and possible future developments, and therefore the reader is cautioned that such information may not be appropriate for other purposes. Forward-looking information is based on several assumptions and is subject to several risks and uncertainties, many of which are beyond the control of management, and could cause results to differ materially by those disclosed or implied by this information. These risks factors include but are not limited to negative operating cash flow, quality control, health concerns, damage to the Company's reputation, transportation disruptions, competition, regulatory compliance, online security and disruptions, management of growth, and future capital requirements and the risk factors described under the section of this Filing Statement entitled "Part IV – Risk Factors". Note that this forward-looking information has been created based on what management believes to be reasonable assumptions. Certain assumptions were made in preparing forward-looking information, such as the availability of capital resources, customer demand, economic conditions, and future business performance. Readers are cautioned against placing absolute reliance on forward-looking information as actual results may vary. Detailed information of risks is provided in the "Financial Risk Management" and "Business Risk" sections of this MD&A and the risk factors described under the section of this Filing Statement entitled "Part IV – Risk Factors".

Unless otherwise noted, all forward-looking information is provided as of the MD&A date, and management does not update or amend such forward-looking information due to new information and future events, except as required by law. Please also refer to the section of this Filing Statement entitled "Cautionary Note Regarding Forward-Looking Information."

METRICS AND NON-IFRS FINANCIAL MEASURES

In addition, in this MD&A, we use metrics and non-IFRS financial measures for which a complete definition is presented below and for which a reconciliation to financial information in accordance with IFRS is presented in the section entitled "Reconciliation of Non-IFRS Financial Measures" and in Note 26 "Segment reporting" to the Consolidated Financial Statements for the year ended October 3, 2020. These measures should be considered as a complement to financial performance measures in accordance with IFRS and to provide further understanding of the Company's operating results from management's perspective. They do not substitute, are not superior to them and do not have any standardized meaning prescribed under IFRS and therefore, may not be comparable to similar measures as presented by other issuers.

Non-IFRS Metrics	Definition
eGrocery Average Order Size ("AOS")	The eGrocery Average Order Size ("AOS") is defined as total sales net of returns and credits, divided by the number of orders made for the period. The Company believes that AOS is a useful metric for readers because it is indicative of eGrocery adoption, consumers expanding their share of purchases made online and the strength of our online consumer business.
Active Customers	Based on the number of individual customer accounts that have completed an order on our eCommerce platform in the past 90 days, measured as of the period end noted.
Same-store sales	Retail segment sales from the same location for stores in operation in that location in both periods.
Non-IFRS Financial Measures	Definition
Adjusted operating loss	Adjusted operating loss represents net income or loss before net finance expenses (income), depreciation and amortization expense and stock based compensation expense. We believe that this is a more representative measure to monitor the Company's operational results.
Gross Profit	Gross Profit represents revenue net of returns and credits less cost of sales.

COMPANY PROFILE

Sustainable Produce Urban Delivery Inc. (the "Company" or "SPUD") is incorporated under the *Business Corporations Act* (British Columbia). Since 1997, we have evolved our business from an award winning local and organic online grocery company to include a highly prospective software-as-a-service (SaaS)-based eGrocery Management Solution ("eGMS") technology platform for global markets. We have been bringing value to our customers in the grocery business since the nineties and now we are helping to build the eGrocery market in Canada and internationally.

Over two decades later, the Company successfully operates its SPUD.ca marketplace to serve its eGrocery customers in Greater Vancouver, Kelowna and Victoria in British Columbia, and Calgary and Edmonton in Alberta. SPUD also operates grocery fulfillment centers in BC and Alberta which support its eGrocery customers. In addition to being well positioned to capitalize on the global acceleration of online grocery, the Company operates brick and mortar retail stores in Vancouver, Calgary and Edmonton.

Leveraging our pureplay online and brick and mortar grocery experience as well as our logistics, automation and supply chain management know-how we have developed since our inception, the Company has built an eGMS technology platform operating under a SaaS business model. Our Food-X Technologies Inc. ("FoodX") eGMS platform is a proven solution which covers all the bases for profitable online grocery fulfillment, including the tools and capabilities retailers required to sustainably and profitably deliver an exceptional customer experience. The FoodX eGMS platform allows retailers to cost-effectively deploy an eGrocery fulfillment solution at any store or warehouse locally or globally, while integrating with existing grocery Enterprise Resource Planning systems.

SPUD's mission is to use innovation and technology to reduce environmental impacts while creating a safe, sustainable and profitable food ecosystem for all. Our services and solutions allow consumers to easily have the highest quality products delivered fresh while significantly reducing food waste. Local producers and farmers with sustainable practices are at the very core of our ecosystem.

SPUD's vision is to build the leading eGMS platform that provides a profitable landscape for all grocery retailers to compete in.

The Company's principal operating subsidiaries are 569672 BC Ltd., Organics Express Inc., Be Fresh (AB) Inc., Blush Lane Organic Produce Ltd., Mainland Fresh Distribution Inc., Food-X Urban Delivery Inc. and Food-X Technologies Inc. We have

nearly 900 employees, all based in Canada. The Company had revenues of more than \$107.6 million for its fiscal year ended October 3, 2020.

eGrocery

SPUD's eGrocery business segment is comprised of five eGrocery fulfillment centers serving the Greater Vancouver, Vancouver Island, Kelowna, Calgary and Edmonton regions, operating under the "www.SPUD.ca" banner. SPUD offers a comprehensive assortment of fresh, local, organic produce and grocery products from a wide range of brands delivered to customers daily. The operating and financial results of SPUD's brick and mortar retail locations in BC are included within the segmented information for the eGrocery business segment.

eGMS Platform

SPUD's SaaS-based eGMS platform, which operates under the FoodX banner, is comparatively new and SPUD believes to be highly a prospective business segment which partners with retailers to offer a complete solution for logistics, automation, and supply chain management for the eGrocery services offered by grocery retailers of any size. The financial results of SPUD's FoodX eGMS platform are currently reported within the eGrocery business segment.

Blush Lane

SPUD's Blush Lane business segment represents the brick and mortar retail grocery locations operating under the "Blush Lane Organic Market" banner, which includes five brick and mortar retail locations located in Alberta. The stores offer a full assortment of predominantly organic groceries and health products, as well as SPUD's Be Fresh private label brand.

FINANCIAL OUTLOOK

Online grocery is among the fastest growing industries, both locally and globally. In Canada, according to pre-COVID data, only 1.5% to 1.7% of Canadian groceries were purchased online, compared to 7% in the US and 10% in the UK. In April, research done for PayPal by Angus Reid found that 30% of Canadians had shopped for groceries online. More notably, evidence also suggests online shopping could become a permanent consumer behavior, with 81% of respondents indicating they expect to continue shopping online either the same amount or more once the immediate crisis is over¹. In 2020, FMI and Nielsen updated their predictions for online food and beverage sales in the US to comprise 30% of all food and beverage spending by 2025².

Consumer behavior is currently undergoing two fundamental shifts from which SPUD believes it is strategically positioned to benefit. Consumers are rapidly changing the way in which they shop for groceries, shifting from traditional retail to online, a trend that has accelerated materially within the past year due to the global COVID-19 pandemic. Consumers are also more aware of the challenges faced by society to ensure the sustainability of the global food chain, with 73% of consumers stating in a survey conducted by NielsenIQ that they would consider a change in shopping habits to reduce their impact on the environment³. SPUD believes that by continuing to invest in automation technology, building its data platform, increasing the depth and sustainability of its product offerings, and improving its environmental practices, it will be competitively positioned to capture opportunities for long-term growth and profitability given these fundamental shifts in consumer behavior.

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 as a global pandemic which resulted in a series of public health and emergency measures being put in place in Canada and all over the world. COVID-19 has impacted the overall business and operations of the Company. As an essential service, the Company continued to operate during the health crisis and has experienced growth in daily demand. Given the rapid increase in online grocery starting in March 2020, not all customer orders could initially be fulfilled due to operational and supply chain challenges as well as an increased reliance on contract labour as capacity and staffing levels needed to be scaled to meet the increased demand and required safety measures.

Improvements to warehouse operations while working closely with suppliers has allowed the Company to satisfy the substantial increase in customer demand experienced during Fiscal 2020. The Company will continue to assess potential impacts of the pandemic on our operations and respond accordingly to prevent any disruptions to order fulfillment while maintaining high levels of safety for employees, customers and communities. We continue to pursue ways to improve our customer service and maintain our ability to fulfill the increased level of deliveries (see section "Fiscal 2020 Highlights" below) during the pandemic.

¹ Canadian Grocer (2020), *Could COVID-19 be the spark that ignites online grocery in Canada?*

² The Food Industry Association (FMI) & Nielsen (2020), *Digital shopper report*

³ Nielsen (2018). *Unpacking the Sustainability Landscape*

The magnitude, duration, and severity of the COVID-19 pandemic are difficult to predict and could significantly affect the estimates and judgements used in the preparation of the Company's consolidated financial statements.

The Carrefour Belgium project (see section "Business Highlights" below) is a significant endeavor and marks the beginning of SPUD's entrance into providing its full eGMS platform to grocery retailers. Management believes that with proper execution, it will provide opportunities for the Company to further establish its international presence as an eGMS provider.

The objectives discussed above are based upon a number of assumptions and are subject to risks and uncertainties, many of which are beyond our control. These risks and uncertainties could cause results to differ materially from these objectives. See the "Forward-Looking Statements" and "Business Risks" sections of this MD&A.

SELECTED FINANCIAL HIGHLIGHTS

Year ended (In thousands of Canadian dollars)	October 3, 2020	September 28, 2019	September 29, 2018
Financial Position			
Property and equipment	\$30,100	\$17,484	\$15,510
Total Assets	47,103	36,672	24,941
Total Liabilities	75,453	35,807	16,727
Comprehensive Loss			
Revenue	107,561	76,528	76,163
Net loss, being comprehensive loss	(30,722)	(18,561)	(8,996)
Basic & diluted EPS	(0.86)	(0.53)	(0.29)
non-IFRS Financial Measures¹			
Gross profit	38,518	26,150	25,754
Adjusted operating loss	(10,684)	(13,714)	(6,831)
Cash flows provided by (used in)			
Operating activities	(6,768)	(12,469)	(5,712)
Investing activities	(2,540)	(4,535)	(8,125)
Financing activities	3,382	23,644	6,025

HIGHLIGHTS OF FISCAL 2020 COMPARED TO FISCAL 2019

- Revenue reached \$107.6 million, an increase of \$31.0 million, or 41% year-over-year.
- Gross margin reached 36%, an improvement of 1.6 percentage points and gross profit reached \$38.5 million, an increase of \$12.4 million, or 49%.
- Net comprehensive loss increased compared to Fiscal 2019, adjusted operating loss before depreciation and amortization improved by \$3.0 million and finance expense increased by \$13.1 million.

HIGHLIGHTS OF FISCAL 2019 COMPARED TO FISCAL 2018

- Revenue reached \$76.5 million for Fiscal 2019, an increase of \$0.4 million, or 0.5% year-over-year. As the Company experienced a slight increase in the number of active subscribers partly offset by a 5% decrease in Average Transaction Size.
- Total assets increased to \$36.7 million, an increase of \$11.7 million, or 47% compared to Fiscal 2018. The increase was primarily driven by the opening of the Company's Trapp distribution facility.
- Gross margin remained stable during fiscal 2019 at 34% in line with Fiscal 2018.²

¹ These are "non-IFRS financial measures" that do not have a standardized meaning under IFRS, and therefore may not be comparable to similar measures presented by other issuers. For additional information regarding these financial metrics, including definitions and reconciliations from each of these non-IFRS financial measures to their most directly comparable measure under IFRS, where available, see the heading "Reconciliations of non-IFRS financial measures" later in this MD&A.

² These are "non-IFRS financial measures" that do not have a standardized meaning under IFRS, and therefore may not be comparable to similar measures presented by other issuers. For additional information regarding these financial metrics, including definitions and

KEY OPERATIONAL HIGHLIGHTS

Business Segment Performance – E-Grocery

Year ended (In thousands of Canadian dollars)	October 3, 2020	September 28, 2019	September 29, 2018
Active Customers	27,122	15,183	14,981
Average Order Size	\$115	\$95	\$100
Revenue	\$78,004	49,638	50,791
Cost of sales	(50,575)	(32,203)	(31,819)
Distribution costs	(12,829)	(9,126)	(7,982)
	14,600	8,309	10,990

On an overall basis, the Company experienced growth in transactions within its eCommerce business segment compared to Fiscal 2019 due to its continued focus on increasing product offerings and flexibility as well as improvements in the quality of the delivery experience. The COVID-19 pandemic has shifted consumer preferences toward online groceries, and the Company experienced significant growth in the number of deliveries since March 2020. For Fiscal 2019 the Company recorded revenue of \$49.6 million a slight decrease of \$1.8 million or 4% from Fiscal 2018 primarily driven by a slightly lower AOS partly offset by a small increase in the number of active subscribers.

The average order size for the e-grocery segment increased \$20 to \$115 during Fiscal 2020 compared to Fiscal 2019, driven by consumer need to “stock up” on groceries during the pandemic and an ongoing focus on category management and expanding product offerings. Average order size decreased slightly from Fiscal 2018 to Fiscal 2019 as the Company experienced temporary challenges with order fulfillment during the opening of its Burnaby warehouse and ERP implementation.

The Company was able to meet the increased demand and satisfy customer orders by working closely with suppliers, improving warehouse operations and efficiency, and implementing changes to SPUD.ca, including but not limited to a new queuing system for new customers, standing order prioritization for legacy customers, and unique product assortment by customer profile to maximize fill rates, customer experience, and throughput.

Business Segment Performance – Blush Lane

Year ended (In thousands of Canadian dollars)	October 3, 2020	September 28, 2019	September 29, 2018
Same store sales	19%	4%	0%
Revenue	\$37,494	31,602	30,252
Cost of sales	(24,925)	(21,680)	(21,385)
Distribution costs	(365)	(295)	(167)
	12,204	9,627	8,700

The Blush Lane retail segment continued to experience record growth with same store sales increasing 19% in fiscal 2020 primarily driven by a consumers stocking up during the onset of the COVID-19 pandemic in addition to a long-term shift of consumers increasing average grocery spending due to reduced dining out caused by lockdowns. Total revenue reached \$37.5 million in fiscal 2020 an increase of \$5.9 million from prior year.

Business Highlights of Fiscal 2020 and Subsequent Events

Strategic Partnerships and Alliances

Carrefour Group - In September 2020, the Company signed a strategic partnership with Carrefour Group, a longstanding global leader in the grocery industry, to accelerate the development of Carrefour’s eCommerce capabilities. The partnership represents the first global sale of SPUD’s end-to-end SaaS-based eGMS platform and is expected to allow Carrefour to increase the productivity and profitability of its eCommerce operating systems while enhancing its digital customer experience as the global demand for online food orders continues to grow. Under an exclusive agreement for the Belgium market as a

reconciliations from each of these non-IFRS financial measures to their most directly comparable measure under IFRS, where available, see the heading “Reconciliations of non-IFRS financial measures” later in this MD&A.

first step, Carrefour will integrate the FoodX SaaS-based eGMS platform for online grocery management, encompassing the full range of point-of-order to point-of-fulfillment. The partnership is expected to allow Carrefour to achieve a profitable, scalable and sustainable online business while delivering an outstanding customer experience. System design, engineering and deployment is expected to be completed during the third quarter of calendar 2021.

Jak's Beer Wine Spirits – In October 2020, the Company launched a strategic partnership with Jak's Beer Wine Spirits which allows SPUD.ca customers in the Greater Vancouver area to purchase a wide variety of beer, wine and spirits with a focus on offerings from local producers.

Meridian Farm Market – In November 2020, the Company announced its latest strategic partnership with Vancouver's Meridian Farm Market to deploy FoodX's end-to-end, SaaS-based eGMS platform to manage the eGrocery services of the 30-year-old, family-owned chain. This first deployment with a mid-market customer demonstrates the scalability of the FoodX eGMS platform for cost-effective use by grocery retailers of varied sizes. The launch will include FoodX's front-end consumer experience which is proven to be capable of managing rapid eGrocery demand growth while maintaining high levels of customer satisfaction.

