

U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended: **March 31, 2021**

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **000-55406**

**Nightfood Holdings, Inc.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or Other Jurisdiction of  
Incorporation or Organization)

**46-3885019**

(I.R.S. Employer  
Identification No.)

**520 White Plains Road, Suite 500  
Tarrytown, New York**

(Address of Principal Executive Offices)

**10591**

(Zip Code)

**888-888-6444**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided; pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12(b)-2 of the Exchange Act). Yes  No

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Nightfood Holdings, Inc Common Stock	NGTF	OTCQB

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. At May 17, 2021, the registrant had outstanding 79,916,159 shares of common stock.

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Nightfood Holdings, Inc.



**Financial Statements**  
For the three and nine months ended March 31, 2021 and 2020

**Item 1. Financial Statements**

**Financial Statements**

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Nightfood Holdings, Inc.

**CONDENSED CONSOLIDATED BALANCE SHEETS**

	March 31, 2021 (Unaudited)	June 30, 2020
<b>ASSETS</b>		
Current assets:		
Cash	\$ 73,181	\$ 197,622
Accounts receivable (net of allowance of \$0 and \$0, respectively)	44,033	61,013
Inventory	344,914	275,605
Other current asset	251,752	398,085
<b>Total current assets</b>	<b>713,880</b>	<b>932,325</b>
<b>Total assets</b>	<b>\$ 723,880</b>	<b>\$ 932,325</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 1,393,256	\$ 1,286,149
Accrued expense - related party	9,974	9,974
Fair value of derivative liabilities	1,312,177	1,590,638
Convertible notes payable - net of discounts	2,077,852	2,330,189
Accrued expenses	72,044	-
Accrued interest	209,161	192,625
Short-term borrowings- line of credit	589	3,897
<b>Total current liabilities</b>	<b>5,075,053</b>	<b>5,413,472</b>
Commitments and contingencies	-	-
<b>Stockholders' deficit:</b>		
Preferred stock, (\$0.001 par value, 100,000,000 shares authorized, and 1,000 issued and outstanding as of March 31, 2021 and 1,000 outstanding as of June 30, 2020, respectively)	1	1
Common stock, without par value, 200,000,000 shares authorized, and 78,685,171 issued and outstanding as of March 31, 2021 and 61,796,680 outstanding as of June 30, 2020, respectively	78,685	61,797
Additional paid in capital	16,683,505	13,088,177
Accumulated deficit	(21,084,364)	(17,631,122)

Total stockholders' deficit	(4,342,173)	(4,481,147)
Total Liabilities and Stockholders' Deficit	<u>\$ 713,880</u>	<u>\$ 932,325</u>

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

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**Nightfood Holdings, Inc.**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

	<u>For the three months period ended March 31, 2021</u>	<u>For the three months period ended March 31, 2020</u>	<u>For the nine months period ended March 31, 2021</u>	<u>For the nine months period ended March 31, 2020</u>
<b>Revenues</b>	96,726	119,475	270,919	227,257
<b>Operating expenses</b>				
Cost of product sold	102,922	157,265	443,083	352,240
Advertising & promotional	64,158	470,820	316,483	673,814
Amortization of intangibles	-	166,667	-	500,000
Selling, general and administrative	103,462	92,423	311,920	295,107
Professional Fees	217,025	99,727	578,535	366,725
Total operating expenses	<u>487,567</u>	<u>986,902</u>	<u>1,650,021</u>	<u>2,187,886</u>
Loss from operations	(391,240)	(867,427)	(1,389,501)	(1,960,629)
Interest expense - bank debt	337	-	1,012	-
Interest expense - shareholder	72,110	40,616	267,640	82,952
Gain on extinguishment of debt	(57,035)	-	(54,819)	-
Change in derivative liability	1,152,119	(256,468)	832,480	(612,093)
Interest expense - amortization BCF	210,430	439,507	787,217	1,270,943
Other expense - non cash	170,514	445	204,391	39,618
Total interest expense	<u>1,548,474</u>	<u>224,100</u>	<u>2,074,040</u>	<u>781,420</u>
Provision for income tax	-	-	-	-
<b>Net loss</b>	<u>(1,939,714)</u>	<u>(1,091,527)</u>	<u>(3,453,142)</u>	<u>(2,742,049)</u>
<b>Basic and diluted net loss per common share</b>	<u>(0.02)</u>	<u>(0.02)</u>	<u>(0.05)</u>	<u>(0.05)</u>
<b>Weighted average shares of capital outstanding - basic</b>	<u>74,194,855</u>	<u>58,712,745</u>	<u>68,091,616</u>	<u>56,447,392</u>

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

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**Nightfood Holdings, Inc.**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT**  
For the three and nine months ended March 31, 2021 and 2020

	<u>Common Stock</u>		<u>Preferred Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Deficit</u>
	<u>Shares</u>	<u>Par Value</u>	<u>Shares</u>	<u>Par Value</u>			
<b>Balance, June 30, 2019</b>	53,773,856	\$ 53,774	1,000	\$ 1	\$ 10,692,679	\$ (13,219,059)	\$ (2,472,605)
Common stock issued for services	122,762	123	-	-	49,274	-	49,397
Common stock issued for interest	110,404	110	-	-	26,487	-	26,597
Issuance of common stock for debt conversion	1,409,349	1,409	-	-	335,591	-	337,000
Derivative liability reclassified upon debt conversion	-	-	-	-	213,739	-	213,739
Net loss	-	-	-	-	-	(513,581)	(513,581)
<b>Balance, Three Months as of September 30, 2019</b>	<u>55,416,371</u>	<u>\$ 55,416</u>	<u>1,000</u>	<u>\$ 1</u>	<u>\$ 11,317,770</u>	<u>\$ (13,732,640)</u>	<u>\$ (2,359,452)</u>
Common stock issued for services	85,000	85	-	-	21,415	-	21,500

Common stock issued for interest	107,227	107			15,632	-	15,739
Issuance of common stock for debt conversion	1,500,495	1500			218,500	-	220,000
Derivative liability reclassified upon debt conversion	-	-			128,605	-	128,605
Net loss	-	-	-	-	-	(1,136,941)	(1,136,941)
<b>Balance, Three Months as of December 31, 2019</b>	<b>57,109,093</b>	<b>\$ 57,109</b>	<b>1,000</b>	<b>\$ 1</b>	<b>\$ 11,701,922</b>	<b>\$ (14,869,581)</b>	<b>\$ (3,110,549)</b>
Common stock issued for interest	320,650	321			40,615	-	40,936
Issuance of common stock for debt conversion	2,760,223	2,760			351,240	-	354,000
Derivative liability reclassified upon debt conversion	-	-			217,050	-	217,050
Net loss	-	-	-	-	-	(1,091,527)	(1,091,527)
<b>Balance, Three Months as of March 31, 2020</b>	<b>60,189,966</b>	<b>\$ 60,190</b>	<b>1,000</b>	<b>\$ 1</b>	<b>\$ 12,310,827</b>	<b>\$ (15,961,108)</b>	<b>\$ (3,590,090)</b>
<b>Balance, June 30, 2020</b>	<b>61,796,680</b>	<b>\$ 61,797</b>	<b>1,000</b>	<b>\$ 1</b>	<b>\$ 13,088,177</b>	<b>\$ (17,631,122)</b>	<b>\$ (4,481,147)</b>
Common stock issued for interest	312,938	313			36,165	-	36,478
Issuance of common stock for debt conversion	2,975,979	2,976			344,024	-	347,000
Issuance of warrants for services					65,711		65,711
Loss on fair value of shares issued upon debt conversion	-	-			397,532	-	397,532
Net loss						(943,823)	(943,823)
<b>Balance, Three Months as of September 30, 2020</b>	<b>65,085,597</b>	<b>\$ 65,086</b>	<b>\$ 1,000</b>	<b>\$ 1</b>	<b>\$ 13,931,609</b>	<b>(18,574,945)</b>	<b>\$ (4,578,249)</b>
Common stock issued for services	583,914	584			88,089		88,673
Common stock issued for interest	336,132	336			24,672	-	25,008
Issuance of common stock for debt conversion	2,881,220	2,881			212,119	-	215,000
Loss on fair value of shares issued upon debt conversion	-	-			(39,065)	-	(39,065)
Net loss						(598,705)	(598,705)
<b>Balance, Three Months as of December 31, 2020</b>	<b>68,886,863</b>	<b>\$ 68,887</b>	<b>1,000</b>	<b>\$ 1</b>	<b>\$ 14,217,423</b>	<b>\$ (19,173,650)</b>	<b>\$ (4,887,338)</b>
Common stock issued for services	255,000	255			\$ 43,345		43,600
Common stock issued for interest	1,065,263	1,065			92,753		93,818
Issuance of common stock for debt conversion	8,478,045	8,478			741,522		750,000
Issuance of warrants					81,243		81,243
Loss on fair value of shares issued upon debt conversion					1,507,218		1,507,218
Net loss		-				(1,910,614)	(1,939,714)
<b>Balance, Three Months as of March 31, 2021</b>	<b>78,685,171</b>	<b>\$ 78,685</b>	<b>1,000</b>	<b>\$ 1</b>	<b>\$ 16,663,105</b>	<b>\$ (21,084,264)</b>	<b>\$ (4,342,473)</b>

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

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Nightfood Holdings, Inc.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the nine months ending March 31, 2021	For the nine months ending March 31, 2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (3,453,142)	\$ (2,742,049)
Adjustments to reconcile net loss to net cash used for operations:		
Stock issued for services	132,273	70,897
Amortization of intangible assets	-	500,000

Warrants for services	126,555	-
Deferred financing fees	102,800	39,493
Change in derivative liability	887,301	(612,093)
Gain on extinguishment of debt upon notes conversion	(54,819)	-
Stock issued for interest	204,391	82,952
Amortization of debt discount	787,217	1,270,943
Impairment expense related to intangible assets	-	500,000
(Increase) decrease in accounts receivable	16,980	(5,838)
(Increase) decrease in inventory	(69,309)	120,560
(Increase) in other current assets	146,333	(579,746)
Increase in accounts payable	107,107	50,173
Increase (decrease) in accrued expenses	243,881	(24,000)
Net cash used by operating activities	<u>(841,133)</u>	<u>(1,328,708)</u>