Attabotics Inc. – In June 2020, the Company announced a strategic alliance with Attabotics Inc., a leader in the design, manufacture, and implementation of 3D robotic supply chain systems. The alliance is focused on the implementation of Attabotics' technology at FoodX's fulfillment centres and partner fulfillment centres across the globe. The companies also intend to further explore mutual business development and project opportunities based on their combined capabilities. It is expected that Attabotics' robotic-centric storage and retrieval system can increase the level of efficiency and speed within FoodX's fulfillment centres and support its ongoing growth and market presence for its SaaS-based eGMS platform in the global online grocery delivery industry.

Growth and Sustainability Initiatives

Digital Technology Supercluster initiative - In April 2020, the Company announced an initiative to lead the development of an eGMS platform to ensure food security, accessibility and safety during the COVID-19 crisis. Funding was received from the Digital Technology Supercluster (DTS) to lead a multi-company collaboration to develop an eGMS for the B.C. provincial government and health authorities. Additional DTS funding totalling \$2.6 million was announced on August 5, 2020. The expanded project further enhanced FoodX's eGrocery SaaS solution functionality, empowering grocery retailers to manage rapid online demand growth effectively and efficiently and ultimately compete in the digital economy, all while improving food accessibility and safety of delivery for consumers.

COVID-19 Impact and Measures

The World Health Organization declared COVID-19 a global pandemic on March 11, 2020, and the outbreak has had a significant impact on the Company's overall business and operations. As the Company is considered an essential service in Canada, SPUD has continued to operate without interruption.

At the onset of the pandemic the Company created a COVID-19 task force to implement preventative safety measures to mitigate the risk of COVID-19 transmission while allowing the Company to continue to operate throughout the pandemic. These measures included, but were not limited to:

- Enhanced hygiene procedures, including increased cleaning frequency at all of the Company's facilities.
- Social distancing measures put in place for the health and safety of employees, including physical safety barriers and significantly reduced capacity of all office and common areas.
- Mandatory non-contact COVID-19 screening including temperature checks for all employees and visitors entering any facility.
- Mandatory work-from-home for all employees not required to be physically present on site, including the development of work-from-home policies to support remote working for all eligible employees.
- Temporary suspension of reusable box program to eliminate the risk of COVID-19 transmission via cross-contamination.

RESULTS OF OPERATIONS FOR FISCAL 2020

ANALYSIS OF CONSOLIDATED RESULTS OF OPERATIONS – FISCAL YEAR

Year ended (In thousands of Canadian dollars)	October 3, 2020	September 28, 2019	September 29, 2018
Revenue	107,561	76,528	76,163
Expenses			
Cost of sales	(69,043)	(50,380)	(50,409)
Selling, general and administrative	(42,319)	(34,439)	(25,960)
Distribution costs	(13,195)	(9,421)	(8,149)
Operating loss	(16,996)	(17,712)	(8,355)
Other income and expense			
Other income	294	61	170
Finance expense	(14,020)	(910)	(193)
Start-up costs	-	-	(474)
Net loss before income tax	(30,722)	(18,561)	(8,852)
Income taxes	-	-	-
Loss from the year from continuing operations	(30,722)	(18,561)	(8,852)
Loss from the year from discontinued operations	-	-	(144)
Net loss and comprehensive loss for the period	(30,722)	(18,561)	(8,996)
Basic and diluted net loss per share	(0.86)	(0.53)	(0.29)

The COVID-19 pandemic has resulted in positive impacts on the business, driving up both AOS and the number of transactions (see section “Highlights for Fiscal 2020” above), explaining the significant increase in revenue. The Company was able to scale-up its operations, including implementing additional temporary space for SPUD Calgary, adding new vehicles, and increasing warehouse staff. We successfully worked with suppliers to meet the increase in demand of staple (eggs, flour, proteins) comfort items (chips, chocolate ice cream, wine), and new products (prepared meal solutions) during the pandemic.

The increase in gross profit was primarily driven by the increase in revenue, although the higher gross margin was also a factor. Higher gross margin was achieved through category management, and improved communication between operations and purchasing departments, both which mitigated volatility in inventory. The Company was able to achieve this despite the COVID-19 pandemic creating a shift in forecasting for inventory in demand.

The increase in selling, general and administrative expenses during the year is mostly due to increased payroll costs associated with increased headcount at the Burnaby warehouse to support growth, and COVID-19 premium pay. Selling, general and administrative expenses as a percentage of revenue decreased from 45.0% to 39.3%, signaling increased efficiency of our full-time employees.

The increase in distribution costs corresponds to increased demand and deliveries: vehicle expenses, food freshness preservation, increased usage of warehouse supplies, and increased casual warehouse headcount. Distribution costs as a percentage of revenues declined slightly from 12.3% to 12.26% due to the learning curve benefits from meeting increased demand for our products during the pandemic.

Net loss and comprehensive loss is comparable to Fiscal 2019 despite the operating loss improvement due to higher interest expense associated with the short-term loan (see section “Financial position, liquidity and capital structure” below).

FINANCIAL POSITION, LIQUIDITY AND CAPITAL MANAGEMENT

CONSOLIDATED FINANCIAL POSITION

Year ended (In thousands of Canadian dollars)	October 3, 2020	September 28, 2019
Cash and cash equivalents	1,143	7,069
Trade and other receivables	4,756	2,961
Inventories	4,319	2,841
Prepaid expenses and deposits	874	713
Current assets	11,092	13,584
Deposits on real estate and other long-term deposits	9	448
Property and equipment	30,100	17,484
Intangible assets	4,316	3,570
Goodwill	1,586	1,586
Total assets	47,103	36,672
Trade and other payables	15,206	12,548
Deferred revenue	789	299
Current portion of lease liability	2,112	704
Short-term debt	19,355	17,631
Current portion of deferred rent inducements	-	131
Current liabilities	37,462	31,313
Non-current portion of lease liabilities	16,197	2,006
Warrants	10,290	-
Conversion option	2,436	-
Contingent warrant liability	4,825	-
Deferred revenue	4,243	-
Deferred rent inducements	-	2,488
Non-current liabilities	37,991	4,494
Total liabilities	75,453	35,807
Share capital	59,881	59,828
Other equity reserve	3,695	2,239
Accumulated deficit	(91,926)	(61,202)
Shareholders' equity	(28,350)	865
	47,103	36,672

The year-over-year increase in inventories is related to incremental grocery inventory needed to support the increased customer demand during the COVID-19 pandemic, as well as product expansion.

The Company's investment in property and equipment during the year related to the purchase of warehouse equipment, vehicles, delivery equipment, leasehold improvements and computer hardware. The increase in property and equipment also relates to the recognition of right-of-use assets pursuant to the Company's adoption of IFRS 16. Furthermore, the Company's focus on development of software and intangibles led to an increase in related costs during the year.

The variance in trade and other payables is explained by an increase in inventory purchases to support the significantly heightened customer demand during the pandemic.

Deferred revenue is primarily relating to FoodX eGMS platform installation fees which are not recognized as revenue until a working solution is delivered to clients.

The increase in total debt is due to short-term debt (see section "Financial position, liquidity and capital structure" below) to fund the operating activities as well as to support the future growth and to develop software and intangible assets.

The increase in other equity reserve is due stock options granted in April 2020. See section "Stock-Based Compensation" below. The increase in accumulated deficit is due to the net loss incurred during Fiscal 2020.

LIQUIDITY AND CAPITAL MANAGEMENT

In the management of capital, the Company includes components of shareholder's equity. The Company aims to manage its capital resources to ensure the Company's ability to continue as a going concern and to maximize its financial flexibility by maintaining liquidity and by utilizing alternative sources of capital including equity, debt, and bank loans or lines of credit to fund continued growth. The Company sets the amount of capital in proportion to risk and based on the availability of funding sources. The Company manages the capital structure and makes adjustments in response to changes in economic conditions and the risk characteristics of the underlying assets. Additional debt and/or equity financing may be pursued in future as deemed appropriate to balance debt and equity. To maintain or adjust the capital structure, the Company may issue new shares, take on additional debt, or sell assets to reduce debt. As part of the loan facility secured with Silicon Valley Bank (see "Subsequent Event" section below), the Company is subject to financial covenants requiring a specified minimum trailing three and six month EBITDA and a minimum liquidity coverage ratio of 1.50:1:00.

Analysis of Consolidated Cash Flows

Year ended (In thousands of Canadian dollars)	October 3, 2020	September 28, 2019	September 29, 2018
Cash used in operating activities, before change in non-cash working capital	(10,813)	(14,178)	(6,904)
Changes in non-cash working capital	4,045	1,709	1,732
Net cash used in operating activities	(6,768)	(12,469)	(5,172)
Net cash used in investing activities	(2,540)	(4,535)	(7,992)
Net cash provided by financing activities	3,382	23,644	6,025
Net change in cash and cash equivalents	(5,926)	6,640	(7,139)
Cash and cash equivalents, beginning of period	7,069	429	7,568
Cash and cash equivalents, end of period	1,143	7,069	429

Net cash used in operating activities for Fiscal 2020 is less than Fiscal 2019 mainly due to improvement of adjusted operating loss before interest, taxes, depreciation & amortization, partially offset by changes in non-cash working capital. Negative changes in non-cash working capital are mainly due to the increase of inventories to meet higher demands of customers, the government remittances related to COVID-19, the decrease in trade and other payable as well as rent inducement, partially offset by deferred revenue related to installation fees of our FoodX eGMS platform.

The positive variance in net cash used in investing activities is due to decreased spending on capital assets and intangible assets compared to Fiscal 2019.

The negative variance in net cash provided by financing activities is due to the net proceeds from the new debenture loan net of the reimbursement of the BFI loan facility and the issue costs (see section "Financing" below).

Contractual Obligations and Business Commitments

(In thousands of Canadian dollars)	Carrying Amount October 3, 2020	Contractual Cash Flow		
		1 Year	1-3 Years	3+ Years
Short-term debt	19,355	28,690	-	-
Trade and other payables	15,206	15,206	-	-
Obligation under leases	18,309	2,112	6,230	9,967
Total contractual obligations	52,870	36,806	6,097	9,967

The table above details the principal repayments required on short-term debt, the payments required on obligation under finance leases as well as trade and other payables for the coming years.

Financing

In July 2019, the Company secured a loan facility with Bridging Finance Inc. (BFI) of up to \$12 million, and the facility was increased by an additional \$5 million in August 2019. Both amounts were fully withdrawn in July and August 2019 respectively. In January 2020, the loan facility was amended and increased by another \$10 million to a total of \$27 million, and the full balance was withdrawn concurrently. The loan, which bore interest at prime plus 8.05% per annum was fully repaid on July 31, 2020.

On July 31, 2020, the Company entered into a related party debt facility arrangement with Fonds Agro WF S.E.C./WF Agro Fund L.P. ("Walter Financial") for \$28.0 million at an annual interest rate of 15% which matures and is repayable in March 2021.

Subject to certain conversion features, the holder have the option to convert the debt into common shares or require prepayment, upon the occurrence of certain events such as: an event of default; a significant financing; a change of control; a sale of Blush Lane Organic Markets or the sale or other disposition of any other significant asset or property; or an initial public offering of the Company or any other transaction resulting in the shares of the Company being publicly traded (collectively "Triggering Events").

The Company can at any time repay the Debt Facility in full without penalty.

In addition to the above, the Company issued 3,600,000 warrants to the holder, each of which entitles the holder to acquire at any time prior to the fifth anniversary of the closing, one common share of the Company.

The Company may require additional financing in the future to meet the goals as discussed in the "Outlook" section of this document. Financing may be used toward technology and automation, warehouse and deliver optimization, new service offerings, and improvements to the Company's eGMS platform.

Share Capital

At October 3, 2020, the Company has 35,536,681 common shares issued and outstanding and 4,427,200 stock options outstanding.

RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

The financial information has been prepared in accordance with IFRS. However, financial measures used, namely adjusted operating loss, total asset, less cash and cash equivalents as well as net indebtedness for which a reconciliation is presented in the following table, do not have any standardized meaning under IFRS and could be calculated differently by other companies. Those measures may not be comparable to similar measures described by other companies, as IFRS does not have standard definitions for these measures. These measures should be considered as a complement to IFRS measures and for further understanding of the Company's operating results. Users should use these non-IFRS measures in conjunction with the IFRS financial statements for each applicable period.

The Company believes adjusted operating loss is a useful measure of financial performance to assess the Company's ability to finance its ongoing operations, service its debt obligations and capitalize on expansion opportunities. Gross profit is used to assess the ability of the Company to increase sales and control its cost of sales via strategic purchasing.

This section presents a reconciliation of financial information in the Consolidated financial statements of Sustainable Produce Urban Delivery Inc. for the year ended October 3, 2020 to non-IFRS measures used in this MD&A.

The following tables summarize non-IFRS measures used in this MD&A for the years ended October 3, 2020 and September 28, 2019 and September 29, 2018.

ADJUSTED OPERATING LOSS

Year ended (In thousands of Canadian dollars)	October 3, 2020	September 28, 2019	September 29, 2018
Net Loss and comprehensive loss	\$(30,722)	\$(18,561)	\$(8,996)
Net finance expense	14,020	910	193
Depreciation and amortization expense	4,561	2,488	1,364
Stock based compensation expense	1,457	1,449	608
Adjusted operating loss	\$(10,684)	(13,714)	(6,831)

GROSS PROFIT

Year ended (In thousands of Canadian dollars)	October 3, 2020	September 28, 2019	September 29, 2018
Revenue	\$107,561	\$76,528	\$76,163
Cost of sales	(69,043)	(50,380)	(50,409)
Gross Profit	\$38,518	26,148	6,831

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. These assumptions and estimates are regularly reviewed. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

The Company's main judgements, estimates, and assumptions are presented below:

GOING CONCERN

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

For the fiscal year ended October 3, 2020 the Company reported a consolidated net loss of \$30.8 million and a net loss of \$18.6 million and \$8.9 million for the years ended September 28, 2019 and September 29, 2018, respectively. For the years ended October 3, 2020, September 28, 2019 and September 29, 2018, the Company had negative cash flows used in operating activities of \$6.8 million, \$12.5 million, and \$5.2 million, respectively. The Company had net cash outflows for the year ended October 3, 2020 of \$5.9 million. At October 3, 2020, the Company's current liabilities exceeded its current assets by \$26.4 million.

The Company's ability to continue as a going concern is dependent upon obtaining additional financing to meet anticipated cash needs for working capital, operating and investing activities for the next twelve months and ultimately its ability to achieve profitable operations. Subsequent to October 3, 2020, the Company completed both a \$15.5 million unsecured convertible debenture financing and a \$24.2 million brokered private placement as further described in Note 28. The \$24.2 million in private placement funds is held in escrow and will be released to the Company subject to completion of the reverse takeover of Rainy Hollow also described in Note 28 and the successful commencement of trading of the Company's shares on the Toronto Stock Exchange Venture or Toronto Stock Exchange, as the case may be, among other conditions. The Company also confirmed that a portion of its existing debt facility will be converted into equity and it has obtained a commitment for a new secured line of credit to refinance any unpaid balance of the facility.

As release of the private placement funds from escrow and the full benefit and effect of the these subsequent financings will not be realized until the reverse takeover of Rainy Hollow as described in Note 28 is complete; which requires court, shareholder and exchange approval, the Company has concluded that there is a material uncertainty that may cast significant doubt with respect to its ability to continue as a going concern for at least the next twelve months and realize its assets and satisfy its liabilities in the normal course of operations as they come due. These financial statements do not include any adjustments to the results of operations or the carrying value of assets or liabilities which might be required in the event that the Company is unable to continue as a going concern.

IMPAIRMENT OF GOODWILL

Determining whether goodwill is impaired requires an estimation of the recoverable amount (higher of fair value less costs of disposal and value in use) of the cash generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

REVENUE RECOGNITION

Revenue is recognized for warehousing services based on the Company's right to invoice. Management has applied judgement in determining that the "right to invoice" practical expedient is applicable to the Company.

DETERMINATION OF USEFUL LIFE

Each significant component of property and equipment and intangible assets are depreciated over their estimated useful lives. Estimated useful lives are determined based on current facts and past management experience and take into consideration the anticipated physical life of the asset, existing long-term sales agreements and contracts, current and forecasted demand, and the potential for technological obsolescence.

ADOPTION OF IFRS STANDARDS

IFRS 16 – LEASES (“IFRS 16”)

Effective September 29, 2019, the Company has adopted IFRS 16 using the modified retrospective application method, where the figures as at September 28, 2019 and for the years ended September 28, 2019 and September 29, 2018 are not restated.

IFRS 16 introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset (“ROU asset”) and a lease liability at the lease commencement for all leases, except for short term leases (lease terms of 12 months or less) and leases of low-value assets, if this election is taken.

In applying IFRS 16 for all leases, except as noted above, the Company (i) recognizes the ROU asset and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments; (ii) recognizes the amortization of ROU assets and interest on lease liabilities in the consolidated statement of loss and comprehensive loss and (iii) separates the total amount of cash paid into a principal portion (presented in financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows. For short-term leases and leases of low value assets, with the exception of storage leases, the Company has opted to recognize a lease expense on a straight-line basis, and this expense is presented under general and administrative expenses in the consolidated statement of operations. As at adoption date, there have been no identified leases that were considered short-term or low value.

The Company has made use of the following practical expedients available on transition to IFRS 16:

- A single discount rate will be applied to the portfolio of former operating leases with reasonably similar characteristics.
- Hindsight has been used in determining the lease term if the contract contains options to extend or terminate the lease
- Initial direct costs have been excluded from the measurement of right of use assets at the date of initial adoption

In transitioning to IFRS 16, the Company analyzed its contracts to identify whether they are or contain a lease arrangement. This analysis identified contracts containing leases that increased both the Company’s ROU assets and lease liabilities by \$15.7 million and \$18.3 million, respectively. As a result of the transition deferred rent inducements are no longer shown as separate line on the balance sheet but are included in the calculation of lease liabilities and ROU assets. The opening value of accumulated deficit did not change as at September 28, 2019. In addition, \$2.6 million of unamortized rent adjustments previously received were derecognized and the ROU asset reduced to reflect the lease incentives received. The incremental borrowing rate for lease liabilities initially recognized on adoption of IFRS 16 ranged from 4.11% - 5.2%.

STOCK-BASED COMPENSATION

On September 28, 2014, the Company adopted a Stock Option Plan (the “Plan”) and has granted stock options with exercise prices ranging from \$0.01 to \$4.50 under the Plan. Included in the grants were options previously granted with an exercise price of \$0.01, to key employees in lieu of cash salaries and to its non-management directors for director fees. The options issued expire ten years from the original grant date and vest in 25% increments every six months from the date of grant.

The Company uses the Black-Scholes option pricing model to calculate the fair value of the stock options and recognizes costs over the vesting period of each option group. For the fiscal year ended October 3, 2020, a total of \$1.5 million (\$0.9 million at September 28, 2019 and \$0.4 million in the year ended September 29, 2018) of stock-based compensation expense was recognized, with a corresponding charge to other equity reserve.

The value of stock options issued during the year-ended October 3, 2020 was determined using the following assumptions:

- Volatility: 45.00%
- Expected forfeitures: 40.00%
- Expected life of options: 5 years
- Dividend yield: 0%
- Risk free rate: 0.42%
- Weighted average fair value of the options: \$1.76
- Weighted average exercise price: \$4.50

The resulting stock-based compensation expense recognized for the twelve-months ended October 3, 2020 was \$1.5 million, categorized under Selling, General & Administrative and distribution on Consolidated statements of loss and comprehensive loss. See section “Results of Operations – Twelve-month periods ended October 3, 2020 and September 28, 2019 and September 29, 2018” above.

DIVIDEND POLICY

Since its incorporation, the Company has not paid any dividend on its common shares. The Company’s current policy is to retain future earnings to finance its growth. Any future determination to pay dividend is at the discretion of the Company’s Board of Directors and will depend on the Company’s financial position, results of operations, capital requirements and other such factors as the Board of Directors of the Company may deem relevant.

TRENDS AND SEASONALITY

The Company’s revenue and expenses are affected by seasonality. The Company anticipates less demand for grocery delivery during popular holiday and vacation periods, and more demand during the latter part of the summer months due to consumers returning home for the school season. The Company anticipates increased supply costs to maintain grocery freshness during warmer periods.

FINANCIAL RISK MANAGEMENT

CREDIT RISK

Credit risk refers to the risk that a counterparty to a financial instrument fails to meet its contractual obligation, causing an unexpected loss. The Company regularly monitors exposure to credit risk and takes steps accordingly to mitigate exposure. Credit exposure for the Company is mainly from cash and cash equivalents, accounts receivable, deposits on real estate, and other long-term deposits. Management has reason to believe that credit risk for the Company is limited as transactions are with major North American financial institutions and payment processors.

LIQUIDITY RISK

Liquidity risk refers to the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company’s objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cash flows generated from operations to meet its requirements.

As at October 3, 2020, the most significant financial liabilities are the \$28.0 million loan facility due to Walter Financial in March 2021(see section “Liquidity and Capital Resources”) and trade and other payables. As discussed above, the Company has entered into an arrangement agreement with Rainy Hollow and a subscription receipt financing of which part of the proceeds will be used to repay the Walter Financial Loan facility. The Company continues to manage liquidity through working capital management and believes that its financing capacity will provide adequate sources of funds to meet its short-term obligations, planned capital expenditures, and potential operating losses.

CURRENCY RISK

Currency risk refers to the risk that the Company’s net income (loss) will vary from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. The exposure on cash outflows is insignificant as the majority of the Company’s suppliers and vendors are paid in Canadian dollars, with only a small portion of its trade payables denominated in U.S. dollars. Similarly, the Company is paid in Canadian dollars by customers.

BUSINESS RISK

Please refer to the risk factors described under the section of this Filing Statement entitled “Part IV – Risk Factors – Risks Relating to the Resulting Issuer’s Business.”

RELATED PARTY TRANSACTIONS

During the year, the Company entered into a related party debt facility arrangement with Walter Financial for \$28.0 million (Please see Note 17 in our Consolidated Financial Statements). Walter Financial is a principal securityholder of the Company as it owns more than 10% of the outstanding common shares of the Company.

Key management includes the Company’s directors and officers. The remuneration of key management personnel during the year was as follows:

Year ended (In thousands of Canadian dollars)	October 3, 2020	September 28, 2019	September 29, 2018
Salaries and short-term employee benefits	1,008	667	644
Equity-based compensation	512	880	389
Total	1,520	1,547	1,033

SUBSEQUENT EVENTS

FINANCING & RTO

On September 30, 2020, the Company entered into a letter of intent (the “Letter of Intent”) with Rainy Hollow Ventures Inc. (“Rainy Hollow”), which outlined the terms and conditions pursuant to which Rainy Hollow and SPUD will complete a transaction that will result in a reverse take-over of Rainy Hollow by SPUD, whereby Rainy Hollow will acquire all of the issued and outstanding common shares of SPUD, to form the resulting issuer (the “Resulting Issuer”).

On October 21, 2020, SPUD completed a brokered private placement financing (the “Convertible Debenture Financing”) pursuant to which it issued an aggregate principal amount of \$15.5 million unsecured convertible debentures (the “Convertible Debentures”), each Convertible Debenture being convertible upon certain events, including the proposed take-over by of Rainy Hollow by SPUD, into a SPUD common share at a price equal to an amount representing a 15% discount to the listing price of the Resulting Issuer Shares (as defined below) on the TSX Venture Exchange or the Toronto Stock Exchange, as the case may be.

On December 21, 2020, the Company entered into an arrangement agreement with Rainy Hollow, replacing the Letter of Intent between the same parties, which sets out the terms of the reverse take-over of Rainy Hollow by SPUD by way of a statutory plan of arrangement under Section 288 of the Business Corporations Act (British Columbia) involving Rainy Hollow, SPUD and the securityholders of SPUD (the “Arrangement”). Rainy Hollow, as it will exist as the Resulting Issuer after completion of the Arrangement, will change its name to “Freshlocal Solutions Inc.” or such other name that Rainy Hollow and SPUD may agree to.

On December 23, 2020 and in connection with the Arrangement, SPUD completed a brokered private placement financing (the “Subscription Receipt Financing”) pursuant to which it issued 3,227,500 subscription receipts at a price of \$7.50 per subscription receipt for gross proceeds of \$24.2 million which subscription receipts pursuant to their terms will be converted into SPUD common shares immediately prior to the completion of the Arrangement provided all required conditions are met.

The following transactions will be recognized in conjunction with the Arrangement:

- Prior to the acquisition by Rainy Hollow of all issued and outstanding shares of SPUD:
 - The conversion of the Convertible Debentures into common shares;
 - The exchange of the Subscription
 - Receipts for common shares;
 - The issuance of common share purchase warrants to the Subscribers;
 - The conversion of a portion of SPUD’s convertible notes evidencing the loan under the Debt Facility (the “Convertible Notes”), into common shares and the repayment of the balance of the Convertible Notes by cash; and

- The conversion of all of the convertible loan warrants, issued in connection with the Debt Facility and the Convertible Notes, into common shares.
- The consolidation of common shares of Rainy Hollow on an 8 to 1 basis;
- At the time of completion of the acquisition by Rainy Hollow of all issued and outstanding shares of SPUD:
 - The exchange of all outstanding SPUD common shares for post-consolidation Rainy Hollow common shares (“Resulting Issuer Shares”) on a 1 to 1 basis;
 - The cancellation of all outstanding SPUD stock options and their replacement with Resulting Issuer options issued by the Resulting Issuer pursuant to a newly adopted Resulting Issuer stock option plan, exercisable for Resulting Issuer Shares;
 - The cancellation of all outstanding SPUD warrants, including broker warrants, and their replacement with warrants issued by the Resulting Issuer, exercisable for Resulting Issuer Shares;
- The incurrence of share issuance, transaction and reorganization costs related to the conversions, the Subscription Receipt Financing and the Arrangement;

A reverse acquisition occurs when the entity that issues securities (the legal acquirer or, in this case, Rainy Hollow) is identified as the acquiree for accounting purposes. The entity whose interests are acquired (the legal acquiree or, in this case, SPUD) is the acquirer for accounting purposes in a reverse acquisition. It has been determined that Rainy Hollow is the accounting acquiree and that SPUD is the accounting acquirer based upon the guidance in IFRS 10, Consolidated Financial Statements, and IFRS 2, Share-based Payment.

The acquisition date fair value of the consideration transferred by the accounting acquirer, SPUD, for its interest in the accounting acquiree, Rainy Hollow, is based on the equity interests that SPUD would have had to issue to provide the owners of Rainy Hollow before the transaction, with the same percentage equity interest in the combined entity that results from the reverse acquisition.

In connection with the Convertible Debenture Financing, Canaccord Genuity Corp. (“Canaccord”) and Desjardins Securities Inc. acted as co-lead agents (the “Co-Lead Agents”) and received, as consideration for their services, cash commission in an aggregate amount of \$0.9 million. The Co-Lead Agents also received an aggregate of 124,000 agent warrants entitling them upon a liquidity event, such as the Arrangement, to purchase at the listing price, for a period of 24 months from the closing date of the Arrangement, one Resulting Issuer Share for each warrant.

In connection with the Subscription Receipt Financing, the Co-Lead Agents again acted as co-lead agents as part of a syndicate of agents along with Cormark Securities Inc. and PI Financial Corp. Together, the agents received, as consideration for their services, cash commission in an aggregate amount of \$1,446. The agents also received an aggregate of 192,849 agent warrants entitling them upon a liquidity event, such as the Arrangement, to purchase at the listing price, for a period of 24 months from the closing date of the Arrangement, one Resulting Issuer Share for each warrant. Further, a corporate finance fee of \$100, plus applicable taxes, will be payable to Canaccord in conjunction with the completion of the Arrangement, payable by way of \$50 plus applicable taxes in cash and the issuance of 6,666 SPUD shares.

SVB FINANCING

On March 12, 2021, the Company secured a revolving loan facility of up to \$15.0 million with Silicon Valley Bank (“SVB”). The loan facility is secured by a first priority cash collateral and matures on March 12, 2023. The loan facility bears interest at the greater of (i) a floating per annum rate equal to 3.05% above the Canadian Prime Rate and (ii) 5.25%, which is payable monthly. The proceeds will be used to fund the continued development of its eGMS platform as well as expansion and working capital purposes. The loan facility has financial covenants requiring a specified minimum trailing three and six month EBITDA and a minimum liquidity coverage ratio of 1.50:1.00.

EXHIBIT “E”
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
OF THE RESULTING ISSUER

See attached.

Freshlocal Solutions Inc. (formally, “Rainy Hollow Ventures Inc.”)

Pro Forma Consolidated Statement of Financial Position

As at November 30, 2020
(in Canadian dollars)
(Unaudited)

Table of contents

Pro Forma Consolidated statement of financial position	1
Notes to the Pro Forma Consolidated statement of financial position	2–7

Freshlocal Solutions Inc. (formally, “Rainy Hollow Ventures Inc.”)

Pro Forma Consolidated statement of financial position

As at November 30, 2020

(Expressed in thousands of Canadian dollars, except share and per share amounts)

(Unaudited)

	SPUD	Rainy Hollow	Notes	Pro forma adjustments	Pro forma consolidated
Assets					
Current assets					
Cash and cash equivalents	9,614	477	3 (e)	8,817	18,908
Trade and other receivables	6,013	—		—	6,013
Inventories	4,626	—		—	4,626
Current contract asset	184	—		—	184
Prepaid expenses and deposits	1,404	—		—	1,404
Restricted cash	24,206	—	3 (f)	(24,206)	—
	46,047	477		(15,389)	31,135
Non-current assets					
Deposits on real estate and other long-term deposits	22	—		—	22
Non-current contract asset	1,206	—		—	1,206
Property and equipment	29,269	—		—	29,269
Intangible assets	3,986	—		—	3,986
Goodwill	1,586	—		—	1,586
	82,116	477		(15,389)	67,204
Liabilities					
Current liabilities					
Trade and other payables	17,452	79	3 (g)	(1,805)	15,726
Deferred revenue	815	—		—	815
Current portion of lease liability	1,559	—		—	1,559
Short-term debt	22,864	—	3 (h)	(22,779)	85
Subscription receipts held for investors	24,206	—	3 (i)	(24,206)	—
	66,896	79		(48,790)	18,185
Non-current liabilities					
Non-current portion of lease liability	16,157	—		—	16,157
Warrants	11,792	—	3 (j)	(11,792)	—
Conversion Option	6,110	—	3 (k)	(6,110)	—
Contingent Warrant Liability	7,622	—		—	7,622
Deferred revenue	4,967	—		—	4,967
Long-term debt	12,523	—	3 (l)	(2,523)	10,000
	126,067	79		(69,215)	56,931
Shareholders' equity					
Share capital	59,881	584	3 (m)	59,208	119,673
Other equity reserve	4,018	41	3 (m)	764	4,823
Accumulated deficit	(107,850)	(227)	3 (n)	(6,146)	(114,223)
	(43,951)	398		53,826	10,273
	82,116	477		(15,389)	67,204

See accompanying notes to Pro Forma Consolidated financial statements.

Freshlocal Solutions Inc. (formally, “Rainy Hollow Ventures Inc.”)

Notes to the Pro Forma Consolidated statement of financial position

As at November 30, 2020

(All tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

(Unaudited)

1. Pro forma transactions

On December 21, 2020, Sustainable Produce Urban Delivery Inc. (the “Company” or “SPUD”) entered into an arrangement agreement with Rainy Hollow Ventures Inc. (“Rainy Hollow”), which sets out the terms of the reverse take-over of Rainy Hollow by SPUD by way of a statutory plan of arrangement under Section 288 of the *Business Corporations Act* (British Columbia) (the “BCBCA”) involving Rainy Hollow, SPUD and the securityholders of SPUD (the “Arrangement”). Rainy Hollow, as it will exist after completion of the Arrangement, will change its name to “Freshlocal Solutions Inc.” or such other name as may be agreed to by SPUD and Rainy Hollow and accepted by relevant regulatory authorities (“Freshlocal”).

On October 21, 2020, SPUD completed a brokered private placement financing (the “Convertible Debenture Financing”) pursuant to which it issued an aggregate principal amount of \$15.5 million unsecured convertible debentures (the “Convertible Debentures”), each Convertible Debenture being convertible upon certain events, including the proposed take-over by of Rainy Hollow by SPUD, into a SPUD common share at a price equal to an amount representing a 15% discount to the listing price of the Resulting Issuer shares on the TSX Venture Exchange or the Toronto Stock Exchange, as the case may be.