#### CASH FLOWS FROM INVESTING ACTIVITIES:

Cash paid for intangible assets	-	(333,333)
Net cash used by investing activities	<u>-</u>	<u>(333,333)</u>

#### CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from the sale of stock	-	-
Proceeds from the issuance of convertible debt - net	720,000	1,737,000
Borrowings under line of credit	-	5,000
Repayment to Shareholders	-	-
Repayment of convertible debt	-	-
Repayment of related party advance	-	-
Repayment of Short-term debt	(3,308)	-
Net cash provided by financing activities	<u>716,692</u>	<u>1,742,000</u>

#### NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	(124,442)	79,959
Cash and cash equivalents, beginning of period	197,622	30,142
Cash and cash equivalents, end of period	<u>\$ 73,180</u>	<u>\$ 110,101</u>

#### Supplemental Disclosure of Cash Flow Information:

Interest paid	\$ 248,940	\$ -
Income taxes	\$ -	\$ -

#### Summary of Non-Cash Investing and Financing Information:

Initial derivative liability and debt discount	\$ 512,993	\$ 1,463,278
Intangible assets acquired and adjusted in accounts payable balance	\$ -	\$ 666,667
Stock issued for debt conversion	\$ 1,314,298	\$ 911,000
Stock issued for interest	\$ 153,334	\$ 82,952
Derivative liability reclassified to loss on extinguishment of debt upon notes conversion	\$ 1,716,114	\$ -
True-up adjustment in debt discount and derivative liability	\$ 37,360	\$ -

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

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## Nightfood Holdings, Inc.

### NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Description of Business

Nightfood Holdings, Inc. (the “Company”) is a Nevada Corporation organized October 16, 2013 to acquire all of the issued and outstanding shares of Nightfood, Inc., a New York Corporation from its sole shareholder, Sean Folkson. All of its operations are conducted by its two subsidiaries: Nightfood, Inc. (“Nightfood”) and MJ Munchies, Inc. (“Munchies”). Nightfood’s business model is to manufacture and distribute snack products specifically formulated for nighttime snacking to help consumers satisfy nighttime cravings in a better, healthier, more sleep friendly way. Management believes Nightfood is the first brand to achieve mainstream distribution of snacks focused on better sleep, and expects the category of “sleep-friendly” snacking to become an important segment of the total snacking market in coming years. Munchies has acquired a portfolio of intellectual property around the brand name Half-Baked, and intends to license said IP to operators in the cannabis edibles space and other related spaces.

- The Company’s fiscal year end is June 30.
- The Company currently maintains its corporate address in Tarrytown, New York.

#### 2. Summary of Significant Accounting Policies

- Management is responsible for the fair presentation of the Company’s financial statements, prepared in accordance with U.S. generally accepted accounting principles (GAAP).

#### Interim Financial Statements

These unaudited condensed consolidated financial statements for the three and nine months ended March 31, 2021 and 2020, respectively, reflect all adjustments including normal recurring adjustments, which, in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows for the periods presented in accordance with the accounting principles generally accepted in the United States of America.

These interim unaudited condensed consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements and notes thereto for the years ended June 30, 2020 and 2019, respectively, which are included in the Company’s June 30, 2020 Annual Report on Form 10-K filed with the United States

Securities and Exchange Commission on October 13, 2020. The Company assumes that the users of the interim financial information herein have read, or have access to, the audited consolidated financial statements for the preceding period, and that the adequacy of additional disclosure needed for a fair presentation may be determined in that context. The results of operations for the three and nine months ended March 31, 2021 are not necessarily indicative of results for the entire year ending June 30, 2021.

We made certain reclassifications to prior period amounts to conform with the current year's presentation. These reclassifications did not have a material effect on our condensed consolidated statement of financial position, results of operations or cash flows.

#### **Use of Estimates**

- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used in the determination of depreciation and amortization, the valuation for non-cash issuances of common stock, and the website, income taxes and contingencies, valuing convertible notes for BCF and derivative liability, among others.

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#### **Cash and Cash Equivalents**

- The Company classifies as cash and cash equivalents amounts on deposit in the banks and cash temporarily in various instruments with original maturities of three months or less at the time of purchase. The Company places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation ("FDIC") covers \$250,000 for substantially all depository accounts. The Company from time to time may have amounts on deposit in excess of the insured limits.

#### **Fair Value of Financial Instruments**

- Statement of financial accounting standard FASB Topic 820, Disclosures about Fair Value of Financial Instruments, requires that the Company disclose estimated fair values of financial instruments. The carrying amounts reported in the statements of financial position for assets and liabilities qualifying as financial instruments are a reasonable estimate of fair value.

#### **Inventories**

- Inventories consisting of packaged food items and supplies are stated at the lower of cost (FIFO) or net realizable value, including provisions for spoilage commensurate with known or estimated exposures which are recorded as a charge to cost of sales during the period spoilage is incurred. The Company has no minimum purchase commitments with its vendors.

#### **Advertising Costs**

- Advertising costs are expensed when incurred and are included in advertising and promotional expense in the accompanying statements of operations. Although not traditionally thought of by many as "advertising costs", the Company includes expenses related to graphic design work, package design, website design, domain names, and product samples in the category of "advertising costs". The Company recorded advertising costs of \$316,483 and \$673,814 for the nine months ended March 31, 2021 and 2020, respectively. The Company recorded advertising costs of \$64,158 and \$470,820 for the three months ended March 31, 2021 and 2020, respectively.

#### **Income Taxes**

- The Company has not generated any taxable income, and, therefore, no provision for income taxes has been provided.
- Deferred income taxes are reported for timing differences between items of income or expense reported in the financial statements and those reported for income tax purposes in accordance with FASB Topic 740, "Accounting for Income Taxes", which requires the use of the asset/liability method of accounting for income taxes. Deferred income taxes and tax benefits are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for tax loss and credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company provides for deferred taxes for the estimated future tax effects attributable to temporary differences and carry-forwards when realization is more likely than not.
- A valuation allowance has been recorded to fully offset the deferred tax asset even though the Company believes it is more likely than not that the assets will be utilized.
- The Company's effective tax rate differs from the statutory rates associated with taxing jurisdictions because of permanent and temporary timing differences as well as a valuation allowance.

#### **Revenue Recognition**

- The Company generates its revenue by selling its nighttime snack products wholesale to retailers and wholesalers.
- All sources of revenue are recorded pursuant to FASB Topic 606 Revenue Recognition, to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This includes a five-step framework that requires an entity to: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when the entity satisfies a performance obligation. In addition, this revenue generation requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.
- The Company offers sales incentives through various programs, consisting primarily of advertising related credits. The Company records certain advertising related credits with customers as a reduction to revenue as no identifiable benefit is received in exchange for credits claimed by the customer.

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- The Company revenue from contracts with customers provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company incurs costs associated with product distribution, such as freight and handling costs. The Company has elected to treat these costs as fulfillment activities and recognizes these costs at the same time that it recognizes the underlying product revenue. As this policy election is in line with the Company's previous accounting practices, the treatment of shipping and handling activities under FASB Topic 606 did not have any impact on the Company's results of operations, financial condition and/or financial statement disclosures.

The adoption of ASC 606 did not result in a change to the accounting for any of the Company's revenue streams that are within the scope of the amendments. The Company's services that fall within the scope of ASC 606 are recognized as revenue as the Company satisfies its obligation to the customer.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which updates revenue recognition guidance relating to contracts with customers. This standard states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard is effective for annual reporting periods, and interim periods therein, beginning after July 1, 2018. The Company adopted ASU 2014-09 and its related amendments (collectively known as "ASC 606") during the first quarter of fiscal 2019 using the full retrospective method.

Management reviewed ASC 606-10-32-25 which states "*Consideration payable to a customer includes cash amounts that an entity pays, or expects to pay, to the customer (or to other parties that purchase the entity's goods or services from the customer). Consideration payable to a customer also includes credit or other items (for example, a coupon or voucher) that can be applied against amounts owed to the entity (or to other parties that purchase the entity's goods or services from the customer). An entity shall account for consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service (as described in paragraphs 606-10-25-18 through 25-22) that the customer transfers to the entity. If the consideration payable to a customer includes a variable amount, an entity shall estimate the transaction price (including assessing whether the estimate of variable consideration is constrained) in accordance with paragraphs 606-10-32-5 through 32-13.*"

If the consideration payable to a customer is a payment for a distinct good service, then in accordance with ASC 606-10-32-26, the entity should account for it the same way that it accounts for other purchases from suppliers (expense). Further, "*if the amount of consideration payable to the customer exceeds the fair value of the distinct good or service that the entity receives from the customer, then the entity shall account for such an excess as a reduction of the transaction price. If the entity cannot reasonably estimate the fair value of the good or service received from the customer, it shall account for all of the consideration payable to the customer as a reduction of the transaction price.*"

Under ASC 606-10-32-27, if the consideration payable to a customer is accounted for as a reduction of the transaction price, "*an entity shall recognize the reduction of revenue when (or as) the later of either of the following events occurs:*

- a) *The entity recognizes revenue for the transfer of the related goods or services to the customer.*
- b) *The entity pays or promises to pay the consideration (even if the payment is conditional on a future event). That promise might be implied by the entity's customary business practices.*"

Management reviewed each arrangement to determine if each fee paid is for a distinct good or service and should be expensed as incurred or if the Company should recognize the payment as a reduction of revenue.

The Company recognizes revenue upon shipment based on meeting the transfer of control criteria. The Company has made a policy election to treat shipping and handling as costs to fulfill the contract, and as a result, any fees received from customers are included in the transaction price allocated to the performance obligation of providing goods with a corresponding amount accrued within cost of sales for amounts paid to applicable carriers.