In connection with, and as a condition of, the Arrangement, SPUD completed a brokered private placement financing of subscription receipts (the “Private Placement”), at an issue price of \$7.50 per subscription receipt, for aggregate gross proceeds of \$24.2 million and will issue 3,227,500 common shares upon satisfaction and/or waiver of certain escrow release conditions.

On March 12, 2021, the Company secured a revolving loan facility of up to \$15.0 million with Silicon Valley Bank (“SVB”). The loan facility is secured by a first priority cash collateral and matures on March 12, 2023. The loan facility bears interest at the greater of (i) a floating per annum rate equal to 3.05% above the Canadian Prime Rate and (ii) 5.25%, which is payable monthly. The loan facility has financial covenants requiring a specified minimum trailing three and six month EBITDA and a minimum liquidity coverage ratio of 1.50:1.00.

On March 29, 2021, the shareholders of SPUD (the “SPUD Shareholders”) passed a special resolution relating to the Arrangement. The Arrangement was approved by 100% of the votes cast on the resolution related thereto by SPUD Shareholders virtually present or represented by proxy at the Meeting. No SPUD Shareholders exercised their dissent rights with regard to the Arrangement.

On March 31, 2021, SPUD obtained a final order from the Supreme Court of British Columbia authorizing the Arrangement.

The following pro forma transactions have been recognized in the pro forma consolidated statement of financial position:

- Prior to the acquisition by Rainy Hollow of all issued and outstanding shares of SPUD:
 - Confirmed stock option activity subsequent to October 3, 2020;
 - The conversion of SPUD’s Convertible Debentures into common shares;
 - The conversion of all of the convertible loan warrants, issued in connection with SPUD’s convertible notes, into common shares; and
 - The conversion of a portion of SPUD’s convertible notes into common shares with the balance being paid with cash on hand and an initial draw of \$10 million from the SVB loan facility.
- With respect to the Private Placement, the issuance of 3,227,500 common shares of SPUD at a price of \$7.50 per common share for gross proceeds of \$24.2 million;
- The incurrence of share issuance, transaction and reorganization costs related to the conversions, Private Placement, Convertible Debenture Financing and the Arrangement;
- The consolidation of common shares of Rainy Hollow on an 8 to 1 basis; and
- The acquisition by Rainy Hollow of all issued and outstanding shares of SPUD by the issuance of one post-consolidated Rainy Hollow share for one share of SPUD.

Freshlocal Solutions Inc. (formally, “Rainy Hollow Ventures Inc.”)

Notes to the Pro Forma Consolidated statement of financial position

As at November 30, 2020

(All tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

(Unaudited)

2. Basis of presentation

(a) Pro forma consolidated statement of financial position

The unaudited pro forma consolidated statement of financial position of Freshlocal as at November 30, 2020 has been prepared, for illustrative purposes only, to give effect to the transactions described above pursuant to the assumptions and adjustments described in Note 3 thereto and for inclusion in the Filing Statement of Rainy Hollow dated April [*], 2021 in connection with the Arrangement.

For the purposes of preparing the consolidated statement of financial position for Freshlocal as at November 30, 2020, the statement of financial position of Rainy Hollow as at November 30, 2020 is used with the statement of financial position of SPUD as at January 2, 2021 as these two entities do not possess synchronized financial reporting periods.

The unaudited pro forma consolidated statement of financial position has been prepared based on the following financial statements which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board:

- Audited financial statements of Rainy Hollow as at and for the period ended November 30, 2020; and
- Unaudited interim condensed consolidated financial statements of SPUD for the three months ended January 2, 2021.

The unaudited pro forma consolidated statement of financial position has been prepared on a basis consistent with SPUD's significant accounting policies detailed in Note 3 of SPUD's audited consolidated financial statements for the year ended October 3, 2020. The pro forma consolidated statement of financial position as at November 30, 2020 has been prepared as if the transactions described in Note 3 had occurred on November 30, 2020.

The pro forma adjustments presented herein are preliminary and are based on available financial information and certain estimates and assumptions. Management believes that such assumptions provide a reasonable basis for presenting all the significant effects of the contemplated transactions, and that the pro forma adjustments give appropriate effect to those assumptions, and are properly applied to the unaudited pro forma consolidated statement of financial position. The actual adjustments to the consolidated statement of financial position of Freshlocal will differ from the pro forma adjustments herein.

The unaudited pro forma consolidated statement of financial position is not intended to reflect the financial position of Freshlocal, which would have resulted had the transactions been effected on the date indicated. The pro forma financial information is not necessarily indicative of financial performance that may be obtained in the future. The unaudited pro forma consolidated statement of financial position should be read in conjunction with the description of the transactions in the Filing Statement of Rainy Hollow dated April [*], 2021, the audited financial statements of Rainy Hollow for the year ended November 30, 2020, the audited financial statements of SPUD for the year ended October 3, 2020, the unaudited interim condensed consolidated financial statements of SPUD for the three months ended January 2, 2021 and the notes thereto.

(b) Reverse acquisition for accounting purposes

A reverse acquisition occurs when the entity that issues securities (the legal acquirer or Rainy Hollow) is identified as the acquiree for accounting purposes. The entity whose interests are acquired (the legal acquiree or SPUD) is the acquirer for accounting purposes in a reverse acquisition. It has been determined that Rainy Hollow is the accounting acquiree and that SPUD is the accounting acquirer based upon the guidance in IFRS 10, Consolidated Financial Statements, and IFRS 2, Share-based Payment.

The acquisition date fair value of the consideration transferred by the accounting acquirer, SPUD, for its interest in the accounting acquiree, Rainy Hollow, is based on the equity interests that SPUD would have had to issue to provide the owners of Rainy Hollow before the transaction, with the same percentage equity interest in the combined entity that results from the reverse acquisition.

The pro forma consolidated statement of financial position is prepared as a continuation of the statement of financial position of SPUD, reflecting the equity instruments of Rainy Hollow.

Freshlocal Solutions Inc. (formally, “Rainy Hollow Ventures Inc.”)

Notes to the Pro Forma Consolidated statement of financial position

As at November 30, 2020

(All tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

(Unaudited)

3. Pro forma assumptions and adjustment to the consolidated statement of financial position

The pro forma adjustments to prepare the pro forma consolidated statement of financial position are as follows:

(a) Conversion of outstanding convertible debentures into common shares

Immediately prior to the completion of the Arrangement, \$15.5 million of outstanding convertible debentures of SPUD will convert into 2,431,358 common shares. The carrying value of the instrument as at January 2, 2021 of \$12.5 million, conversion option of \$2.5 million, and share issuance costs and transaction costs amounting to \$1.3 million have been recorded in common shares. A fair value adjustment of \$0.8 million has been recognized in deficit.

The value of the compensation warrants of \$0.5 million have been recorded in Other equity reserve.

(b) Conversion of convertible notes into common shares

Immediately prior to the completion of the Arrangement, a portion of the outstanding convertible notes of SPUD and all outstanding interest thereon due as of January 31, 2021 will convert into 1,275,849 common shares. The carrying value of the converted portion of these instruments as at January 2, 2021 of \$4.4 million, accrued interest due to January 31, 2021 of \$2.2 million recorded in deficit, conversion option of \$0.7 million and a fair value adjustment of \$1.0 million recorded in deficit, has been recognized in common shares.

The balance due upon conversion will be cleared using \$10.0 million from the initial draw on the SVB loan facility and cash on hand. The carrying value of this portion of these instruments as at January 2, 2021 of \$18.3 million and a fair value adjustment of \$4.2 million recorded in deficit, has been recognized as an adjustment to cash. The termination of the conversion option of \$2.9 million has been recognized in deficit.

Furthermore, warrants issued with the convertible notes will convert into 720,000 common shares immediately prior to the completion of the Arrangement. The carrying value of the convertible note warrants as at October 3, 2020 of \$11.3 million has been recognized in common shares.

(c) Conversion of Private Placement subscription receipts for issuance of common shares

Immediately prior to the completion of the Arrangement upon the conversion of the Private Placement subscription receipts, Freshlocal will issue 3,227,500 common shares at a deemed price of \$7.50 per share for gross proceeds of \$24.2 million. Share issuance costs and transaction costs amounting to \$3.4 million, including the fair value of compensation warrants to the agents for an amount of \$0.4 million and 6,666 common shares issued as partial payment of a corporate finance fee, have been recorded in common shares for an amount of \$2.5 million and in deficit for an amount of \$0.8 million.

The compensation warrants were valued using the Black-Scholes model and the following assumptions:

Expected life of compensation warrants	2 years
Risk-free interest rate	0.42%
Dividend yield	0%
Volatility	45.00%
Common share value at grant date	\$7.50
Exercise price	\$7.50

Freshlocal Solutions Inc. (formally, “Rainy Hollow Ventures Inc.”)

Notes to the Pro Forma Consolidated statement of financial position

As at November 30, 2020

(All tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

(Unaudited)

3. Pro forma assumptions and adjustment to the consolidated statement of financial position (continued)

(d) Reverse acquisition of Rainy Hollow for accounting purposes

As of the date of closing of the Arrangement, Rainy Hollow will not meet the definition of a business and the transaction will be accounted for pursuant to IFRS 2, Share-Based Payment.

For the purposes of the pro forma consolidated statement of financial position, the fair value of assets acquired and liabilities assumed are assumed to be their carrying value of \$0.4 million in the historical statement of financial position of Rainy Hollow as at November 30, 2020.

The purchase price allocation of the reverse acquisition of Rainy Hollow is as follows:

Cash	\$	477
Accounts payable and accrued liabilities		79
Consideration paid in shares		4,026
Excess of consideration paid over net assets assumed		3,628

For the purposes of the pro forma consolidated statement of financial position, the common shares of Rainy Hollow of \$0.6 million, the contributed surplus of \$0.04 million and the deficit of \$0.2 million have been eliminated to reflect reverse acquisition accounting.

(e) Impact on cash and cash equivalents:

Gross proceeds of stock option exercise	\$	88
Gross proceeds of Private Placement (note 3(c))		24,206
Share issuance and transaction costs		(2,947)
Repayment of convertible note		(22,530)
Initial draw on SVB loan facility		10,000
	\$	8,817

(f) Impact on restricted cash:

Conversion of Private Placement subscription receipts (note 3(c))	\$	(24,206)
	\$	(24,206)

(g) Impact on trade and other payables:

Conversion of convertible note interest (note 3(b))	\$	(1,805)
	\$	(1,805)

Freshlocal Solutions Inc. (formally, “Rainy Hollow Ventures Inc.”)

Notes to the Pro Forma Consolidated statement of financial position

As at November 30, 2020

(All tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

(Unaudited)

3. Pro forma assumptions and adjustment to the consolidated statement of financial position (continued)

(h) Impact on short-term debt:

Conversion of convertible notes (note 3(b))	\$	(4,450)
Payment of convertible notes (note 3(b))		(18,329)
	\$	(22,779)

(i) Impact on subscription receipts held for investors:

Conversion of Private Placement subscription receipts (note 3(c))	\$	(24,206)
	\$	(24,206)

(j) Impact on warrants:

Issuance of compensation warrants (note 3(a))	\$	(465)
Exercise of convertible note warrants (note 3(b))		(11,327)
	\$	(11,792)

(k) Impact on conversion option:

Exercise of convertible debenture conversion option (note 3(a))	\$	(2,459)
Exercise of convertible note conversion option (note 3(b))		(713)
Expiration of convertible note conversion option (note 3(b))		(2,938)
	\$	(6,110)

(l) Impact on long-term debt:

Conversion of of Convertible Debenture (note 3(a))	\$	(12,523)
Initial draw on SVB loan facility		10,000
	\$	(2,523)

Freshlocal Solutions Inc. (formally, “Rainy Hollow Ventures Inc.”)

Notes to the Pro Forma Consolidated statement of financial position

As at November 30, 2020

(All tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

(Unaudited)

3. Pro forma assumptions and adjustment to the consolidated statement of financial position (continued)

(m) Impact on share capital and other equity reserve:

The following table sets forth the calculation of the pro forma number of common shares outstanding as at November 30, 2020:

	Number of shares	Share capital	Other equity reserves	Number of stock options	Number of warrants
	#	\$	\$	#	#
Common shares of SPUD issued and outstanding as at January 2, 2021	35,536,681	59,881	4,018	4,427,200	3,531,149
Stock option exercises	48,050	112	(26)	(48,050)	-
Stock option cancellations	-	-	-	(26,250)	-
Conversion of convertible debentures (note 3(a))	2,431,358	15,500	-	-	-
Conversion of convertible notes (note 3(b))	1,275,849	8,368	-	-	-
Exercise of convertible note warrants (note 3(b))	720,000	11,327	-	-	-
Issuance of common shares under Private Placement subscription receipt conversion (note 3(c))	3,227,500	24,206	-	-	-
Issuance of compensation warrants (notes 3(a) and (b))	-	-	831	-	316,849
Issuance of common shares as corporate finance fee (note 3(c))	6,666	50	-	-	-
Share issuance costs	-	(3,797)	-	-	-
Shares issued to shareholders of Rainy Hollow (see table below)	536,766	4,610	41	25,000	-
Elimination of Rainy Hollow common shares and other equity reserve (note 3(d))	-	(584)	(41)	-	-
	43,782,870	119,673	4,823	4,377,900	3,847,998

	Number of shares	Share capital	Other equity reserves	Number of stock options	Number of warrants
	#	\$	\$	#	#
Common shares of Rainy Hollow issued and outstanding as at November 30, 2019	4,294,130	584	41	200,000	-
Impact of reverse acquisition (note 3(d))	-	4,026	-	-	-
Share consolidation on an 8 to 1 basis	536,766	4,610	41	25,000	-

(n) Impact on deficit:

Fair value adjustment of convertible debenture on conversion (note 3(a))	\$	764
Convertible note interest due (note 3(b))		(380)
Fair value adjustment of debt on conversion (note 3(b))		(1,020)
Fair value adjustment of debt on repayment (note 3(b))		(1,263)
Transaction Costs (note 3(c))		(846)
Elimination of Rainy Hollow deficit (note 3(d))		227
Impact of reverse acquisition (note 3(d))		(3,628)
	\$	(6,146)

(o) Tax matters:

Although it is expected that Freshlocal will be entitled to benefit from non-capital losses and deductible temporary differences, a deferred tax asset has not been recognized in the pro forma consolidated statement of financial position as at November 30, 2020 because it is not probable that the related tax benefit will be realized by Freshlocal. As a result, the effective tax rate for Freshlocal for the twelve-month period ended November 30, 2020 is nil.

EXHIBIT “F”
UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
OF SPUD FOR THE THREE-MONTH PERIODS ENDED JANUARY 2, 2021 AND
DECEMBER 28, 2019

See attached.

Sustainable Produce Urban Delivery Inc.

Unaudited Interim Condensed Consolidated Financial Statements

For the three months ended January 2, 2021 and December 28, 2019
(in Canadian dollars)

Table of contents

Unaudited Interim Condensed Consolidated Statements of Financial position.....	1
Unaudited Interim Condensed Consolidated Statements of Loss and Comprehensive Loss	2
Unaudited Interim Condensed Consolidated Statements of Changes in Equity	3
Unaudited Interim Condensed Consolidated Statements of Cash Flows	4
Notes to the Unaudited Interim Condensed Consolidated Financial Statements.....	5-13

Sustainable Produce Urban Delivery Inc.

Unaudited Interim Condensed Consolidated Statements of Financial Position

As at January 2, 2021 and October 3, 2020

(Expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	January 2 2021	October 3 2020
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		9,614	1,143
Trade and other receivables		6,013	4,756
Inventories		4,626	4,319
Current contract asset	11	184	—
Prepaid expenses and deposits		1,404	874
Restricted cash	14	24,206	—
		46,047	11,092
Non-current assets			
Deposits on real estate & other long-term deposits		22	9
Non-current contract asset	11	1,206	—
Property and equipment	7	29,269	30,100
Intangible assets		3,986	4,316
Goodwill		1,586	1,586
Total assets		82,116	47,103
Liabilities			
Current liabilities			
Trade payables		11,374	10,732
Accrued liabilities		6,078	4,474
Deferred revenue		815	789
Current portion of lease liabilities	8	1,559	2,112
Short-term debt	9	22,864	19,355
Subscription receipts held for investors	14	24,206	—
		66,896	37,462
Non-current liabilities			
Non-current portion of lease liabilities	8	16,157	16,197
Warrants		11,792	10,290
Conversion option		6,110	2,436
Contingent warrant liability		7,622	4,825
Deferred revenue		4,967	4,243
Non-current portion of long-term debt	9	12,523	—
Total liabilities		126,067	75,453
Shareholders' Equity			
Share capital		59,881	59,881
Other equity reserve		4,018	3,695
Accumulated deficit		(107,850)	(91,926)
Total equity		(43,951)	(28,350)
Total liabilities and equity		82,116	47,103

/s/ Terry Vanderkruyk
Terry Vanderkruyk, Director

/s/ Monique Wilberg
Monique Wilberg, Director

Sustainable Produce Urban Delivery Inc.