#### **Concentration of Credit Risk**

- Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits at financial institutions. At various times during the year, the Company may exceed the federally insured limits. To mitigate this risk, the Company places its cash deposits only with high credit quality institutions. Management believes the risk of loss is minimal. At March 31, 2021 and June 30, 2020, the Company did not have any uninsured cash deposits.

#### **Beneficial Conversion Feature**

- For conventional convertible debt where the rate of conversion is below market value, the Company records any "beneficial conversion feature" ("BCF") intrinsic value as additional paid in capital and related debt discount.

When the Company records a BCF, the relative fair value of the BCF is recorded as a debt discount against the face amount of the respective debt instrument. The discount is amortized over the life of the debt. If a conversion of the underlying debt occurs, a proportionate share of the unamortized amounts is immediately expensed.

#### **Debt Issue Costs**

- The Company may pay debt issue costs in connection with raising funds through the issuance of debt whether convertible or not or with other consideration. These costs are recorded as debt discounts and are amortized over the life of the debt to the statement of operations as amortization of debt discount.

#### **Original Issue Discount**

- If debt is issued with an original issue discount, the original issue discount is recorded to debt discount, reducing the face amount of the note and is amortized over the life of the debt to the statement of operations as amortization of debt discount. If a conversion of the underlying debt occurs, a proportionate share of the unamortized amounts is immediately expensed.

#### **Valuation of Derivative Instruments**

- ASC 815 "Derivatives and Hedging" requires that embedded derivative instruments be bifurcated and assessed, along with free-standing derivative instruments such as warrants, on their issuance date and measured at their fair value for accounting purposes. In determining the appropriate fair value, the Company uses the Trinomial Tree option pricing formula. Upon conversion of a note where the embedded conversion option has been bifurcated and accounted for as a derivative liability, the Company records the shares at fair value, relieves all related notes, derivatives and debt discounts and recognizes a net gain or loss on derivative liability under the line item "change in derivative liability".

#### **Derivative Financial Instruments**



- The Company does not use derivative instruments to hedge exposures to cash flow, market or foreign currency risks. The Company evaluates all of its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and then is revalued at each reporting date, with changes in fair value reported in the consolidated statement of operations. For stock based derivative financial instruments, Fair value accounting requires bifurcation of embedded derivative instruments such as conversion features in convertible debt or equity instruments, and measurement of their fair value for accounting purposes. In determining the appropriate fair value, the Company uses the Trinomial Tree option-pricing model. In assessing the convertible debt instruments, management determines if the convertible debt instrument is conventional convertible debt and further if there is a beneficial conversion feature requiring measurement. If the instrument is not considered conventional convertible debt, the Company will continue its evaluation process of these instruments as derivative financial instruments.

Once determined, derivative liabilities are adjusted to reflect fair value at the end of each reporting period. Any increase or decrease in the fair value from inception is made quarterly and appears in results of operations as a change in fair market value of derivative liabilities.

#### **Stock-Based Compensation**

The Company accounts for share-based awards issued to employees in accordance with FASB ASC 718. Accordingly, employee share-based payment compensation is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the requisite service period. Additionally, share-based awards to non-employees are expensed over the period in which the related services are rendered at their fair value. The Company applies ASC 718, "Equity Based Payments to Non-Employees", with respect to options and warrants issued to non-employees.

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#### **Customer Concentration**

- During the nine months ended March 31, 2021, the Company had one customer account for approximately 37% of the gross sales. One other customer accounted for approximately 23% of gross sales, and one other customer accounted for over 11% of gross sales. During the nine months ended March 31, 2020, one customer accounted for approximately 45% of the gross sales.

During the three months ended March 31, 2021, the Company had one customer account for approximately 44% of the gross sales. During the three months ended March 31, 2020, one customer accounted for approximately 36% of the gross sales while three other customers accounted for over 10% of gross sales.

#### **Vendor Concentration**

During the three-month period ended March 31, 2021, no vendors accounted for more than 14% of our operating expenses. During the nine-month period ended March 31, 2021, no vendor accounted for more than 8% of our operating expenses.

During the three-month period ended March 31, 2021, no vendors accounted for more than 9% of our operating expenses. During the nine-month period ended March 31, 2020 no vendor accounted for more than 8%.

#### **Receivables Concentration**

- As of March 31, 2021, the Company had receivables due from eight customers. Five of which each accounted for approximately 17-22% of the total balance. As of June 30, 2020, the Company had receivables due from four customers, two of whom accounted for over 70% of the outstanding balance. Two of the four accounted for approximately 30% of the total balance.

#### **Income/Loss Per Share**

- Net income/loss per share data for both the three and nine-month periods ending March 31, 2021 and 2020, are based on net income/loss available to common shareholders divided by the weighted average of the number of common shares outstanding. The Company does not present a diluted Earnings per share as the convertible debt and interest that is convertible into shares of the Company's common stock would not be included in this computation, as the Company is generating a loss and therefore these shares would be antidilutive.

#### **Impairment of Long-lived Assets**

- The Company accounts for long-lived assets in accordance with the provisions of FASB Topic 360, Accounting for the Impairment of Long-Lived Assets. This statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Fair values are determined based on quoted market value, discounted cash flows or internal and external appraisals, as applicable.

During the period ended March 31, 2021 and 2020, Management determined and impaired \$-0- and \$-500,000-, respectively as impairment on intangible asset

#### **Reclassification**

The Company may make certain reclassifications to prior period amounts to conform with the current year's presentation. These reclassifications did not have a material effect on its consolidated statement of financial position, results of operations or cash flows.

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#### **Recent Accounting Pronouncements**

##### ***ASU No. 2019-12, Simplifying the Accounting for Income Taxes***

In December 2019, the FASB issued ASU No. 2019-12, Simplifying the Accounting for Income Taxes. The ASU is intended to enhance and simplify aspects of the income tax accounting guidance in ASC 740 as part of the FASB's simplification initiative. This guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2020 with early adoption permitted. The Company will adopt this ASU on January 31, 2021 and does not expect there to be a material impact

on our Consolidated Financial Statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This guidance provides temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from the London Interbank Offered Rate (“LIBOR”) and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate. This ASU is applied prospectively and becomes effective immediately upon the transition from LIBOR. The Company’s secured credit facility agreement references LIBOR, which is expected to be discontinued as a result of reference rate reform. The Company expects to adopt the guidance upon transition from LIBOR, but does not believe the adoption will have a material effect on its consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06 to simplify the current guidance for convertible instruments and the derivatives scope exception for contracts in an entity’s own equity. Additionally, the amendments affect the diluted EPS calculation for instruments that may be settled in cash or shares and for convertible instruments. The update also provides for expanded disclosure requirements to increase transparency. For SEC filers, excluding smaller reporting companies, this update is effective for fiscal years beginning after December 15, 2021 including interim periods within those fiscal years. For all other entities, this Update is effective for fiscal years beginning after December 15, 2023, including interim periods therein. The Company believes the adoption of this guidance will not materially impact our financial statements and related disclosures.

The Company will continue to monitor these emerging issues to assess any potential future impact on its financial statements.

### 3. Going Concern

- The Company’s financial statements are prepared using generally accepted accounting principles, which contemplate the realization of assets and liquidation of liabilities in the normal course of business. Because the business is new and has limited operating history and relatively few sales, no certainty of continuation can be stated.
- The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. For the nine months ended March 31, 2021, the Company had a net loss of \$3,453,142 (comprised of operating loss of \$1,379,102 and other expenses of \$2,074,040, most of which is comprised of changes in derivative liability and amortization of Beneficial Conversion Features related to convertible note financing and changes in the share price of the common stock), negative cash flow from operations of \$876,638 and accumulated deficit of \$21,084,264.

Subsequent to the end of the quarter, the Company completed a financing round of \$4,500,000, consisting of \$3,000,000 in cash and the rollover of \$1,500,000 of previously existing convertible debt. As of the time of this filing, the Company is debt free.

The Company believes it has sufficient cash on hand to operate for the next several quarters. We do not believe our cash on hand will be adequate to satisfy our long-term working capital needs. We believe that our current capitalization structure, combined with ongoing increases in distribution, revenues, and market capitalization, will enable us to successfully secure required financing to continue our growth.

Because the business has limited operating history and sales, no certainty of continuation can be stated. Management has devoted a significant amount of time in the raising of capital from additional debt and equity financing. However, the Company’s ability to continue as a going concern will again be dependent upon raising additional funds through debt and equity financing and generating revenue. There are no assurances the Company will receive the necessary funding or generate revenue necessary to fund operations long-term.

The Company cannot give any assurance that it will, in the future, be able to achieve a level of profitability from the sale of its products to sustain its operations. These conditions raise substantial doubt about the Company’s ability to continue as a going concern for one year from the date the financials are issued. The accompanying financial statements do not include any adjustments to reflect the possible future effects on recoverability and reclassification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

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- The outbreak of the novel coronavirus (COVID-19), including the measures to reduce its spread, and the impact on the economy, cannot fully be understood and identified. Indications to date are that there are somewhat offsetting factors relating to the impact on our Company. Industry data shows that supermarket sales remain up, with more people spending more time at home. Anecdotally and statistically, snacking activity is also up while consumers are reporting a decrease in sleep quality and sleep satisfaction. Industry sales data also showed ice cream as one of the categories experiencing the largest increase with year over year growth averaging over 30% through a series of five one-week periods between March 15 and April 12, 2020 according to IRI data.

The offsetting factors are the impact of the virus on the overall economy, and the impact that a down economic period can have on consumer behavior, including trial of new brands. Greater unemployment, recession, and other possible unforeseen factors are shown to have an impact. Research indicates that consumers are less likely to try new brands during economic recession and stress, returning to the legacy brands they’ve known for decades.

With consumers generally making fewer shopping trips, while buying more on those occasions and reverting back to more familiar brands, certain brand-launch marketing tactics, such as in-store displays and in-store product sampling tables, are either impaired or impermissible. So, while overall night snacking demand is up, and consumer need/desire for better sleep is also stronger, driving consumer trial and adoption has been more difficult and expensive during these circumstances.