Unaudited Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

For the three months ended January 2, 2021 and December 28, 2019

(Expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	2021 \$	2020 \$
Revenue	4	31,872	17,842
Expenses			
Cost of sales		(20,187)	(11,417)
Selling, general and administration	5	(12,840)	(8,617)
Distribution costs		(2,674)	(1,941)
		(35,701)	(21,975)
Loss from operations		(3,829)	(4,133)
Other expense			
Finance expense	6	(12,095)	(1,015)
		(12,095)	(1,015)
Loss before tax from continuing operations		(15,924)	(5,148)
Income taxes		—	—
Net loss and comprehensive loss for the period		(15,924)	(5,148)
Attributable to the shareholders of the parent company		(15,924)	(5,148)
Basic and diluted loss per share		(0.45)	(0.14)
Basic and diluted weighted average number of common shares outstanding		35,536,681	35,535,231

Sustainable Produce Urban Delivery Inc.

Unaudited Interim Condensed Consolidated Statements of Changes in Equity

For the three months ended January 2, 2021 and December 28, 2019

(Expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	Number of Common shares #	Share capital \$	Other equity reserves \$	Accumulated deficit \$	Total \$
Balance, September 28, 2019		35,520,010	59,829	2,239	(61,202)	866
Share issuance on stock option exercise		4,897	4	—	—	4
Private placement		10,324	46	—	—	46
Stock-based compensation		—	—	77	—	77
Net loss and comprehensive loss		—	—	—	(5,148)	(5,148)
Balance, December 28, 2019		35,535,231	59,879	2,316	(66,350)	(4,155)
Balance, October 3, 2020		35,536,681	59,881	3,695	(91,926)	(28,350)
Stock-based compensation	10	—	—	323	—	323
Net loss and comprehensive loss		—	—	—	(15,924)	(15,924)
Balance, January 2, 2021		35,536,681	59,881	4,018	(107,850)	(43,951)

Sustainable Produce Urban Delivery Inc.

Unaudited Interim Condensed Consolidated Statements of Cash Flow

For the three months ended January 2, 2021 and December 28, 2019

(Expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	2021 \$	2020 \$
Operating activities			
Net loss		(15,924)	(5,148)
Adjustments to reconcile non-cash items			
Depreciation of property and equipment	7	996	595
Amortization of intangible assets		125	474
Stock based compensation expense	10	322	77
Interest expense - Lease	8	297	265
Interest on debt		1,421	750
Warrants expense		4,300	—
Conversion option expense		3,675	—
Other		47	8
Changes in non-cash operating working capital			
Trade and other receivables		(1,151)	(334)
Government remittances		(106)	(116)
Inventories		(307)	(122)
Contract asset		(1,185)	—
Prepaid expenses and deposits		(543)	(191)
Right-of-use asset		—	(821)
Trade and other payables		2,246	(2,139)
Deferred revenue		750	(28)
Net cash used in operating activities		(5,037)	(6,730)
Investing activities			
Purchase of property and equipment	7	(206)	(119)
Proceeds from disposal of intangible assets		—	53
Net cash used in investing activities		(206)	(66)
Financing activities			
Payments of obligations under lease liabilities	8	(886)	(164)
Repayment of debt		—	(34)
Proceeds from long-term debt		15,713	—
Repayment of interest on debt		(1,113)	(750)
Net cash provided / (used) by financing activities		13,714	(948)
Change in cash and cash equivalents		8,471	(7,744)
Cash and cash equivalents, beginning of the period		1,143	7,069
Cash and cash equivalents, end of the period		9,614	(675)

Sustainable Produce Urban Delivery Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three months ended January 2, 2021 and December 28, 2019

(Expressed in thousands of Canadian dollars, except share and per share amounts)

1. Nature of operations

Sustainable Produce Urban Delivery Inc. (the "Company" or "SPUD") is a company incorporated under the *Business Corporations Act* (British Columbia). The principal business activities of the Company are:

- The online sales and distribution of grocery products in Greater Vancouver, Victoria, Calgary, and Edmonton via the www.spud.ca ecommerce portal;
- The operations of retail stores in Vancouver (Be Fresh) and in Calgary and Edmonton (Blush Lane Organic Markets); and
- The development and sale of eGrocery management solutions software to international and domestic grocery store operators.

The address of its registered office and principal place of business is Unit 105, 5566 Trapp Avenue, Burnaby, BC. The Company's fiscal year ends on the Saturday closest to September 30.

These financial statements have been prepared on the basis that the Company will continue as a going concern which contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern.

2. Basis of presentation

These Unaudited Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 and in conjunction with policies in the annual financial statements, as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Standards Interpretations Committee.

The Company's ability to continue as a going concern is dependent upon obtaining additional financing to meet anticipated cash needs for working capital and capital expenditures through the next twelve months. During the quarter ended January 2, 2021, the Company completed both a \$15.5 million unsecured convertible debenture financing and a \$24.2 million brokered private placement (further described in Note 9 and Note 14). Additionally, subsequent to period end on March 12, 2021, the Company secured a \$15.0 million revolving loan facility with Silicon Valley Bank ("SVB") as described in Note 15. Current management forecasts and related assumptions support the view that the Company can adequately manage the operational needs of the business with these financings over the next twelve months. In addition, the Company has confirmed a portion of its existing debt facility will be converted into equity and secured a new line of credit to refinance the balance.

As a result of these subsequent financings and the reverse takeover of Rainy Hollow as described in Note 9 and Note 14, the Company has concluded that there is a material uncertainty with respect to its ability to continue as a going concern for at least the next twelve months and realize its assets and satisfy its liabilities in the normal course of operations as they come due.

These Unaudited Interim Condensed Consolidated Financial Statements were prepared on a going concern basis, under the historical cost convention, except for the revaluation of certain financial instruments. The preparation of financial statements in accordance with IFRS requires the use of certain accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in Note 3.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. These assumptions and estimates are regularly reviewed. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are the same as those applied to the Company's annual audited consolidated financial statements for the years ended October 3, 2020, September 28, 2019 and September 29, 2018.

Sustainable Produce Urban Delivery Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three months ended January 2, 2021 and December 28, 2019

(Expressed in thousands of Canadian dollars, except share and per share amounts)

4. Revenue

Disaggregation of revenue from contracts with customers:

	January 2 2021	December 28 2019
	\$	\$
Online customers	20,908	9,072
Retail customers	10,135	8,141
Inventory management	542	540
Other	287	89
	31,872	17,842

5. Selling, general and administrative

	January 2 2021	December 28 2019
	\$	\$
Salaries and benefits	7,940	4,835
General and administrative	2,856	2,230
Depreciation of property and equipment	769	595
Amortization of intangible assets	125	474
Foreign exchange (gain)/loss	(2)	3
Stock based compensation	321	72
Start-up costs	—	22
Sales and marketing	831	386
	12,840	8,617

6. Finance expense

	January 2 2021	December 28 2019
	\$	\$
Accretion expense	4,557	—
Warrants expense	3,834	—
Conversion option expense	2,037	—
Interest on debt	1,405	739
Lease interest	248	265
Bank and other	14	11
	12,095	1,015

7. Property and equipment

Property and equipment, leased buildings, and right-of-use assets are carried at cost less accumulated depreciation.

	January 2 2021	October 3 2020
	\$	\$
Property and Equipment	14,150	14,430
Right-of-use assets	15,119	15,670
	29,269	30,100

Sustainable Produce Urban Delivery Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three months ended January 2, 2021 and December 28, 2019

(Expressed in thousands of Canadian dollars, except share and per share amounts)

a) Property and Equipment

	Furniture and equipment \$	Vehicles \$	Delivery equipment \$	Leasehold improvements \$	Computer hardware \$	Total \$
Cost						
October 3, 2020	4,783	1,051	1,121	13,390	2,096	22,441
Additions	42	—	25	1	138	206
Disposals	—	—	(1)	—	—	(1)
January 2, 2021	4,825	1,051	1,145	13,391	2,234	22,646
Accumulated depreciation						
October 3, 2020	2,869	525	639	2,779	1,199	8,011
Depreciation	90	25	38	221	115	489
January 2, 2021	2,959	550	677	3,000	1,314	8,500
Net book value						
October 3, 2020	1,914	526	482	10,611	897	14,430
January 2, 2021	1,866	501	468	10,391	920	14,146
Net transfers	1	1	—	—	2	4
January 2, 2021	1,867	502	468	10,391	922	14,150

b) Right of Use Assets

	Furniture and equipment \$	Vehicles \$	Buildings \$	Total \$
Cost				
October 3, 2020	368	2,409	15,382	18,159
January 2, 2021	368	2,409	15,382	18,159
Accumulated depreciation				
October 3, 2020	95	623	1,771	2,489
Depreciation	11	98	442	551
January 2, 2021	106	721	2,213	3,040
Net book value				
October 3, 2020	273	1,786	13,611	15,670
January 2, 2021	262	1,688	13,169	15,119
Net transfers	—	—	—	—
January 2, 2021	262	1,688	13,169	15,119

Sustainable Produce Urban Delivery Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three months ended January 2, 2021 and December 28, 2019

(Expressed in thousands of Canadian dollars, except share and per share amounts)

8. Lease Liabilities

The continuity of the Company's lease liabilities from October 3, 2020 to January 2, 2021 is as follows:

Current portion, October 3, 2020	2,112
Non-current portion, October 3, 2020	16,197
Balance, October 3, 2020	18,309
Additions	15
Disposals	(19)
Payment of lease obligations	(886)
Interest expense on lease obligations	297
Balance, January 2, 2021	17,716
Current portion, January 2, 2021	1,559
Non-current portion, January 2, 2021	16,157

9. Debt & derivative liabilities

On October 21, 2020, SPUD completed a brokered private placement financing (the "Convertible Debenture Financing") pursuant to which it issued an aggregate principal amount of \$15.5 million unsecured convertible debentures (the "Convertible Debentures"), each Convertible Debenture being convertible upon certain events ("Debenture Conversion Option"), including the proposed take-over of Rainy Hollow Ventures Inc. ("Rainy Hollow") by SPUD, into a SPUD common share at a price equal to an amount representing a 15% discount to the listing price of the Resulting Issuer Shares (as defined below) on the TSX Venture Exchange or the Toronto Stock Exchange, as the case may be.

The Debenture Conversion Option is classified as a derivative as they are exercisable at a variable price. The Company will account for this derivative liability at Fair Value Through Profit or Loss ("FVTPL") where initially the derivative liability is recognized at fair value with subsequent changes in fair value recognized in the consolidated statement of loss and comprehensive loss.

At inception, the Company has determined the fair value of the embedded derivatives discussed above and the Convertible Debentures as the host contract.

Subsequent to initial recognition, the Convertible Debentures were measured at amortized cost using the effective interest rate method.

Interest, dividends, losses and gains relating to the financial liability are recognized in finance expense within the consolidated statement of loss and comprehensive loss.

On initial recognition, the Debenture Conversion Option was recognized at fair value of \$1.6 million. Key assumptions used in the fair value determination were a risk-free rate of 0.52% and an effective discount rate of 25.8%. The convertible loan warrants, issued in connection with the convertible debenture financing, were recognized at fair value of \$0.4 million and the Convertible Debentures recognized at fair value of \$12.1 million, net of \$1.3 million in transaction costs being assigned.

On January 2, 2021, the derivative liability was remeasured as follows:

- The Debenture Conversion Option was remeasured at fair value of \$2.5 million with loss of \$0.8 million being recognized in finance expense within the consolidated statement of loss and comprehensive loss.

	January 2 2021
	\$
Long-term debenture at inception	12,116
Less: Interest payment	(260)
Add: Interest accretion	634
Others	33
	12,523

On July 31, 2020, the Company entered into a related party debt facility arrangement with Fonds Agro WF S.E.C./WF Agro Fund L.P. ("Walter Financial") for \$28.0 million at an annual interest rate of 15% which matures and is repayable in March 2021 ("Debt Facility").

Sustainable Produce Urban Delivery Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three months ended January 2, 2021 and December 28, 2019

(Expressed in thousands of Canadian dollars, except share and per share amounts)

Subject to certain conversion features, the Debt Facility is converted into common shares, at the holder's option ("Conversion Option"), upon the occurrence of certain events such as: an event of default; a significant financing; a change of control; a sale of Blush Lane Organic Markets or the sale or other disposition of any other significant asset or property by SPUD; or an initial public offering of the Company or any other transaction resulting in the shares of the Company being publicly traded ("IPO") (collectively "Triggering Events").

Key assumptions of Walter Financial debt at inception and period end were as follows:

	January 2 2020	July 31 2020
IPO triggering event probability	90%	25%
Volatility	53%	48%
Exercise price	\$7.50	\$7.50
Share price	\$6.80	6.80

On January 2, 2021 the derivative liabilities were remeasured as follows:

- The Conversion Option was remeasured at fair value of \$3.7 million with a loss of \$1.2 million being recognized in finance expense within the consolidated statement of loss and comprehensive loss. Key assumptions used in the fair value determination were a triggering event probability of 90%.
- The Warrants were remeasured at fair value of \$11.3 million with a loss of \$1.0 million being recognized in finance expense within the consolidated statement of loss and comprehensive loss. Key assumptions used in the fair value determination were a volatility rate of 53% and exercise price of \$7.50 and a share price of \$6.80.

	January 2 2021
	\$
Walter Financial, 15% annual (as at October 3, 2020)	18,665
ATB Financial (as at October 3, 2020)	690
Less: Interest payment	(645)
Add: Interest accretion	4,082
Others	72
	22,864

10. Stock-based compensation

The Company uses the Black-Scholes option pricing model to calculate the fair value of the stock options and recognizes costs over the vesting period of each option group. For the fiscal quarter ended January 2, 2021, a total of \$0.3 million (\$0.1 million in the quarter ended December 28, 2019) of stock-based compensation expense was recognized, with a corresponding charge to other equity reserve.

The following tables summarize the stock options outstanding:

	Number outstanding	Number vested and exercisable	January 2, 2021 weighted average remaining contractual life (years)
	\$	\$	\$
Exercise prices (\$)			
0.01 to 1.00	368,450	368,450	1.8
1.80 to 2.70	813,750	813,750	5.2
2.71 to 3.00	645,000	645,000	7.1
3.00 to 4.50	2,600,000	1,120,500	9.2
	4,427,200	2,947,700	7.5

Sustainable Produce Urban Delivery Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three months ended January 2, 2021 and December 28, 2019

(Expressed in thousands of Canadian dollars, except share and per share amounts)

11. Contract asset

The Company has incurred expenditures for its Carrefour implementation ("Project"). Costs incurred for the quarter ended January 2, 2021 were \$1.4 million (nil as at October 3, 2020). The contract asset will be recognized as an expense over the expected life of the Project upon go-live. A test for impairment of the contract asset will be performed periodically or as conditions arise where the carrying value exceeds the value in use. Any impairment loss will be recognized as an expense in the period.

	January 2 2021	October 3 2020
	\$	\$
Balance, beginning of the quarter	—	—
Balance, end of the quarter	1,390	—
Less: current portion of contract asset	184	—
Non-current portion of contract asset	1,206	—

12. Financial Instruments

The Company has determined that the fair values of cash and cash equivalents, amounts receivable included in other current assets, and accounts payable and accrued liabilities approximate their respective carrying amounts at the consolidated statement of financial position date, due to the short-term maturity of those instruments.

The Company is exposed to certain financial risks as listed below. There has been no change in the exposure to risk, nor its objectives, policies, and process for managing risk from the prior years.

(a) 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 customers. In order to reduce its credit risk, the Company deals only with financially sound counterparties and, accordingly, does not anticipate loss for non-performance. An expected credit loss is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Company has a significant number of customers which minimizes concentration of credit risk.

The Company's cash and cash equivalents are also exposed to credit risk. Cash and cash equivalents are held with a major financial institution.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Management monitors its interest rates compared to market rates on a regular basis. The Company does not use derivative instruments to reduce its exposure to interest rate risk.

(c) Currency risk

Currency risk is the risk that the Company's net income (loss) will vary from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

(d) Liquidity risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cash flows generated from operations to meet its requirements. As at January 2, 2021, the most significant financial liabilities are short-term debt, trade payables, accrued liabilities, lease liabilities, and long-term debt.

	Carrying Amount January 2, 2021 \$	Contractual Cash Flows		
		1 Year	1-3 Years	3+ Years
Short-Term Debt	22,864	28,012	—	—
Lease Liability	17,716	1,559	6,190	9,967
Long-Term Debt	12,523	—	15,543	—
Trade Payables	11,374	11,374	—	—
Accrued Liabilities	6,078	6,078	—	—

Sustainable Produce Urban Delivery Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three months ended January 2, 2021 and December 28, 2019

(Expressed in thousands of Canadian dollars, except share and per share amounts)

(e) Fair value

The fair values of the Company's current financial assets and current liabilities approximate their carrying amounts. There were no transfers between levels during the year.

The Company determined the valuation of its warrants and derivatives related to the short-term debt using the discounted cash flow method which is a level 3 fair value measurement.

13. Segment Reporting

The Company's principal business activities are e-grocery sales and distribution via its spud.ca platform, operation of retail stores via Blush Lane Organic Markets and the development and sale of e-grocery management solutions software to grocery retailers.

In accordance with IFRS 8 "Operating Segments", an operating segment is defined as a business activity whose operating results are reviewed by the chief operating decision-maker ("CODM"), for which discrete information is available. Operating segments are reported in a manner consistent with the internal reporting provided to the CODM, as required by IFRS 8. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

The operating segment for the development and sale of e-grocery management solutions software to grocery retailers is below the 10% threshold specified under IFRS 8 and has not been disclosed as a separate operating segment.

The Board assesses the performance of all segments on the basis of revenue and cost of goods sold as reported internally; this is the key measure utilized in assessing the performance of operating segments within the SPUD group of companies.

The accounting policies of the segments are the same as those for the Group as a whole. Any transactions between the business segments are subject to normal commercial terms and market conditions. Segmental results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

For the quarter ended January 2, 2021

	eGrocery	Blush Lane	Intercompany Elimination / Reclass	Consolidation
Total revenue, net of returns and credits	24,990	9,461	(2,579)	31,872
Cost of sales	(16,417)	(6,349)	2,579	(20,187)
Distribution costs	(2,590)	(84)	—	(2,674)
	5,983	3,028	—	9,011
Selling, general and administrative expenses	—	—	—	(12,840)
				(3,829)
Finance expenses	—	—	—	(12,095)
Net loss and comprehensive loss				(15,924)

For the quarter ended December 28, 2019

	eGrocery	Blush Lane	Intercompany Elimination / Reclass	Consolidation
Total revenue, net of returns and credits	11,471	7,540	(1,169)	17,842
Cost of sales	(7,415)	(5,040)	1,038	(11,417)
Distribution costs	(1,877)	(64)	—	(1,941)
	2,179	2,436	(131)	4,484
Selling, general and administrative expenses	—	—	—	(8,617)
				(4,133)
Finance expenses	—	—	—	(1,015)
Net loss and comprehensive loss				(5,148)

Sustainable Produce Urban Delivery Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three months ended January 2, 2021 and December 28, 2019

(Expressed in thousands of Canadian dollars, except share and per share amounts)

14. Proposed Reverse Takeover Transaction & Subscription Receipt Financing

On September 30, 2020, the Company entered into a letter of intent (the "Letter of Intent") with Rainy Hollow, which outlined the terms and conditions pursuant to which Rainy Hollow and SPUD will complete a transaction that will result in a reverse take-over of Rainy Hollow by SPUD, whereby Rainy Hollow will acquire all of the issued and outstanding common shares of SPUD, to form the resulting issuer (the "Resulting Issuer").

On December 21, 2020, the Company entered into an arrangement agreement with Rainy Hollow, replacing the Letter of Intent between the same parties, which sets out the terms of the reverse take-over of Rainy Hollow by SPUD by way of a statutory plan of arrangement under Section 288 of the Business Corporations Act (British Columbia) involving Rainy Hollow, SPUD and the securityholders of SPUD (the "Arrangement"). Rainy Hollow, as it will exist as the Resulting Issuer after completion of the Arrangement, will change its name to "Freshlocal Solutions Inc." or such other name that Rainy Hollow and SPUD may agree to.

On December 23, 2020 and in connection with the Arrangement, SPUD completed a brokered private placement financing (the "Subscription Receipt Financing") pursuant to which it issued 3,227,500 subscription receipts at a price of \$7.50 per subscription receipt for gross proceeds of \$24.2 million which subscription receipts (held in escrow) pursuant to their terms will be converted into SPUD common shares immediately prior to the completion of the Arrangement provided all required conditions are met.

The following transactions will be recognized in conjunction with the Arrangement:

- Prior to the acquisition by Rainy Hollow of all issued and outstanding shares of SPUD:
 - The conversion of the Convertible Debentures into common shares;
 - The exchange of the Subscription Receipts for common shares;
 - The issuance of common share purchase warrants to the Subscribers;
 - The conversion of a portion of SPUD's convertible notes evidencing the loan under the Debt Facility (the "Convertible Notes"), into common shares and the repayment of the balance of the Convertible Notes by cash; and
 - The conversion of all of the convertible loan warrants, issued in connection with the Debt Facility and the Convertible Notes, into common shares.
- The consolidation of common shares of Rainy Hollow on an 8 to 1 basis;
- At the time of completion of the acquisition by Rainy Hollow of all issued and outstanding shares of SPUD:
 - The exchange of all outstanding SPUD common shares for post-consolidation Rainy Hollow common shares ("Resulting Issuer Shares") on a 1 to 1 basis;
 - The cancellation of all outstanding SPUD stock options and their replacement with Resulting Issuer options issued by the Resulting Issuer pursuant to a newly adopted Resulting Issuer stock option plan, exercisable for Resulting Issuer Shares;
 - The cancellation of all outstanding SPUD warrants, including broker warrants, and their replacement with warrants issued by the Resulting Issuer, exercisable for Resulting Issuer Shares;
- The incurrence of share issuance, transaction and reorganization costs related to the conversions, the Convertible Debenture Financing, the Subscription Receipt Financing and the Arrangement;

A reverse acquisition occurs when the entity that issues securities (the legal acquirer or, in this case, Rainy Hollow) is identified as the acquiree for accounting purposes. The entity whose interests are acquired (the legal acquiree or, in this case, SPUD) is the acquirer for accounting purposes in a reverse acquisition. It has been determined that Rainy Hollow is the accounting acquiree and that SPUD is the accounting acquirer based upon the guidance in IFRS 10, Consolidated Financial Statements, and IFRS 3, Business Combinations.

The acquisition date fair value of the consideration transferred by the accounting acquirer, SPUD, for its interest in the accounting acquiree, Rainy Hollow, is based on the equity interests that SPUD would have had to issue to provide the owners of Rainy Hollow before the transaction, with the same percentage equity interest in the combined entity that results from the reverse acquisition.

In connection with the Convertible Debenture Financing, Canaccord Genuity Corp. ("Canaccord") and Desjardins Securities Inc. acted as co-lead agents (the "Co-Lead Agents") and received, as consideration for their services, cash commission in an aggregate amount of \$0.9 million. The Co-Lead Agents also received an aggregate of 124,000

Sustainable Produce Urban Delivery Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three months ended January 2, 2021 and December 28, 2019

(Expressed in thousands of Canadian dollars, except share and per share amounts)

agent warrants entitling them upon a liquidity event, such as the Arrangement, to purchase at the listing price, for a period of 24 months from the closing date of the Arrangement, one Resulting Issuer Share for each warrant.

In connection with the Subscription Receipt Financing, the Co-Lead Agents again acted as co-lead agents as part of a syndicate of agents along with Cormark Securities Inc. and PI Financial Corp. Together, the agents received, as consideration for their services, cash commission in an aggregate amount of \$1,446. The agents also received an aggregate of 192,849 agent warrants entitling them upon a liquidity event, such as the Arrangement, to purchase at the listing price, for a period of 24 months from the closing date of the Arrangement, one Resulting Issuer Share for each warrant. Further, a corporate finance fee of \$100, plus applicable taxes, will be payable to Canaccord in conjunction with the completion of the Arrangement, payable by way of \$50 plus applicable taxes in cash and the issuance of 6,666 SPUD shares.

15. Subsequent events

On March 12, 2021, the Company secured a revolving loan facility of up to \$15.0 million with Silicon Valley Bank ("SVB"). The loan facility is secured by a first priority cash collateral and matures on March 12, 2023. The loan facility bears interest at the greater of (i.) a floating per annum rate equal to 3.05% above the Canadian Prime Rate and (ii.) 5.25%, which is payable monthly. The proceeds will be used to fund the continued development of its eGMS platform, expansion and working capital purposes. The loan facility has financial covenants requiring a specified minimum trailing three and six month EBITDA and a minimum liquidity coverage ratio of 1.50:1.00.

On March 12, 2021, the Company amended its debt facility arrangement with Walter Financial extending the maturity to April 22, 2021, all other terms of the arrangement remain unchanged.

EXHIBIT “G”
MANAGEMENT’S DISCUSSION AND ANALYSIS OF SPUD FOR THE THREE-
MONTH PERIODS ENDED JANUARY 2, 2021 AND DECEMBER 28, 2019

See attached.

**Sustainable Produce Urban Delivery Inc.
Management's Discussion & Analysis**

For the three-month periods ended January 2, 2021 and December 28, 2019
(in Canadian dollars)

CONTENTS

BASIS OF PRESENTATION	3
FORWARD-LOOKING STATEMENTS	3
METRICS AND NON-IFRS FINANCIAL MEASURES	3
COMPANY PROFILE	4
FINANCIAL OUTLOOK	5
RESULTS OF OPERATIONS FOR Q1 FISCAL 2021	8
FINANCIAL POSITION, LIQUIDITY AND CAPITAL MANAGEMENT	9
RECONCILIATION OF NON-IFRS FINANCIAL MEASURES	12
SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS	12
DIVIDEND POLICY	13
TRENDS AND SEASONALITY	13
FINANCIAL RISK MANAGEMENT	13
BUSINESS RISK	14
SUBSEQUENT EVENTS	14

BASIS OF PRESENTATION

The following has been prepared for the purpose of providing Management's Discussion and Analysis ("MD&A") of the financial condition as at January 2, 2021 and operating results of the Company for the three-month period ended January 2, 2021 and December 28, 2019. This document should be read in conjunction with the Company's Annual Audited Consolidated Financial Statements and the accompanying notes thereto for the year ended October 3, 2020 and Company's Unaudited Interim Condensed Consolidated Financial Statements and the accompanying notes thereto for the three-months ended January 2, 2021 and December 28, 2019.

In this document, unless otherwise indicated, all financial information is prepared in accordance with International Financial Reporting Standards (IFRS) and the term "dollar", as well as the symbol "\$" designate Canadian dollars. When referenced, Fiscal 2020, 2019 and 2018 reflect the years ending October 3, 2020, September 28, 2019 and September 29, 2018, respectively.

In this MD&A, we report on items deemed material that have taken place from January 2, 2021 up to and including March 16, 2021, which is the date on which this MD&A was approved by the Company's Board of Directors. Management determines whether information is material based on whether they believe a reasonable investor's decision to buy, sell, or hold securities of the Company would likely be influenced or changed should the information be omitted or misstated, and discloses material information accordingly.

Finally, to facilitate the reading of this report, the terms "SPUD", "Company", "we", "our", and "us" all refer to Sustainable Produce Urban Delivery Inc.

FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. This information includes, but is not limited to, information with respect to our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimates, and intentions. This forward-looking information is identified by the use of terms and phrases such as "may", "would", "should", "could", "expect", "intend", "estimate", "anticipate", "plan", "foresee", "believe", "continue", and similar terminology, although not all forward-looking information will contain these terms and phrases.

Forward-looking information is provided for the purposes of assisting the reader in understanding the Company and its business, operations, prospects, and risks at a point in time in context of historical and possible future developments, and therefore the reader is cautioned that such information may not be appropriate for other purposes. Forward-looking information is based on several assumptions and is subject to several risks and uncertainties, many of which are beyond the control of management, and could cause results to differ materially by those disclosed or implied by this information. These risk factors include but are not limited to negative operating cash flow, quality control, health concerns, damage to the Company's reputation, transportation disruptions, competition, regulatory compliance, online security and disruptions, management of growth, and future capital requirements and the risk factors described under the section of this Filing Statement entitled "Part IV – Risk Factors". Note that this forward-looking information has been created based on what management believes to be reasonable assumptions. Certain assumptions were made in preparing forward-looking information, such as the availability of capital resources, customer demand, economic conditions, and future business performance. Readers are cautioned against placing absolute reliance on forward-looking information as actual results may vary. Detailed information of risks is provided in the "Financial Risk Management" and "Business Risk" sections of this MD&A and the risk factors described under the section of this Filing Statement entitled "Part IV – Risk Factors".

Unless otherwise noted, all forward-looking information is provided as of the MD&A date, and management does not update or amend such forward-looking information due to new information and future events, except as required by law. Please also refer to the section of this Filing Statement entitled "Cautionary Note Regarding Forward-Looking Information."

METRICS AND NON-IFRS FINANCIAL MEASURES

In addition, in this MD&A, we use metrics and non-IFRS financial measures for which a complete definition is presented below and for which a reconciliation to financial information in accordance with IFRS is presented in the section entitled "Reconciliation of Non-IFRS Financial Measures". These measures should be considered as a complement to financial performance measures in accordance with IFRS and to provide further understanding of the Company's operating results from management's perspective. They do not substitute, are not superior to them and do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures as presented by other issuers.

Non-IFRS Metrics	Definition
eGrocery Average Order Size ("AOS")	The eGrocery Average Order Size ("AOS") is defined as total sales net of returns and credits, divided by the number of orders made for the period. The Company believes that AOS is a useful metric for readers because it is indicative of eGrocery adoption, consumers expanding their share of purchases made online and the strength of our online consumer business.
Active Customers	Based on the number of individual customer accounts that have completed an order on our eCommerce platform in the past 90 days, measured as of the period end noted.
Same-store sales	Retail segment sales from the same location for stores in operation in that location in both periods.
Non-IFRS Financial Measures	Definition
Adjusted operating loss	Adjusted operating loss represents net income or loss before net finance expenses (income), depreciation and amortization expense and stock-based compensation expense. We believe that this is a more representative measure to monitor the Company's operational results.
Gross Profit	Gross Profit represents revenue net of returns and credits less cost of sales.

COMPANY PROFILE

Sustainable Produce Urban Delivery Inc. (the "Company" or "SPUD") is incorporated under the *Business Corporations Act* (British Columbia). Since 1997, we have evolved our business from an award-winning local and organic online grocery company to include a highly prospective software-as-a-service (SaaS)-based eGrocery Management Solution ("eGMS") technology platform for global markets. We have been bringing value to our customers in the grocery business since the nineties and now we are helping to build the eGrocery market in Canada and internationally.

Currently, the Company successfully operates its SPUD.ca marketplace to serve its eGrocery customers in Greater Vancouver, Kelowna and Victoria in British Columbia, and Calgary and Edmonton in Alberta. SPUD also operates grocery fulfillment centers in BC and Alberta which support its eGrocery customers. In addition to being well positioned to capitalize on the global acceleration of online grocery, the Company operates brick and mortar retail stores in Vancouver, Calgary and Edmonton.

Leveraging our pureplay online and brick and mortar grocery experience as well as our logistics, automation and supply chain management know-how we have developed since our inception, the Company has built an eGMS technology platform operating under a SaaS business model. Our Food-X Technologies Inc. ("FoodX") eGMS platform is a proven solution which covers all the bases for profitable online grocery fulfillment, including the tools and capabilities retailers require to sustainably and profitably deliver an exceptional customer experience. The FoodX eGMS platform allows retailers to cost-effectively deploy an eGrocery fulfillment solution at any store or warehouse locally or globally, while integrating with existing grocery Enterprise Resource Planning systems.