From both public statements, and ongoing exploratory meetings between Nightfood Management and experts from certain global food and beverage conglomerates, it has been affirmed to Management that there is increased strategic interest in the nighttime nutrition space as a potential high-growth opportunity, partially due to recent declines in consumer sleep quality and increases in at-home nighttime snacking.

We have experienced no major issues with supply chain or logistics. Order processing function has been normal to date, and our manufacturers have assured us that their operations are “business as usual” as of the time of this filing.

It is possible that the fallout from the pandemic could make it more difficult in the future for the Company to access required growth capital, possibly rendering us unable to meet certain debts and expenses.

More directly, COVID has impaired Nightfood’s ability to execute certain in-store and out-of-store marketing initiatives. For example, since the inception of COVID, the Company was unable to conduct in-store demonstrations and unable to participate in local pregnancy, baby expos, and health expos that were originally intended to be part of our marketing mix.

Additionally, with more consumers shopping online, both for delivery or at-store pickup, the opportunity for shoppers to learn about new brands at-shelf has been somewhat diminished. Management is working to identify opportunities to build awareness and drive trial under these new circumstances.

It is impossible to know what the future holds with regard to the virus, both for our company and in the broader sense. There are many uncertainties regarding the current coronavirus pandemic, and the Company is closely monitoring the impact of the pandemic on all aspects of its business, including how it will impact its customers, vendors,

and business partners. It is difficult to know if the pandemic has materially impacted the results of operations, and we are unable to predict the impact that COVID-19 will have on our financial position and operating results due to numerous uncertainties. The Company expects to continue to assess the evolving impact of the COVID-19 pandemic and intends to make adjustments accordingly, if necessary.

#### 4. Accounts receivable

- The Company's accounts receivable arise primarily from the sale of the Company's ice cream. On a periodic basis, the Company evaluates each customer account and based on the days outstanding of the receivable, history of past write-offs, collections, and current credit conditions, writes off accounts it considers uncollectible. With most of our retail and distribution partners, invoices will typically be due in 30 days. The Company does not accrue interest on past due accounts and the Company does not require collateral. Accounts become past due on an account-by-account basis. Determination that an account is uncollectible is made after all reasonable collection efforts have been exhausted. The Company has not provided any accounts receivable allowances for March 31, 2021 and June 30, 2020, respectively.

#### 5. Inventories

- Inventory consists of the following at March 31, 2021 and June 30, 2020,

	<u>March 31,</u> <u>2021</u>	<u>June 30,</u> <u>2020</u>
Finished goods – ice cream	\$ 194,205	\$ 195,817
Raw material – ingredients	83,416	26,309
Packaging	67,293	53,479
TOTAL	<u>\$ 344,914</u>	<u>\$ 275,605</u>

Inventories are stated at the lower of cost or net realizable value. The Company periodically reviews the value of items in inventory and provides write-downs or write-offs of inventory based on its assessment of market conditions and the products relative shelf life. Write-downs and write-offs are charged to loss on inventory write down.

#### 6. Other current assets

- Other current assets consist of the following vendor deposits at March 31, 2021 and June 30, 2020. The majority of this amount relates to deposits towards distribution and marketing partnerships.

	<u>March 31,</u> <u>2021</u>	<u>June 30,</u> <u>2020</u>
Prepaid advertising costs	\$ 222,186	\$ 398,045
Vendor deposits – Other	\$ 29,526	\$ 40
TOTAL	<u>\$ 251,712</u>	<u>\$ 398,085</u>

#### 7. Intangible Assets

Intangible assets consist of the following at March 31, 2021 and June 30, 2020. The amount of the intangible assets represents fees and expenses in connection with the development and launch of platforms used to track conversions, optimize ads, and scale online customer growth through a hybrid distribution model.

	<u>March 31,</u>	<u>June 30,</u>
Intangible assets	\$ -	\$ 1,000,000
Amortization of intangible assets	-	(500,000)
Impairment of intangible assets	-	(500,000)
TOTAL	<u>\$ -</u>	<u>\$ -</u>

During the quarter ending March 31, 2020, the Company determined it would be unable to generate sufficient traction from these digital assets. The Company made the decision to stop utilizing the assets.

#### 8. Other Current Liabilities

- Other current liabilities consist of the following at March 31, 2021 and June 30, 2020,

	<u>March 31,</u> <u>2021</u>	<u>June 30,</u> <u>2020</u>
Accrued consulting fees – related party	\$ 9,974	\$ 9,974
Accrued interest	209,161	192,625
Accrued slotting fees	5,564	-
Other accrued expenses	66,480	-
TOTAL	<u>\$ 291,179</u>	<u>\$ 202,599</u>

#### 9. Notes Payable

- Notes Payable consist of the following at March 31, 2021,

On April 30, 2018, the Company entered into a convertible promissory note and a security purchase agreement dated April 30, 2018, in the amount of \$225,000. The lender

was Eagle Equities, LLC. The notes have a maturity of April 30, 2019 and interest rate of 8% per annum and are convertible at a price of 60% of the lowest closing bid price on the primary trading market on which the Company's Common Stock is then listed for the fifteen (15) trading days immediately prior to conversion. While this note is technically in default, our lender has agreed, in writing, to forbear any additional interest or penalties relating to this default providing the Company is in compliance with the remaining terms of the note. The note may be prepaid, but carries a penalty in association with the remittance amount, as there is an accretion component to satisfy the note with cash. The convertible note qualifies for derivative accounting and bifurcation under ASC 815, "Derivatives and Hedging." The fair value of the \$225,000 Notes was calculated using the Black-Scholes pricing model at \$287,174, with the following assumptions: risk-free interest rate of 2.24%, expected life of 1 year, volatility of 202%, and expected dividend yield of zero. Because the fair value of the note exceeded the net proceeds from the \$225k Notes, a charge was recorded to "Financing cost" for the excess of the fair value of the note, for a net charge of \$62,174. As of March 31, 2021, and June 30, 2020, the debt discount was \$0.

On February 14, 2019, the Company entered into a convertible promissory note and a security purchase agreement dated February 14, 2019, in the amount of \$104,000. The lender was Eagle Equities, LLC. The notes have a maturity of February 14, 2020 and interest rate of 8% per annum and are convertible at a price of 70% of the lowest trading price on the primary trading market on which the Company's Common Stock is then listed for the fifteen (15) trading days immediately prior to conversion. The note may be prepaid, but carries a penalty in association with the remittance amount, as there is an accretion component to satisfy the note with cash. The convertible note qualifies for derivative accounting and bifurcation under ASC 815, "Derivatives and Hedging." The fair value of the \$104,000 Notes was calculated using the Black-Scholes pricing model at \$90,567, with the following assumptions: risk-free interest rate of 2.53%, expected life of 1 year, volatility of 136%, and expected dividend yield of zero. Because the fair value of the note did not exceed the net proceeds from the \$104k Notes, no charge was recorded to "Financing cost" for the excess of the fair value of the note. As of March 31, 2021, and June 30, 2020, the debt discount was \$0 and \$0, respectively. \$50,000 of the note has been successfully retired via conversion into shares during the year ended June 30, 2020 and \$54,000 of the note has been successfully retired via conversion into shares during the nine months ended March 31, 2021. The Company fair valued the notes as of conversion date and accounted for a loss on conversion of \$36,242 included under line item "Loss on debt extinguishment upon note conversion, net".

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On April 29, 2019, the Company entered into a convertible promissory note and a security purchase agreement dated April 29, 2019, in the amount of \$208,000. The lender was Eagle Equities, LLC. The notes have a maturity of April 29, 2020 and interest rate of 8% per annum and are convertible at a price of 70% of the lowest trading price on the primary trading market on which the Company's Common Stock is then listed for the fifteen (15) trading days immediately prior to conversion. The note may be prepaid, but carries a penalty in association with the remittance amount, as there is an accretion component to satisfy the note with cash. The convertible note qualifies for derivative accounting and bifurcation under ASC 815, "Derivatives and Hedging." The fair value of the \$208,000 Notes was calculated using the Black-Scholes pricing model at \$170,098, with the following assumptions: risk-free interest rate of 2.42%, expected life of 1 year, volatility of 118%, and expected dividend yield of zero. Because the fair value of the note did not exceed the net proceeds from the \$208k Notes, no charge was recorded to "Financing cost" for the excess of the fair value of the note. As of March 31, 2021, and June 30, 2020, the debt discount was \$0 and \$0, respectively. \$208,000 of the note has been successfully retired via conversion into shares during the nine months ended March 31, 2021. The Company fair valued the notes as of conversion date and accounted for a loss on conversion of \$109,561 included under line item "Loss on debt extinguishment upon note conversion, net".

On June 11, 2019, the Company entered into a convertible promissory note and a security purchase agreement dated June 11, 2019, in the amount of \$300,000. The lender was Eagle Equities, LLC. The notes have a maturity of June 11, 2020 and interest rate of 8% per annum and are convertible at a price of 70% of the lowest trading price on the primary trading market on which the Company's Common Stock is then listed for the fifteen (15) trading days immediately prior to conversion. The note may be prepaid, but carries a penalty in association with the remittance amount, as there is an accretion component to satisfy the note with cash. The convertible note qualifies for derivative accounting and bifurcation under ASC 815, "Derivatives and Hedging." The fair value of the \$300,000 Notes was calculated using the Black-Scholes pricing model at \$240,217, with the following assumptions: risk-free interest rate of 2.05%, expected life of 1 year, volatility of 16%, and expected dividend yield of zero. Because the fair value of the note did not exceed the net proceeds from the \$300k Notes, no charge was recorded to "Financing cost" for the excess of the fair value of the note. As of March 31, 2021 and June 30, 2020, the debt discount was \$0 and \$46,726, respectively. This note has been successfully retired via conversions into shares during the nine months ended March 31, 2021. The Company fair valued the notes as of conversion date and accounted for a loss on conversion of \$177,160 included under line item "Loss on debt extinguishment upon note conversion, net".

On July 5, 2019, the Company entered into a convertible promissory note and a security purchase agreement dated July 5, 2019, in the amount of \$300,000. The lender was Eagle Equities, LLC. The notes have a maturity of July 5, 2020 and interest rate of 8% per annum and are convertible at a price of 70% of the lowest trading price on the primary trading market on which the Company's Common Stock is then listed for the fifteen (15) trading days immediately prior to conversion. While this note is technically in default, our lender has agreed, in writing, to forbear any additional interest or penalties relating to this default providing the Company is in compliance with the remaining terms of the note. The note may be prepaid, but carries a penalty in association with the remittance amount, as there is an accretion component to satisfy the note with cash. The convertible note qualifies for derivative accounting and bifurcation under ASC 815, "Derivatives and Hedging." The fair value of the \$300,000 Notes was calculated using the Black-Scholes pricing model at \$239,759, with the following assumptions: risk-free interest rate of 1.98%, expected life of 1 year, volatility of 118%, and expected dividend yield of zero. Because the fair value of the note did not exceed the net proceeds from the \$300k Notes, no charge was recorded to "Financing cost" for the excess of the fair value of the note. As of March 31, 2021 and June 30, 2020, the debt discount was \$0 and \$2,627, respectively. This note has been successfully retired via conversions into shares during the nine months ended March 31, 2021. The Company fair valued the notes as of conversion date and accounted for a loss on conversion of \$648,036 included under line item "Loss on debt extinguishment upon note conversion, net".

On August 8, 2019, the Company entered into a convertible promissory note and a security purchase agreement dated August 8, 2019, in the amount of \$300,000. The lender was Eagle Equities, LLC. The notes have a maturity of August 8, 2020 and interest rate of 8% per annum and are convertible at a price of 70% of the lowest trading price on the primary trading market on which the Company's Common Stock is then listed for the fifteen (15) trading days immediately prior to conversion. While this note is technically in default, our lender has agreed, in writing, to forbear any additional interest or penalties relating to this default providing the Company is in compliance with the remaining terms of the note. The note may be prepaid, but carries a penalty in association with the remittance amount, as there is an accretion component to satisfy the note with cash. The convertible note qualifies for derivative accounting and bifurcation under ASC 815, "Derivatives and Hedging." The fair value of the \$300,000 Notes was calculated using the Black-Scholes pricing model at \$254,082, with the following assumptions: risk-free interest rate of 1.79%, expected life of 1 year, volatility of 113%, and expected dividend yield of zero. Because the fair value of the note did not exceed the net proceeds from the \$300k Notes, no charge was recorded to "Financing cost" for the excess of the fair value of the note. As of March 31, 2021, and June 30, 2020 the debt discount was \$0 and \$26,452, respectively. This note has been successfully retired via conversions into shares during the nine months ended March 31, 2021. The Company fair valued the notes as of conversion date and accounted for a loss on conversion of \$611,909 included under line item "Loss on debt extinguishment upon note conversion, net".

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On August 29, 2019, the Company entered into a convertible promissory note and a security purchase agreement dated August 29, 2019, in the amount of \$300,000. The lender was Eagle Equities, LLC. The notes have a maturity of August 29, 2020 and interest rate of 8% per annum and are convertible at a price of 70% of the lowest trading price on the primary trading market on which the Company's Common Stock is then listed for the fifteen (15) trading days immediately prior to conversion. While this note is technically in default, our lender has agreed, in writing, to forbear any additional interest or penalties relating to this default providing the Company is in compliance with the remaining terms of the note. The note may be prepaid, but carries a penalty in association with the remittance amount, as there is an accretion component to satisfy the note with cash. The convertible note qualifies for derivative accounting and bifurcation under ASC 815, "Derivatives and Hedging." The fair value of the \$300,000 Notes was calculated using the Black-Scholes pricing model at \$234,052, with the following assumptions: risk-free interest rate of 1.75%, expected life of 1 year, volatility of 113%,

and expected dividend yield of zero. Because the fair value of the note did not exceed the net proceeds from the \$300k Notes, no charge was recorded to “Financing cost” for the excess of the fair value of the note. As of March 31, 2021, and June 30, 2020 the debt discount was \$0 and \$37,833.

On September 24, 2019, the Company entered into a convertible promissory note and a security purchase agreement dated September 24, 2019, in the amount of \$150,000. The lender was Eagle Equities, LLC. The notes have a maturity of September 24, 2020 and interest rate of 8% per annum and are convertible at a price of 70% of the lowest trading price on the primary trading market on which the Company’s Common Stock is then listed for the fifteen (15) trading days immediately prior to conversion. While this note is technically in default, our lender has agreed, in writing, to forbear any additional interest or penalties relating to this default providing the Company is in compliance with the remaining terms of the note. The note may be prepaid, but carries a penalty in association with the remittance amount, as there is an accretion component to satisfy the note with cash. The convertible note qualifies for derivative accounting and bifurcation under ASC 815, “Derivatives and Hedging.” The fair value of the \$150,000 Notes was calculated using the Black-Scholes pricing model at \$118,009, with the following assumptions: risk-free interest rate of 1.78%, expected life of 1 year, volatility of 113%, and expected dividend yield of zero. Because the fair value of the note did not exceed the net proceeds from the \$150k Notes, no charge was recorded to “Financing cost” for the excess of the fair value of the note. As of March 31, 2021 and June 30, 2020, the debt discount was \$0 and \$27,482. This note has been successfully retired via conversions into shares during the nine months ended March 31, 2021. The Company fair valued the notes as of conversion date and accounted for a loss on conversion of \$126,735 included under line item “Loss on debt extinguishment upon note conversion, net”.

On November 7, 2019, the Company entered into a convertible promissory note and a security purchase agreement dated November 7, 2019, in the amount of \$150,000. The lender was Eagle Equities, LLC. The notes have a maturity of November 7, 2020 and interest rate of 8% per annum and are convertible at a price of 70% of the lowest trading price on the primary trading market on which the Company’s Common Stock is then listed for the fifteen (15) trading days immediately prior to conversion. While this note is technically in default, our lender has agreed, in writing, to forbear any additional interest or penalties relating to this default providing the Company is in compliance with the remaining terms of the note. The note may be prepaid, but carries a penalty in association with the remittance amount, as there is an accretion component to satisfy the note with cash. The convertible note qualifies for derivative accounting and bifurcation under ASC 815, “Derivatives and Hedging.” The fair value of the \$150,000 Notes was calculated using the Black-Scholes pricing model at \$121,875, with the following assumptions: risk-free interest rate of 1.58%, expected life of 1 year, volatility of 122%, and expected dividend yield of zero. Because the fair value of the note did not exceed the net proceeds from the \$150k Notes, no charge was recorded to “Financing cost” for the excess of the fair value of the note. As of March 31, 2021 and June 30, 2020, the debt discount was \$0 and \$43,074, respectively.

On December 31, 2019, the Company entered into a convertible promissory note and a security purchase agreement dated December 31, 2019, in the amount of \$150,000. The lender was Eagle Equities, LLC. The notes have a maturity of December 31, 2020 and interest rate of 8% per annum and are convertible at a price of 70% of the lowest trading price on the primary trading market on which the Company’s Common Stock is then listed for the fifteen (15) trading days immediately prior to conversion. While this note is technically in default, our lender has agreed, in writing, to forbear any additional interest or penalties relating to this default providing the Company is in compliance with the remaining terms of the note. The note may be prepaid, but carries a penalty in association with the remittance amount, as there is an accretion component to satisfy the note with cash. The convertible note qualifies for derivative accounting and bifurcation under ASC 815, “Derivatives and Hedging.” The fair value of the \$150,000 Notes was calculated using the Black-Scholes pricing model at \$189,172, with the following assumptions: risk-free interest rate of 1.59%, expected life of 1 year, volatility of 115%, and expected dividend yield of zero. Because the fair value of the note exceeded the net proceeds from the \$150k Notes, \$39,172 was recorded to “Financing cost” for the excess of the fair value of the note. As of March 31, 2021 and June 30, 2020, the debt discount was \$0 and \$75,205, respectively.

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On February 6, 2020, the Company entered into a convertible promissory note and a security purchase agreement dated February 6, 2020, in the amount of \$200,000. The lender was Eagle Equities, LLC. The notes have a maturity of February 6, 2021 and interest rate of 8% per annum and are convertible at a price of 70% of the lowest trading price on the primary trading market on which the Company’s Common Stock is then listed for the fifteen (15) trading days immediately prior to conversion. The note may be prepaid, but carries a penalty in association with the remittance amount, as there is an accretion component to satisfy the note with cash. The convertible note qualifies for derivative accounting and bifurcation under ASC 815, “Derivatives and Hedging.” The fair value of the \$200,000 Notes was calculated using the Black-Scholes pricing model at \$156,061, with the following assumptions: risk-free interest rate of 1.51%, expected life of 1 year, volatility of 113%, and expected dividend yield of zero. As of March 31, 2021 and June 30, 2020, the debt discount was \$0 and \$94,064, respectively.

On February 26, 2020, the Company entered into a convertible promissory note and a security purchase agreement dated February 26, 2020, in the amount of \$187,000. The lender was Eagle Equities, LLC. The notes have a maturity of February 6, 2021 and interest rate of 8% per annum and are convertible at a price of 70% of the lowest trading price on the primary trading market on which the Company’s Common Stock is then listed for the fifteen (15) trading days immediately prior to conversion. The note may be prepaid, but carries a penalty in association with the remittance amount, as there is an accretion component to satisfy the note with cash. The convertible note qualifies for derivative accounting and bifurcation under ASC 815, “Derivatives and Hedging.” The fair value of the \$187,000 Notes was calculated using the Black-Scholes pricing model at \$150,268, with the following assumptions: risk-free interest rate of 1.18%, expected life of 1 year, volatility of 118%, and expected dividend yield of zero. As of March 31, 2021 and June 30, 2020, the debt discount was \$0 and \$99,218, respectively.