SPUD's mission is to use innovation and technology to reduce environmental impacts while creating a safe, sustainable and profitable food ecosystem for all. Our services and solutions allow consumers to easily have the highest quality products delivered fresh while significantly reducing food waste. Local producers and farmers with sustainable practices are at the very core of our ecosystem.

SPUD's vision is to build the leading eGMS platform that provides a profitable landscape for all grocery retailers to compete in.

The Company's principal operating subsidiaries are 569672 BC Ltd., Organics Express Inc., Be Fresh (AB) Inc., Blush Lane Organic Produce Ltd., Mainland Fresh Distribution Inc., Food-X Urban Delivery Inc. and Food-X Technologies Inc. We have nearly 900 employees, all based in Canada. The Company had revenues of \$31.9 million for the three-month period ended January 2, 2021 and \$17.8 million for the three-month period ended December 28, 2019.

eGrocery

SPUD's eGrocery business segment is comprised of five eGrocery fulfillment centers serving the Greater Vancouver, Vancouver Island, Kelowna, Calgary and Edmonton regions, operating under the "www.SPUD.ca" banner. SPUD offers a comprehensive assortment of fresh, local, organic produce and grocery products from a wide range of brands delivered to

customers daily. The operating and financial results of SPUD's brick and mortar retail locations in BC are included within the segmented information for the eGrocery business segment.

eGMS Platform

SPUD's SaaS-based eGMS platform, which operates under the FoodX banner, is comparatively new and SPUD believes it to be a highly prospective business segment which partners with retailers to offer a complete solution for logistics, automation, and supply chain management for the eGrocery services offered by grocery retailers of any size. The financial results of SPUD's FoodX eGMS platform are currently reported within the eGrocery business segment.

Blush Lane

SPUD's Blush Lane business segment represents the brick and mortar retail grocery locations operating under the "Blush Lane Organic Market" banner, which includes five brick and mortar retail locations located in Alberta. The stores offer a full assortment of predominantly organic groceries and health products, as well as SPUD's Be Fresh private label brand.

FINANCIAL OUTLOOK

Online grocery is among the fastest growing industries, both locally and globally. In Canada, according to pre-COVID data, only 1.5%-1.7% of Canadian groceries were purchased online, compared to 7% in the US and 10% in the UK. In April, research done for PayPal by Angus Reid found that 30% of Canadians had shopped for groceries online. More notably, evidence also suggests online shopping could become a permanent consumer behavior, with 81% of respondents indicating they expect to continue shopping online either the same amount or more once the immediate crisis is over¹. In 2020, FMI and Nielsen updated their predictions for online food and beverage sales in the US to comprise 30% of all food and beverage spending by 2025².

Consumer behavior is currently undergoing two fundamental shifts from which SPUD believes it is strategically positioned to benefit. Consumers are rapidly changing the way in which they shop for groceries, shifting from traditional retail to online, a trend that has accelerated materially within the past year due to the global COVID-19 pandemic. Consumers are also more aware of the challenges faced by society to ensure the sustainability of the global food chain, with 73% of consumers stating in a survey conducted by NielsenIQ that they would consider a change in shopping habits to reduce their impact on the environment³. SPUD believes that by continuing to invest in automation technology, building its data platform, increasing the depth and sustainability of its product offerings, and improving its environmental practices, it will be competitively positioned to capture opportunities for long-term growth and profitability given these fundamental shifts in consumer behavior.

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 as a global pandemic which resulted in a series of public health and emergency measures being put in place in Canada and all over the world. COVID-19 has impacted the overall business and operations of the Company. As an essential service, the Company continued to operate during the health crisis and has experienced growth in daily demand. Given the rapid increase in online grocery starting in March 2020, not all customer orders could initially be fulfilled due to operational and supply chain challenges as well as an increased reliance on contract labour as capacity and staffing levels needed to be scaled to meet the increased demand and required safety measures.

Improvements to warehouse operations while working closely with suppliers has allowed the Company to satisfy the substantial increase in customer demand experienced during Fiscal 2020 and into Q1 Fiscal 2021. The Company will continue to assess potential impacts of the pandemic on our operations and respond accordingly to prevent any disruptions to order fulfillment while maintaining high levels of safety for employees, customers and communities. We continue to pursue ways to improve our customer service and maintain our ability to fulfill the increased level of deliveries (see section "First Quarter Fiscal 2021 Highlights" below) during the pandemic.

The magnitude, duration, and severity of the COVID-19 pandemic are difficult to predict and could significantly affect the estimates and judgements used in the preparation of the Company's consolidated financial statements.

The Carrefour Belgium project (see section "Business Highlights" below) is a significant endeavor and marks the beginning of SPUD's entrance into providing its full eGMS platform to grocery retailers. Management believes that with proper execution, it will provide opportunities for the Company to further establish its international presence as a technology provider.

The objectives discussed above are based upon a number of assumptions and are subject to risks and uncertainties, many of which are beyond our control. These risks and uncertainties could cause results to differ materially from these objectives. See the "Forward-Looking Statements" and "Business Risks" sections of this MD&A.

¹ Canadian Grocer (2020), *Could COVID-19 be the spark that ignites online grocery in Canada?*

² The Food Industry Association (FMI) & Nielsen (2020), *Digital shopper report*.

³ Nielsen (2018). *Unpacking the Sustainability Landscape*.

FIRST QUARTER FISCAL 2021 HIGHLIGHTS

SELECTED FINANCIAL HIGHLIGHTS

Quarter ended (In thousands of Canadian dollars)	January 2, 2021	October 3, 2020
Financial Position		
Property and equipment	\$29,269	\$30,100
Total Assets	82,116	47,103
Total Liabilities	126,067	75,453
Quarter ended (In thousands of Canadian dollars)	January 2, 2021	December 28, 2019
Comprehensive Loss		
Revenue	\$31,872	\$17,842
Net loss, being comprehensive loss	(15,924)	(5,148)
Basic & diluted EPS	(0.45)	(0.14)
non-IFRS Financial Measures¹		
Gross profit	11,685	6,425
Adjusted operating loss	(2,386)	(2,987)
Cash flows provided by (used in)		
Operating activities	(5,037)	(6,730)
Investing activities	(206)	(66)
Financing activities	13,714	(948)

HIGHLIGHTS OF THE THREE-MONTH PERIOD ENDED JANUARY 2, 2021 COMPARED TO THE THREE-MONTH PERIOD ENDED DECEMBER 28, 2019

- Revenue reached \$31.9 million, an increase of \$14.0 million, or 79%.
- Gross profit reached 37%, an improvement of 1.6 percentage points and gross profit reached \$11.7 million, an increase of \$5.3 million, or 82%¹.
- Net comprehensive loss increased compared to Q1 FY2020, adjusted operating loss improved by \$0.6 million¹ and finance expense increased by \$11.1 million.

KEY OPERATIONAL HIGHLIGHTS

Business Segment Performance – E-Grocery

Quarter ended (In thousands of Canadian dollars)	January 2, 2021	December 28, 2019
Active Customers	29,559	17,962
Average Order Size	\$140	\$116
Revenue	24,990	11,471
Cost of sales	(16,417)	(7,415)
Distribution costs	(2,590)	(1,877)
	5,983	2,179

For its eGrocery segment, the COVID-19 pandemic has resulted in a sustained shift of consumer preferences toward online groceries. The Company experienced significant growth in the number of active customers during the first quarter of FY2021, with a total increase of 11,597 or 64.6% compared to the first quarter of FY2020. This was the result of a significant increase in customers at the beginning of the COVID-19 pandemic and the Company has been able to retain a large portion of these new customers as long-term subscribers. The Company was able to successfully scale its order capacity and meet customer

¹ These are "non-IFRS financial measures" that do not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. For additional information regarding these financial metrics, including definitions and reconciliations from each of these non-IFRS financial measures to their most directly comparable measure under IFRS, where available, see the heading "Reconciliations of non-IFRS financial measures" later in this MD&A.

demand by continuing to work closely with suppliers and optimization of warehouse operations. By the three-month period ended January 2, 2021 the Company significantly reduced its use of contract labour agencies as a result of a targeted hiring and employee retention strategies.

During the three-month period ended January 2, 2021 the eGrocery segment also experienced a significant increase in average order size to \$140, an increase of \$24 or 21% over the three-month period ended December 28, 2019. The increase in average transaction size during the period was primarily driven by increased product offerings. The launch of the Company's membership and tiered delivery fee structure during the period also helped to increase the AOS during the period.

Business Segment Performance – Blush Lane

Quarter ended (In thousands of Canadian dollars)	January 2, 2021	December 28, 2019
Same store sales	25%	(16%)
Revenue	\$9,461	\$7,540
Cost of sales	(6,349)	(5,040)
Distribution costs	(84)	(64)
	3,028	2,436

The Blush Lane retail segment continued to experience significant growth, with same store sales increasing 25% during the three-month period ended January 2, 2021. Total revenue reached \$9.5 million, an increase of \$1.9 million from the corresponding period in the prior fiscal year.

Business Highlights of Q1 Fiscal 2021 and Subsequent Events

Strategic Partnerships and Alliances

Carrefour Group - In September 2020, the Company signed a strategic partnership with Carrefour Group, a longstanding global leader in the grocery industry, to accelerate the development of Carrefour's eCommerce capabilities. The partnership represents the first global sale of SPUD's end-to-end SaaS-based eGMS platform and is expected to allow Carrefour to increase the productivity and profitability of its eCommerce operating systems while enhancing its digital customer experience as the global demand for online food orders continues to grow. Under an exclusive agreement for the Belgium market as a first step, Carrefour will integrate the FoodX SaaS-based eGMS platform for online grocery management, encompassing the full range of point-of-order to point-of-fulfillment. The partnership is expected to allow Carrefour to achieve a profitable, scalable and sustainable online business while delivering an outstanding customer experience. System design, engineering and development was in progress during Q1 Fiscal 2021.

Jak's Beer Wine Spirits – In October 2020, the Company launched a strategic partnership with Jak's Beer Wine Spirits which allows SPUD.ca customers in the Greater Vancouver area to purchase a wide variety of beer, wine and spirits with a focus on offerings from local producers.

Meridian Farm Market – In November 2020, the Company announced its latest strategic partnership with Vancouver's Meridian Farm Market to deploy FoodX's end-to-end, SaaS-based eGMS platform to manage the eGrocery services of the 30-year-old, family-owned chain. This first deployment with a mid-market customer demonstrates the scalability of the FoodX eGMS platform for cost-effective use by grocery retailers of varied sizes. The launch will include FoodX's front-end consumer experience which is proven to be capable of managing rapid eGrocery demand growth while maintaining high levels of customer satisfaction.

Membership Program & Delivery Fee – In January 2021, the Company launched its SPUD Membership program across all markets. The program offers exclusive member benefits including guaranteed delivery days, free delivery, increased savings on hundreds of subscribe and save items and reusable bins. As part of the launch of the Membership Program, the Company also introduced a tiered delivery fee pricing structure for non-member customers.

COVID-19 Impact and Measures

The World Health Organization declared COVID-19 a global pandemic on March 11, 2020, and the outbreak has had a significant impact on the Company's overall business and operations. As the Company is considered an essential service in Canada, SPUD has continued to operate without interruption.

At the onset of the pandemic, the Company created a COVID-19 task force to implement preventative safety measures to mitigate the risk of COVID-19 transmission while allowing the Company to continue to operate throughout the pandemic. These measures allowed the Company to continue to operate safely and included, but are not limited to:

- Enhanced hygiene procedures, including increased cleaning frequency at all of the Company's facilities.

- Social distancing measures put in place for the health and safety of employees, including physical safety barriers and significantly reduced capacity of all office and common areas.
- Mandatory non-contact COVID-19 screening, including temperature checks, for all employees and visitors entering any facility.
- Mandatory work-from-home for all employees not required to be physically present on site, including the development of work-from-home policies to support remote working for all eligible employees.

RESULTS OF OPERATIONS FOR Q1 FISCAL 2021

ANALYSIS OF CONSOLIDATED RESULTS OF OPERATIONS – THREE-MONTH PERIOD ENDED JANUARY 2, 2021

Quarter ended (In thousands of Canadian dollars)	January 2, 2021	December 28, 2019
Revenue	\$31,872	\$17,842
Expenses		
Cost of sales	(20,187)	(11,417)
Selling, general and administrative	(12,840)	(8,617)
Distribution costs	(2,674)	(1,941)
Operating loss	(3,829)	(4,133)
Other income and expense		
Finance expense	(12,095)	(1,015)
Net loss before income tax	(15,924)	(5,148)
Income taxes	-	-
Loss from the year from continuing operations	(15,924)	(5,148)
Net loss and comprehensive loss for the period	(15,924)	(5,148)
Basic and diluted net loss per share	(0.45)	(0.14)

The COVID-19 pandemic has continued to result in positive impacts on the business, driving up both AOS and the number of active subscribers (see section “Highlights for Q1 Fiscal 2021” above), explaining the significant increase in revenue. The Company was able to scale- up its operations, including implementing additional temporary space for SPUD Calgary, adding new vehicles, and increasing warehouse staff. We successfully worked with suppliers to meet the increase in demand of staple (eggs, flour, proteins), comfort items (chips, chocolate ice cream, wine), and new products (prepared meal solutions) during the pandemic.

The increase in gross profit was primarily driven by the increase in revenue, although the higher gross margin was also a factor. Higher gross margin was achieved through category management and improved communication between operations and purchasing departments, both which mitigated volatility in inventory. The Company was able to achieve these positive results despite the COVID-19 pandemic creating a shift in forecasting for inventory in demand.

The increase in selling, general and administrative expenses during the year is mostly due to increased payroll costs associated with increased headcount at the Burnaby warehouse to support growth. Selling, general and administrative expenses as a percentage of revenue decreased from 48.3% to 40.3% however, signaling a continued increase in operating efficiency, including the efficiency of our full-time employees.

The slight increase in distribution costs corresponds to increased demand and deliveries: vehicle expenses, food freshness preservation and increased usage of warehouse supplies. Distribution costs as a percentage of revenues declined from 10.9% to 8.4% due to the learning curve benefits from meeting increased demand for our products during the pandemic.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL MANAGEMENT

CONSOLIDATED FINANCIAL POSITION

Year ended (In thousands of Canadian dollars)	January 2, 2021	October 3, 2020
Cash and cash equivalents	\$9,614	\$1,143
Trade and other receivables	6,013	4,756
Inventories	4,626	4,319
Current contract asset	184	-
Prepaid expenses and deposits	1,404	874
Restricted cash	24,206	-
Current assets	46,047	11,092
Deposits on real estate and other long-term deposits	22	9
Non-current contract asset	1,206	-
Property and equipment	29,269	30,100
Intangible assets	3,986	4,316
Goodwill	1,586	1,586
Total assets	82,116	47,103
Trade and other payables	11,374	10,732
Accrued liabilities	6,078	4,474
Deferred revenue	815	789
Current portion of lease liability	1,559	2,112
Short-term debt	22,864	19,355
Subscription receipts held for investors	24,206	-
Current liabilities	66,896	37,462
Non-current portion of lease liabilities	16,157	16,197
Warrants	11,792	10,290
Conversion option	6,110	2,436
Contingent warrant liability	7,622	4,825
Deferred revenue	4,967	4,243
Non-current portion of long-term debt	12,523	-
Non-current liabilities	59,171	37,991
Total liabilities	126,067	75,453
Share capital	59,881	59,881
Other equity reserve	4,018	3,695
Accumulated deficit	(107,850)	(91,926)
Shareholders' equity	(43,951)	(28,350)
	82,116	47,103

LIQUIDITY AND CAPITAL MANAGEMENT

In the management of capital, the Company includes components of shareholder's equity. The Company aims to manage its capital resources to ensure that there adequate for the purposes of safeguarding the Company's ability to continue as a going concern and to maximize its financial flexibility by maintaining liquidity and by utilizing alternative sources of capital including equity, debt, and bank loans or lines of credit to fund continued growth. The Company sets the amount of capital in proportion to risk and based on the availability of funding sources. The Company manages the capital structure and makes adjustments in response to changes in economic conditions and the risk characteristics of the underlying assets. Additional debt and/or equity financing may be pursued in future as deemed appropriate to balance debt and equity. To maintain or adjust the capital structure, the Company may issue new shares, take on additional debt, or sell assets to reduce debt. As part of the loan facility secured with Silicon Valley Bank (see "Subsequent Event" section below), the Company is subject to financial covenants requiring a specified minimum trailing three and six month EBITDA and a minimum liquidity coverage ratio of 1.50:1.00.