On April 30, 2020, the Company entered into a convertible promissory note and a security purchase agreement dated April 30, 2020, in the amount of \$205,700. This note carried an Original Discount of 10% or \$18,700 which was included in interest expense at the time of valuation. The lender was Eagle Equities, LLC. The notes have a maturity of April 30, 2021 and interest rate of 8% per annum and are convertible at a price of 78% of the lowest closing bid price on the primary trading market on which the Company’s Common Stock is then listed for the twenty (20) trading days immediately prior to conversion. The note may be prepaid, but carries a penalty in association with the remittance amount, as there is an accretion component to satisfy the note with cash. The convertible note qualifies for derivative accounting and bifurcation under ASC 815, “Derivatives and Hedging.” The fair value of the \$205,700 Notes was calculated using the Black-Scholes pricing model at \$128,369, with the following assumptions: risk-free interest rate of 0.16%, expected life of 1 year, volatility of 106%, and expected dividend yield of zero. As of March 31, 2021 and June 30, 2020, the debt discount was \$10,551 and \$106,916, respectively.

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On June 23, 2020, the Company entered into a convertible promissory note and a security purchase agreement dated June 23, 2020, in the amount of \$205,700. This note carried an Original Discount of 10% or \$18,700 which was included in interest expense at the time of valuation. The lender was Eagle Equities, LLC. The notes have a maturity of June 23, 2021 and interest rate of 8% per annum and are convertible at a price of 78% of the lowest closing bid price on the primary trading market on which the Company’s Common Stock is then listed for the twenty (20) trading days immediately prior to conversion. The note may be prepaid, but carries a penalty in association with the remittance amount, as there is an accretion component to satisfy the note with cash. The convertible note qualifies for derivative accounting and bifurcation under ASC 815, “Derivatives and Hedging.” The fair value of the \$205,700 Notes was calculated using the Black-Scholes pricing model at \$132,236, with the following assumptions: risk-free interest rate of 0.18%, expected life of 1 year, volatility of 108%, and expected dividend yield of zero. As of March 31, 2021 and June 30, 2020, the debt discount was \$30,432 and \$129,700, respectively.

On August 12, 2020, the Company entered into a convertible promissory note and a security purchase agreement dated August 12, 2020, in the amount of \$205,700. This note carried an Original Discount of 10% or \$18,700 which was included in interest expense at the time of valuation. The lender was Eagle Equities, LLC. The notes have a maturity of August 12, 2021 and interest rate of 8% per annum and are convertible at a price of 78% of the lowest closing bid price on the primary trading market on which the Company’s Common Stock is then listed for the twenty (20) trading days immediately prior to conversion. The note may be prepaid, but carries a penalty in association

with the remittance amount, as there is an accretion component to satisfy the note with cash. The convertible note qualifies for derivative accounting and bifurcation under ASC 815, "Derivatives and Hedging." The fair value of the \$205,700 Notes was calculated using the Black-Scholes pricing model at \$126,029, with the following assumptions: risk-free interest rate of 0.13%, expected life of 1 year, volatility of 101%, and expected dividend yield of zero. As of March 31, 2021, the debt discount was \$46,269.

On October 13, 2020, the Company entered into a convertible promissory note and a security purchase agreement dated October 13, 2020, in the amount of \$205,700. This note carried an Original Discount of 10% or \$18,700 which was included in interest expense at the time of valuation. The lender was Eagle Equities, LLC. The notes have a maturity of October 13, 2021 and interest rate of 8% per annum and are convertible at a price of 78% of the lowest closing bid price on the primary trading market on which the Company's Common Stock is then listed for the twenty (20) trading days immediately prior to conversion. The note may be prepaid, but carries a penalty in association with the remittance amount, as there is an accretion component to satisfy the note with cash. The convertible note qualifies for derivative accounting and bifurcation under ASC 815, "Derivatives and Hedging." The fair value of the \$205,700 Notes was calculated using the Black-Scholes pricing model at \$126,471, with the following assumptions: risk-free interest rate of 0.13%, expected life of 1 year, volatility of 103.1%, and expected dividend yield of zero. As of March 31, 2021, the debt discount was \$67,913.

On December 21, 2020, the Company entered into a convertible promissory note and a security purchase agreement dated December 21, 2020, in the amount of \$205,700. This note carried an Original Discount of 10% or \$18,700 which was included in interest expense at the time of valuation. The lender was Eagle Equities, LLC. The notes have a maturity of December 21, 2021 and interest rate of 8% per annum and are convertible at a price of 78% of the lowest closing bid price on the primary trading market on which the Company's Common Stock is then listed for the twenty (20) trading days immediately prior to conversion. The note may be prepaid, but carries a penalty in association with the remittance amount, as there is an accretion component to satisfy the note with cash. The convertible note qualifies for derivative accounting and bifurcation under ASC 815, "Derivatives and Hedging." The fair value of the \$205,700 Notes was calculated using the Black-Scholes pricing model at \$121,112, with the following assumptions: risk-free interest rate of 0.09%, expected life of 1 year, volatility of 93.97%, and expected dividend yield of zero. As of March 31, 2021, the debt discount was \$87,931.

On February 22, 2021, the Company entered into a convertible promissory note and a security purchase agreement dated December 21, 2020, in the amount of \$205,700. This note carried an Original Discount of 10% or \$18,700 which was included in interest expense at the time of valuation. The lender was Eagle Equities, LLC. The notes have a maturity of December 21, 2021 and interest rate of 8% per annum and are convertible at a price of 78% of the lowest closing bid price on the primary trading market on which the Company's Common Stock is then listed for the twenty (20) trading days immediately prior to conversion. The note may be prepaid, but carries a penalty in association with the remittance amount, as there is an accretion component to satisfy the note with cash. The convertible note qualifies for derivative accounting and bifurcation under ASC 815, "Derivatives and Hedging." The fair value of the \$205,700 Notes was calculated using the Black-Scholes pricing model at \$139,381, with the following assumptions: risk-free interest rate of 0.09%, expected life of 1 year, volatility of 119.49%, and expected dividend yield of zero. As of March 31, 2021, the debt discount was \$125,252.

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Below is a reconciliation of the convertible notes payable as presented on the Company's balance sheet as of March 31, 2021:

	Principal (\$)	Debt Discount (\$)	Net Value (\$)
Balance at June 30, 2019	1,748,000	(630,259)	1,117,741
Convertible notes payable issued during fiscal year ended June 30, 2020	2,148,400	-	2,148,400
Notes converted into shares of common stock	(961,000)	-	(961,000)
Debt discount associated with new convertible notes	-	(1,684,711)	(1,684,711)
Amortization of debt discount	-	1,709,759	1,709,759
Balance at June 30, 2020	<b>2,935,400</b>	<b>(605,211)</b>	<b>2,330,189</b>
Convertible notes payable issued during nine months ended March 31, 2021	822,800	-	822,800
Notes converted into shares of common stock	(1,312,000)	-	(1,312,000)
Debt discount associated with new convertible notes	-	(512,993)	(512,993)
Amortization of debt discount	-	787,216	787,216
True-up adjustment in debt discount and derivative liability	-	(37,360)	(37,360)
Balance at March 31, 2021	<b>2,446,200</b>	<b>(368,348)</b>	<b>2,077,852</b>

Amortization expense for the nine months ended March 31, 2021 and 2020, totaled \$787,216 and \$1,270,943, respectively and Amortization expense for the three months ended March 31, 2021 and 2020, totaled \$210,429 and \$439,507 respectively.

As of March 31, 2021 and June 30, 2020, the unamortized portion of debt discount was \$368,348 and \$605,211, respectively.

Interest expense for the nine months ended March 31, 2021 and 2020, totaled \$267,640 and \$82,952, respectively and interest expense for the three months ended March 31, 2021 and 2020, totaled \$72,110 and \$40,616, respectively.

As of March 31, 2021 and June 30, 2020, the accrued interest related to convertible notes was \$209,161 and \$192,625, respectively.

## 10. Derivative Liability

Due to the variable conversion price associated with some of these convertible promissory notes disclosed in Note 8 above, the Company has determined that the conversion feature is considered a derivative liability for instruments which are convertible and have not yet been settled. The accounting treatment of derivative financial instruments requires that the Company record the fair value of the derivatives on the date they are deemed to be derivative liabilities.

During the nine month period ended March 31, 2021, the Company recorded a change in fair value of derivative \$887,301. The Company will measure the fair value of each derivative instrument in future reporting periods and record the change based on the change in fair value.

Below is a reconciliation of the derivative liability as presented on the Company's balance sheet as of March 31, 2021:

Derivative liability as of June 30, 2020	<b>\$ 1,590,638</b>
Initial derivative liability accounted for convertible notes payable issued during the period ended March 31, 2021	512,993
True-up adjustment in debt discount and derivative liability	37,360
Change in derivative liability during the period	887,301
Reclassify derivative liability associated with Notes converted into loss on debt conversion account	(1,716,114)
Balance at March 31, 2021	<b>1,312,178</b>

Change in derivative liability for the nine months ended March 31, 2021 and 2020, totaled \$887,301 and \$(612,093), respectively and change in derivative liability for the three months ended March 31, 2021 and 2020, totaled \$1,096,709 and \$(256,468), respectively.

As of March 31, 2021 and June 30, 2020, the derivative liability related to convertible notes was \$ 1,312,178 and \$1,590,638, respectively.

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## 11. Line of Credit

On March 19, 2020, the Company secured a \$200,000 line of credit with Celtic Bank Corporation. This LOC has a "Flex Credit" component of calculating interest, which means the interest rate on any draws taken against the LOC is set at the time of said draw. As of the date of this filing, the Company has made one draw against the credit line for a gross amount of \$5,000 (including proceeds and draw fees). As of March 31, 2021 nine payments had been made against this draw of approximately \$368 each. Such payments will continue to be automatically deducted from the corporate checking account until the draw and all fees have been paid in full. The Company may or may not choose to use this line of credit for additional financing needs.

	Mar 31, 2021	Dec 31, 2020
Line of Credit	\$ 589	\$ 1,692
Total borrowings	589	1692
Less: current portion	589	1692
Long term debt	\$ -	\$ -

Interest expense for the nine months ended March 31, 2021 and 2020, totaled \$xx and \$xx, respectively and interest expense for the three months ended March 31, 2021 and 2020, totaled \$xx and \$xx, respectively.

## 12. Capital Stock Activity

- The Company had and 78,685,171 and 61,796,680 shares of its \$0.001 par value common stock issued and outstanding as of March 31, 2021 and June 30, 2020 respectively.
- During the three months ended March 31, 2021 the Company issued 9,543,308 shares in regards to debt and interest being converted into stock valued at \$843,818 Also during these three months the Company issued 225,000 shares for services valued at \$43,600. Further during these nine months the Company accounted in additional paid in capital the warrants issued for services valued at \$xxxx and loss on fair value of shares upon conversion amounting to \$xxxx.

During the nine months ended March 31, 2021 the Company issued 16,049,577 shares in regards to debt and interest being converted into stock valued at \$1,467,274 also during these nine months the Company issued 836,630 shares for services valued at \$131,017. Further during these nine months the Company accounted in additional paid in capital the warrants issued for services valued at \$146,954 and loss on fair value of shares upon conversion amounting to \$xxxx.

## 13. Warrants

The following is a summary of the Company's outstanding common stock purchase warrants. Of the 500,000 warrants shown below at an exercise price of \$.15, these warrants were issued as compensation for a four-year advisory agreement. 150,000 warrants vested on July 24, 2018, another 150,000 on July 24, 2019, another 150,000 vested on July 24, 2020, and the remaining 50,000 will vest on July 24, 2021, should advisor complete the term of his engagement. These warrants were all accounted for in Fiscal 2020.

During the six months ended December 31, 2020 the Company entered into a warrant agreement with one of the Company's vendors issuing 500,000 warrants at a strike price of \$0.50 having a term of five years. The Company valued these warrants using the Black Scholes model utilizing a 107.93% volatility and a risk-free rate of 0.29%, respectively.

In exchange for the agreement to lock up Mr Folkson's Shares, Folkson received warrants to acquire 400,000 shares of NGTF stock on February 4, 2021, at a strike price of \$.30, and with a term of twelve (12) months from the date of that agreement. The Warrants include a provision for cashless exercise and will expire if not exercised within the twelve month term. The Company valued these warrants using the Black Scholes model utilizing a 107.93% volatility and a risk-free rate of 0.50%.

The aggregate intrinsic value of the warrants as of December 31, 2020 is \$-0-.

Exercise Price	Outstanding at June 30, 2020	Issued / (Exercised) in 2020	Expired	Outstanding December 31 2020
\$ 0.15	500,000	-	-	500,000
\$ 0.20	105,000	-	25,000	80,000
\$ 0.30	100,000	400,000	-	500,000
\$ 0.40	150,000	-	-	150,000
\$ 0.50	-	500,000	-	500,000
\$ 0.75	300,000	-	-	300,000
	<u>1,155,000</u>	<u>1,260,000</u>	<u>25,000</u>	<u>2,039,000</u>

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## 14. Fair Value of Financial Instruments

Cash and Equivalents, Receivables, Other Current Assets, Short-Term Debt, Accounts Payable, Accrued and Other Current Liabilities.

The carrying amounts of these items approximated fair value.

Fair value is defined as 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. To increase the comparability of fair value measures, Financial Accounting Standards Board (“FASB”) ASC Topic 820-10-35 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

**Level 1**—Valuations based on quoted prices for identical assets and liabilities in active markets.

**Level 2**—Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

**Level 3**—Valuations based on unobservable inputs reflecting our own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

The application of the three levels of the fair value hierarchy under Topic 820-10-35 to our assets and liabilities are described below:

	March, 31, 2021 Fair Value Measurements			Total Fair Value
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Other assets	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
<b>Liabilities</b>				
Derivative Liabilities	\$ -	\$ -	\$ 1,312,178	\$ 1,312,178
Total	\$ -	\$ -	\$ 1,312,178	\$ 1,312,178

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	June 30, 2020 Fair Value Measurements			Total Fair Value
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Other assets	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
<b>Liabilities</b>				
Derivative Liabilities	\$ -	\$ -	\$ 1,590,638	\$ 1,590,638
Total	\$ -	\$ -	\$ 1,590,638	\$ 1,590,638

Management considers all of its derivative liabilities to be Level 3 liabilities. At March 31, 2021 and June 30, 2020, respectively the Company had outstanding derivative liabilities, including those from related parties of \$1,312,178 and \$1,590,638, respectively.

#### 15. Commitments and Contingencies:

The Company has entered into certain consulting agreements which carry commitments to pay advisors and consultants should certain events occur. An agreement is in place with one Company Advisor that calls for total compensation over the four year Advisor Agreement of 500,000 warrants with an exercise price of \$.15 of which 450,000 have vested, should the advisor complete the entire term of the engagement, the remaining 50,000 warrants would vest on July 24, 2021. These warrants were all accounted for in Fiscal 2020.

CEO Sean Folkson has a twelve-month consulting agreement which went into effect on February 4, 2021, which will reward him with bonuses earned of 1,000,000 warrants at a strike price of \$.50 when the Company records its first quarter with revenues over \$1,000,000, an additional 3,000,000 warrants with a \$.50 strike price when the Company records its first quarter with revenues over \$3,000,000, and an additional 3,000,000 warrants with a \$1 strike price when the Company records its first quarter with revenues over \$5,000,000. Folkson will also be awarded warrants with a strike price of \$.50 should the Company exceed \$500,000 in non-traditional retail channel revenue during the Term of the Agreement, and should the company enter into a product development or distribution partnership with a multi-national food & beverage conglomerate during his Agreement. As of March 31, 2021, those conditions were not met and therefore nothing was accrued related to this arrangement.

#### 16. Related Party Transactions

- During the third quarter of Fiscal Year 2015, Mr. Folkson began accruing a consulting fee of \$6,000 per month which the aggregate of \$18,000 is reflected in professional fees for the six month period ended December 31, 2020 and reflected in the accrued expenses – related party with a balance of \$6,974 and \$9,974 at March 31, 2021 and June 30, 2020, respectively.

On December 8, 2017, Mr. Folkson purchased Warrants, at a cost of \$.15 per Warrant, to acquire up to 80,000 additional shares of NGTF stock at a strike price of \$.20, and with a term of three (3) years from the date of said agreement. This purchase resulted in a reduction in the accrued consulting fees due him by \$12,000. During the second quarter 2019 Mr. Folkson purchased 400,000 shares of stock at a strike price of \$0.30 per share, valued at \$120,000 which was charged to his accrual. During the nine months ended March 31, 2021, Folkson had been paid \$51,000 against his total accrued balance to date and reflected in the accrued expenses – related party with a balance of \$6,974 and \$9,974 at March 31, 2021 and June 30, 2020, respectively.

- In addition, the Company made bonuses available to Folkson upon the Company hitting certain revenue milestones of \$1,000,000 in a quarter, \$3,000,000 in a quarter, and \$5,000,000 in a quarter. Achieving those milestones would earn Folkson warrants with a \$.50 and \$1 strike price which would need to be exercised within 90 days of the respective quarterly or annual filing. As of March 31, 2021, those conditions were not met and therefore nothing was accrued related to this arrangement.

#### 17. Subsequent Events

- On April 14, 2021, The Company successfully negotiated and retired a \$731,118 payable for \$20,000.
- On April 19, 2021, The Company closed a financing round of \$4,500,000. This financing consisted of \$3,000,000 raised in cash, and the rollover of \$1,500,000 of pre-existing convertible debt into equity. This financing allowed the company to successfully retire all convertible debt from the balance sheet. Over \$1,400,000 of cash was infused into the Company after debt payoff and transaction fees. As part of the settlement of the pre-existing debt, 1,200,000 shares of NGTF common stock were issued to Eagle Equities.



- On May 4, 2021, The Company issued 72,288 shares to vendors and consultants for services provided.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### FORWARD LOOKING STATEMENT INFORMATION

Certain statements made in this Quarterly Report on Form 10-Q involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. You can identify these statements by the fact that they do not relate strictly to historical or current facts, and use words such as "anticipate," "believe," "estimate," "expect," "forecast," "may," "should," "plan," "project," "will" and other words of similar meaning. The forward-looking statements included herein are based on current expectations that involve numerous risks and uncertainties. Our plans and objectives are based, in part, on assumptions involving judgments with respect to, among other things, future economic, competitive and market conditions, technological developments related to business support services and outsourced business processes, and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control.

Although we believe that our assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Quarterly Report on Form 10-Q will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein particularly in view of the current state of our operations, the inclusion of such information should not be regarded as a statement by us or any other person that our objectives and plans will be achieved. Factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements include, but are not limited to, the factors set forth under the headings "Business" and "Risk Factors" within our Annual Report on Form 10-K for the fiscal year ended June 30, 2020, as well as the other information set forth herein.

### OVERVIEW

Nightfood Holdings runs two distinct operating companies, each serving a different market segment with different products.

Nightfood, Inc. is a better-for-you snack company focused on manufacturing and distributing snacks with sleep-friendly formulations and ingredients. The national roll-out of Nightfood ice cream, the first Nightfood product with significant mainstream retail distribution, began in 2019. The Company has since secured distribution in multiple regional supermarket chains, and divisions of national supermarket chains, including divisions of Kroger (Harris Teeter), and divisions of Albertsons (Jewel-Osco, Shaw's and Star Market), as well as over 1,000 Walmart stores from coast to coast.

The brand is now in its second or third year in distribution in most of these chains, an accomplishment not easily achieved as a start-up in the ice cream space. During our time on-shelf, we've seen several better-known and better-funded brands get delisted from these same retailers. We believe the unique attributes of our product line, combined with the anticipation by certain supermarket category managers that there is a boom coming in the world of "sleep-friendly" nutrition has allowed us to retain these placements without being charged additional slotting (except in situations where the retailer has introduced new flavors, which is normal and customary).

Management views this as a significant accomplishment as we continue to work to grow our customer base, our revenues, and strategically add new distribution partners. We were able to successfully redesign and launch our new packaging design into approximately 1,800 stores in the last two months. While it's too early to report definitive directional results with the new design, Management has received definitive reports from our global hotel brand partner that Nightfood sales have increased since it began testing the new Nightfood package design in select grab-and-go lobby shops.