Analysis of Consolidated Cash Flows

Year ended (In thousands of Canadian dollars)	January 2, 2021	December 28, 2019
Cash used in operating activities, before change in non-cash working capital	(4,741)	(2,979)
Changes in non-cash working capital	(296)	(3,751)
Net cash used in operating activities	(5,037)	(6,730)
Net cash used in investing activities	(206)	(66)
Net cash provided by financing activities	13,714	(948)
Net change in cash and cash equivalents	8,471	(7,744)
Cash and cash equivalents, beginning of period	1,143	7,069
Cash and cash equivalents, end of period	9,614	(675)

Net cash used in operating activities for the three-month period ended January 2, 2021 is less than the three-month period ended December 28, 2019 mainly due to changes in non-cash working capital as well as an improvement of adjusted operating loss before interest, taxes, depreciation & amortization. Positive changes in non-cash working capital were mainly due to increased accounts payable and deferred revenues. Negative changes in non-cash working capital are mainly due to an increase in accounts receivables due to stronger sales and customer demand. The increase in net cash provided by financing activities is due to the net proceeds from the new convertible debenture financing (see section "Debt" below) completed during the period partly offset by increased payments of obligations under lease liabilities and increased repayments related to short-term debt.

Contractual Obligations and Business Commitments

(In thousands of Canadian dollars)	Carrying Amount January 2, 2021	Contractual Cash Flow		
		1 Year	1-3 Years	3+ Years
Short-term debt	\$22,864	28,012	-	-
Obligation under leases	17,716	1,559	6,190	9,967
Long-term debt	12,523	-	15,543	-
Trade payables	11,374	11,374	-	-
Accrued liabilities	6,078	6,078	-	-

The table above details the principal repayments required on short-term debt, the payments required on obligation under finance leases as well as trade and other payables for the coming years.

Debt

2019 Loan Facility

In July 2019, the Company secured a loan facility with Bridging Finance Inc. (BFI) of up to \$12 million, and the facility was increased by an additional \$5 million in August 2019. Both amounts were fully withdrawn in July and August 2019 respectively. In January 2020, the loan facility was amended and increased by another \$10 million to a total of \$27 million, and the full balance was withdrawn concurrently. The loan, which bore interest at prime plus 8.05% per annum was fully repaid on July 31, 2020.

On July 31, 2020, the Company entered into a related party debt facility arrangement with Fonds Agro WF S.E.C./WF Agro Fund L.P. ("Walter Financial") for \$28.0 million at an annual interest rate of 15% which matures and is repayable in March 2021.

Subject to certain conversion features, the holders have the option to convert the debt into common shares or require prepayment upon the occurrence of certain events such as: an event of default; a significant financing; a change of control; a sale of Blush Lane Organic Markets or the sale or other disposition of any other significant asset or property; or an initial public offering of the Company or any other transaction resulting in the shares of the Company being publicly traded (collectively "Triggering Events").

The Company can at any time repay the Debt Facility in full without penalty.

In addition to the above, the Company issued 3,600,000 warrants to the holder, each of which entitles the holder to acquire at any time prior to the fifth anniversary of the closing, one common share of the Company.

Financing and RTO 2020

On September 30, 2020, the Company entered into a letter of intent (the "Letter of Intent") with Rainy Hollow Ventures Inc. ("Rainy Hollow"), which outlined the terms and conditions pursuant to which Rainy Hollow and SPUD will complete a

transaction that will result in a reverse take-over of Rainy Hollow by SPUD, whereby Rainy Hollow will acquire all of the issued and outstanding common shares of SPUD to form the resulting issuer (the "Resulting Issuer").

On October 21, 2020, SPUD completed a brokered private placement financing (the "Convertible Debenture Financing") pursuant to which it issued an aggregate principal amount of \$15.5 million of unsecured convertible debentures (the "Convertible Debentures"), each Convertible Debenture being convertible upon certain events, including the proposed take-over of Rainy Hollow by SPUD, into one SPUD common share at a price equal to an amount representing a 15% discount to the listing price of the Resulting Issuer Shares (as defined below) on the TSX Venture Exchange or the Toronto Stock Exchange, as the case may be.

On December 21, 2020, the Company entered into an arrangement agreement with Rainy Hollow, replacing the Letter of Intent between the same parties, which sets out the terms of the reverse take-over of Rainy Hollow by SPUD by way of a statutory plan of arrangement under Section 288 of the Business Corporations Act (British Columbia) involving Rainy Hollow, SPUD and the securityholders of SPUD (the "Arrangement"). Rainy Hollow, as it will exist as the Resulting Issuer after completion of the Arrangement, will change its name to "Freshlocal Solutions Inc." or such other name that Rainy Hollow and SPUD may agree to.

On December 23, 2020 and in connection with the Arrangement, SPUD completed a brokered private placement financing (the "Subscription Receipt Financing") pursuant to which it issued 3,227,500 subscription receipts at a price of \$7.50 per subscription receipt for gross proceeds of \$24.4 million which subscription receipts pursuant to their terms will be converted into SPUD common shares immediately prior to the completion of the Arrangement provided all required conditions are met.

The following transactions will be recognized in conjunction with the Arrangement:

- Prior to the acquisition by Rainy Hollow of all issued and outstanding shares of SPUD:
 - The conversion of the Convertible Debentures into common shares;
 - The exchange of the Subscription Receipts for common shares;
 - The issuance of common share purchase warrants to the Subscribers;
 - The conversion of a portion of SPUD's convertible notes evidencing the loan under the Debt Facility (the "Convertible Notes"), into common shares and the repayment of the balance of the Convertible Notes by cash; and
 - The conversion of all of the convertible loan warrants, issued in connection with the Debt Facility and the Convertible Notes, into common shares.
- The consolidation of common shares of Rainy Hollow on an 8 to 1 basis;
- At the time of completion of the acquisition by Rainy Hollow of all issued and outstanding shares of SPUD:
 - The exchange of all outstanding SPUD common shares for post-consolidation Rainy Hollow common shares ("Resulting Issuer Shares") on a 1 to 1 basis;
 - The cancellation of all outstanding SPUD stock options and their replacement with Resulting Issuer options issued by the Resulting Issuer pursuant to a newly adopted Resulting Issuer stock option plan, exercisable for Resulting Issuer Shares;
 - The cancellation of all outstanding SPUD warrants, including broker warrants, and their replacement with warrants issued by the Resulting Issuer, exercisable for Resulting Issuer Shares;
- The incurrence of share issuance, transaction and reorganization costs related to the conversions, the Subscription Receipt Financing and the Arrangement;

A reverse acquisition occurs when the entity that issues securities (the legal acquirer or, in this case, Rainy Hollow) is identified as the acquiree for accounting purposes. The entity whose interests are acquired (the legal acquiree or, in this case, SPUD) is the acquirer for accounting purposes in a reverse acquisition. It has been determined that Rainy Hollow is the accounting acquiree and that SPUD is the accounting acquirer based upon the guidance in IFRS 10, Consolidated Financial Statements, and IFRS 3, Business Combinations.

The acquisition date fair value of the consideration transferred by the accounting acquirer, SPUD, for its interest in the accounting acquiree, Rainy Hollow, is based on the equity interests that SPUD would have had to issue to provide the owners of Rainy Hollow before the transaction, with the same percentage equity interest in the combined entity that results from the reverse acquisition.

In connection with the Convertible Debenture Financing, Canaccord Genuity Corp. ("Canaccord") and Desjardins Securities Inc. acted as co-lead agents (the "Co-Lead Agents") and received, as consideration for their services, cash commissions in an aggregate amount of \$0.9 million. The Co-Lead Agents also received an aggregate of 124,000 agent warrants entitling them upon a liquidity event, such as the Arrangement, to purchase at the listing price, for a period of 24 months from the closing date of the Arrangement, one Resulting Issuer Share for each warrant.

In connection with the Subscription Receipt Financing, the Co-Lead Agents again acted as co-lead agents as part of a syndicate of agents along with Cormark Securities Inc. and PI Financial Corp. Together, the agents received, as consideration for their services, cash commissions in an aggregate amount of \$1,446. The agents also received an aggregate of 192,849 agent warrants entitling them upon a liquidity event, such as the Arrangement, to purchase at the listing price, for a period of 24 months from the closing date of the Arrangement, one Resulting Issuer Share for each warrant. Further, a corporate finance

fee of \$100, plus applicable taxes, will be payable to Canaccord in conjunction with the completion of the Arrangement, payable by way of \$50 plus applicable taxes in cash and the issuance of 6,666 SPUD shares.

Share Capital

At January 2, 2021, the Company has 35,536,681 common shares issued and outstanding and 4,424,700 stock options outstanding.

RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

The financial information has been prepared in accordance with IFRS. However, financial measures used, namely adjusted operating loss, total asset, less cash and cash equivalents as well as net indebtedness for which a reconciliation is presented in the following table, do not have any standardized meaning under IFRS and could be calculated differently by other companies. Those measures may not be comparable to similar measures described by other companies, as IFRS does not have standard definitions for these measures. These measures should be considered as a complement to IFRS measures and for further understanding of the Company's operating results. Users should use these non-IFRS measures in conjunction with the IFRS financial statements for each applicable period.

This section presents a reconciliation of financial information in the Consolidated financial statements of Sustainable Produce Urban Delivery Inc. for the three months ended January 2, 2021 to non-IFRS measures used in this MD&A.

The following tables summarize non-IFRS measures used in this MD&A for the three-month periods ended January 2, 2021 and December 28, 2019.

ADJUSTED OPERATING LOSS

Quarter ended (In thousands of Canadian dollars)	January 2, 2021	December 28, 2019
Net loss and comprehensive loss	\$(15,924)	(5,148)
Net finance expense	12,095	1,015
Depreciation and amortization expense	1,121	1,069
Stock based compensation expense	322	77
Adjusted operating loss	(2,386)	(2,987)

GROSS PROFIT

Quarter ended (In thousands of Canadian dollars)	January 2, 2021	December 28, 2019
Revenue	\$31,872	\$17,842
Cost of sales	(20,187)	(11,417)
Gross Profit	11,685	6,425

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. These assumptions and estimates are regularly reviewed. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

The Company's main judgements, estimates, and assumptions are presented below:

GOING CONCERN

The Company's ability to continue as a going concern is dependent upon obtaining additional financing to meet anticipated cash needs for working capital and capital expenditures through the next twelve months. During the quarter ended January 2, 2021, the Company completed both a \$15.5 million unsecured convertible debenture financing and a \$24.2 million brokered private placement. Additionally, subsequent to the end of Q1 FY2021, on March 12, 2021, the Company secured a \$15.0 million revolving loan facility with Silicon Valley Bank ("SVB"). Current management forecasts and related assumptions support the view that the Company can adequately manage the operational needs of the business with these financings over the next twelve months. In addition, the Company has confirmed a portion of its existing debt facility will be converted into equity and a new line of credit has been secured to refinance the balance.

As a result of these subsequent financings and the reverse takeover of Rainy Hollow, the Company has concluded that there is no material uncertainty with respect to its ability to continue as a going concern for at least the next twelve months and realize its assets and satisfy its liabilities in the normal course of operations as they come due.

These Unaudited Interim Condensed Consolidated Financial Statements were prepared on a going concern basis, under the historical cost convention, except for the revaluation of certain financial instruments. The preparation of financial statements in accordance with IFRS requires the use of certain accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

IMPAIRMENT OF GOODWILL

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

REVENUE RECOGNITION

Revenue is recognized for warehousing services based on the Company's right to invoice. Management has applied judgement in determining that the "right to invoice" practical expedient is applicable to the Company.

DETERMINATION OF USEFUL LIFE

Each significant component of property and equipment and intangible assets are depreciated over their estimated useful lives. Estimated useful lives are determined based on current facts and past management experience and take into consideration the anticipated physical life of the asset, existing long-term sales agreements and contracts, current and forecasted demand, and the potential for technological obsolescence.

DIVIDEND POLICY

Since its incorporation, the Company has not paid any dividend on its common shares. The Company's current policy is to retain future earnings to finance its growth. Any future determination to pay a dividend is at the discretion of the Company's Board of Directors and will depend on the Company's financial position, results of operations, capital requirements and other such factors as the Board of Directors of the Company may deem relevant.

TRENDS AND SEASONALITY

The Company's revenue and expenses are affected by seasonality. The Company anticipates less demand for grocery delivery during popular holiday and vacation periods, and more demand during the latter part of the summer months due to consumers returning home for the school season. The Company anticipates increased supply costs to maintain grocery freshness during warmer periods.

FINANCIAL RISK MANAGEMENT

CREDIT RISK

Credit risk refers to the risk that a counterparty to a financial instrument fails to meet its contractual obligation, causing an unexpected loss. The Company regularly monitors exposure to credit risk and takes steps accordingly to mitigate exposure. Credit exposure for the Company is mainly from cash and cash equivalents, accounts receivable, deposits on real estate, and other long-term deposits. Management has reason to believe that credit risk for the Company is limited as transactions are with major North American financial institutions and payment processors.

LIQUIDITY RISK

Liquidity risk refers to the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cash flows generated from operations to meet its requirements.

As at January 2, 2021, the most significant financial liabilities are the \$28.0 million loan facility due to Walter Financial in March 2021 (see section "Liquidity and Capital Resources") and trade and other payables. As discussed above, the Company has entered into an arrangement agreement with Rainy Hollow and a subscription receipt financing of which part of the proceeds will be used to repay the Walter Financial Loan facility. The Company continues to manage liquidity through working capital management and believes that its financing capacity will provide adequate sources of funds to meet its short-term obligations, planned capital expenditures, and potential operating losses.

CURRENCY RISK

Currency risk refers to the risk that the Company's net income (loss) will vary from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. The exposure on cash outflows is insignificant as the majority of the Company's suppliers and vendors are paid in Canadian dollars, with only a small portion of its trade payables denominated in U.S. dollars. Similarly, the Company is paid in Canadian dollars by customers.

BUSINESS RISK

Please refer to the risk factors described under the section of this Filing Statement entitled "Part IV – Risk Factors – Risks Relating to the Resulting Issuer's Business."

SUBSEQUENT EVENTS

SVB FINANCING

On March 12, 2021, the Company secured a revolving loan facility of up to \$15.0 million with Silicon Valley Bank ("SVB"). The loan facility is secured by a first priority cash collateral and matures on March 12, 2023. The loan facility bears interest at the greater of (i) a floating per annum rate equal to 3.05% above the Canadian Prime Rate and (ii) 5.25%, which is payable monthly. The proceeds will be used to fund the continued development of the Company's eGMS platform as well as for expansion and working capital purposes. The loan facility has financial covenants requiring a specified minimum trailing three and six month EBITDA and a minimum liquidity coverage ratio of 1.50:1.00.

DEBT FACILITY AMENDMENT

On March 12, 2021, the Company amended its debt facility arrangement with Walter Financial extending the maturity to April 22, 2021, all other terms of the arrangement remain unchanged.

**EXHIBIT “H”
CERTIFICATE OF RAINY HOLLOW VENTURES INC.**

Dated: April 9, 2021

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of Rainy Hollow Ventures Inc. assuming Completion of the Qualifying Transaction.

(signed) Michael Atkinson

Michael Atkinson
Chief Executive Officer, Chief Financial Officer, Corporate
Secretary and Director

ON BEHALF OF THE BOARD

(signed) A. Murray Sinclair

A. Murray Sinclair
Director

(signed) John Downes

John Downes
Director

EXHIBIT “I”
CERTIFICATE OF SUSTAINABLE PRODUCE URBAN DELIVERY INC.

Dated: April 9, 2021

The foregoing as it relates to Sustainable Produce Urban Delivery Inc. constitutes full, true and plain disclosure of all material facts relating to the securities of Sustainable Produce Urban Delivery Inc.

(signed) Peter van Stolk

Peter van Stolk
Chief Executive Officer

(signed) Adrienne Uy

Adrienne Uy
Chief Financial Officer

ON BEHALF OF THE BOARD

(signed) Monique Wilberg

Monique Wilberg
Director

(signed) Terry Vanderkruyk

Terry Vanderkruyk
Director