Nightfood ice cream won the 2019 Product of the Year award in the ice cream category in a Kantar survey of over 40,000 consumers. The brand also won Best New Ice Cream at the 2019 World Dairy Innovation Awards. In early 2019, the Company proactively secured trademark protection for the Nightfood brand in several strategic international markets.

Management believes consumer demand exists for better nighttime snacking options, and that a new consumer category consisting of nighttime specific snacks will emerge in the coming years. This belief is supported by research from major consumer goods research firms such as IRI Worldwide, and Mintel, who identified nighttime specific foods and beverages as one of the "most compelling and category changing trends" for 2017 and beyond. In recent years, CEO's and other executives from major consumer goods conglomerates such as Nestle, PepsiCo, Mondelez, and Kellogg's have commented on consumer nighttime snack habits and the opportunity that exists in solving this problem for the marketplace.

We believe that over the next several years, a subset of consumers will shift their night snacking behavior towards snacks that are formulated to be more "sleep friendly" compared to what is currently being consumed by much of the population. As research continues to explore the links between nutrition and sleep, and consumers continue to seek healthier snacks in general, we expect a "nighttime nutrition" or "sleep-friendly snacking" category to emerge within the marketplace.

This belief has been corroborated over the last several months as two of the world's largest food and beverage companies begin to address the nutrition-sleep connection.

In September 2020, Pepsi announced the launch of Driftwell, a beverage formulated with magnesium to help consumers relax and unwind before bed. And in March, 2021, Unilever, the world's largest ice cream manufacturer, announced it had partnered with Microba Life Sciences to conduct a year-long research project on how diet can improve sleep.

Elevated interest from global food and beverage giants continues to bring attention and validation to the sleep-diet connection. As the pioneer in the space, Founder Sean Folkson views Nightfood as more than an ice cream company. Rather, he believes the Nightfood brand can continue to occupy a leadership role in the "sleep-friendly nutrition" category that he envisions rapidly developing over the next 1-2 years.

American consumers spend over \$50 Billion annually on snacks consumed at night, and this figure continues to grow. A majority of adults are trying to eat foods and snacks that they understand will prevent or manage health problems and 37% of consumers are willing to pay more for foods with perceived health benefits. Moreover, industry data indicates that the most popular nighttime snack choices include products and categories that are traditionally considered high in calories, and "unhealthy" options, such as cookies, salty snacks (chips, pretzels, and popcorn), ice cream, and candy.

Management believes interest in the space from global food and beverage companies such as Nestle, Unilever, and PepsiCo represents early validation for the category concept. While Management continues to iterate on products, distribution, and marketing, the team steadfastly believes that nighttime nutrition is a billion dollar category in the making. Management believes the Nightfood brand can be the pioneer and the leading brand in the night snacking category. Management anticipates that the multi-national food and beverage companies will necessarily be drawn to the category Nightfood is pioneering because of these facts:

- Over 80% of American adults snack regularly after dinner
- Over 40% of all snacking occurs between dinner and bed
- Every week in the United States, hundreds of millions of nighttime snacks are consumed, resulting in over \$1 Billion dollars in consumer spend
- More than half of consumers seek out snacks with functional benefits beyond hunger satisfaction and taste
- 80% of consumers worldwide report wanting to improve their sleep quality
- The most popular nighttime snack choices in the United States are cookies, chips, candy, and ice cream. These are all understood to be both unhealthy and generally disruptive to sleep quality.

Growth within the category that Nightfood is creating can bring competitive risk, but also the opportunity that comes with being the pioneer of a growing market segment and the strategic value that the Nightfood brand could deliver to a global partner with significant resources.

Company Management believes that a meaningful percentage of this \$50 billion in consumer spend will move from conventional snacks over to nighttime specific, sleep-friendly snacks in coming years.

The Nightfood Scientific Advisory Board is made up of leading sleep and nutrition experts, who help Nightfood deliver on its brand promise. The first member of this advisory board was Dr. Michael Grandner, Director of the Sleep and Health Research Program at the University of Arizona. Dr. Grandner has been conducting research on the link between nutrition and sleep for over ten years, and he believes improved nighttime nutritional choices can improve sleep, resulting in many short and long-term health benefits. In March of 2018, the Company added Dr. Michael Breus to their Scientific Advisory Board. Breus, known to millions as The Sleep Doctor™, is believed to be the Nation's most prominent authority on sleep. He regularly appears in the national media to educate and inform consumers so they can sleep better and lead happier, healthier, more productive lives. In July, 2018, we added Lauren Broch, Ph.D, M.S. Dr. Broch is a sleep therapist and former Director of Education & Training at the Sleep-Wake Disorders Center at Weill Cornell Medical College. Dr. Broch also has a master's degree in human nutrition. This unique combination allowed her to play an important role in the development of Nightfood ice cream. These experts work with Company management to ensure Nightfood products deliver on their nighttime-appropriate, and sleep-friendly promises.

In February 2020, Nightfood was named the Official Ice Cream of the American Pregnancy Association. Compared to regular ice cream, Nightfood is higher in calcium, magnesium, zinc, protein and fiber, and contains less sugar, fewer calories, and is lower glycemic. Ease of digestion and the impact of nighttime heartburn were also considerations that went in to Nightfood's formulations. Management believes the designation and recommendation from the American Pregnancy Association could expose the brand to a large base of new consumers and drive a volume of new demand that will support an effective national roll-out of the ice cream line.

MJ Munchies, Inc. is a Nevada corporation formed in January of 2018 to exploit legally compliant opportunities in the CBD and marijuana edibles and related spaces. To date, this subsidiary and its operations have had a nominal impact on the financial statements contained herein.

Since inception, MJ Munchies has applied for U.S. Trademark protection the brand name Half-Baked as it relates to certain categories of snacks. The Company also applied for, and was granted, trademark protection in the state of California for the name Half-Baked for snacks containing THC. In addition, The Company acquired HalfBaked.com, and has secured other intellectual property in its portfolio. The Company intends to license this IP to operators in the cannabis edibles space and other related spaces.

## DEVELOPMENT PLANS

Nightfood ice cream pints are currently available in divisions of some of the largest supermarket chains in the United States, including Walmart, Kroger, Albertsons, and H-E-B. Current distribution totals approximately 1,800 grocers across the United States. Management is working to simultaneously secure additional distribution opportunities, while also nurturing revenue growth and consumer growth in our existing points of distribution.

Since inception, additional distribution relationships were established with regional ice cream distributors and non-traditional retailers, with varying degrees of success. Management will continue to work within the industry to identify opportunities to grow the Nightfood brand. In the future, outlets such as hotels, college campus bookstores, and other non-traditional outlets could develop into relevant elements of our distribution mix as the brand continues to grow awareness and distribution infrastructure.

Nightfood has nine ice cream flavors already in ongoing production, and an additional ten products have been developed or in late stages of development, these include additional flavors of Nightfood dairy-based ice cream as well as several flavors of non-dairy oat-based ice cream.

In addition to introduction of additional pint products, including such possibilities as non-dairy and keto-friendly versions of Nightfood pints, future expansion could also include frozen novelties, other popular nighttime snack formats, as well as sleep-friendly beverages Management has done preliminary research on CBD infused ice cream. Current FDA guidelines do not currently permit CBD to be used as an additive in food. While some companies are manufacturing and distributing food products with CBD, industry reports indicate that major retailers have been avoiding those products due to current FDA regulations.

Management believes opportunities will exist to expand into other snack food formats that are popular with nighttime snackers. Possibilities include chips, candy, cookies, popcorn, and more.

Aggressive supermarket expansion could result in additional “slotting fees” either in 2021 or beyond. Slotting fees are normal and customary in the consumer goods industry and are fees that certain retailers and distributors charge to introduce a new product into their available assortment.

In some cases, slotting fees, also called “new item placement fees” or “new item placement allowances” can be nominal. In other situations, slotting fees for certain retail and distribution partners could run hundreds of thousands of dollars.

Certain large retailers do not charge slotting fees, but most do. The Management of any emerging food or beverage brand could choose not to do business with retailers or distributors who charge slotting fees. Such a strategy, while possible, could greatly slow or restrict the distribution footprint a brand could establish.

Through the first three quarters of Fiscal 2021, slotting commitments have resulted in revenue reductions totaling \$190,295. As of the time of this filing, over 80% of the way through our Fiscal 2021, Management projects slotting fees for the current Fiscal Year will deliver a total revenue reduction of less than \$250,000. By comparison, slotting fees with in Fiscal 2020 resulted in total revenue reductions of \$541,500. This significant decrease in slotting expense should not be viewed as an indication of a trend. Rather, it is simply a function of past slotting arrangements having been paid down and paid off, along with minimal new slotting fees incurred during the current fiscal year. Investors should have the expectation that Nightfood, like any growing food or beverage brand, will continue to incur slotting fees as we continue toward our goal of national distribution.

In addition to traditional retail such as supermarkets and big-box retailers, Management also believes significant opportunities exist in the hotel and hospitality vertical where ice cream is one of the top-selling categories in hotel lobby shops. With travelers wanting better sleep, Management believes hotels that sell ice cream would benefit by making Nightfood’s sleep-friendly ice cream part of their offering assortment. Before COVID, Management had been pursuing initiatives in the hotel space. While those were put on hold for most of calendar 2020, hotels have now reemerged as an important point of focus for the distribution of Nightfood products.

## INFLATION

Inflation can be expected to have an impact on our operating costs. A prolonged period of inflation could cause a general economic downturn and negatively impact our results. However, the effect of inflation has been minimal over the past three years.

## SEASONALITY

There is a significant amount of seasonality in the ice cream industry, with summer months historically delivering the highest consumption, and winter months delivering the lowest consumption.

As an early-stage and growing brand, the full impact of seasonality on our ice cream might not be fully understood for several additional annual cycles, but early indications point to the existence of a material seasonality impact across the ice cream industry through grocery channels. Over time, should the Company successfully expand into more distribution verticals and into additional snack formats, it is possible that the impacts of seasonality could lessen.

## CORONAVIRUS (COVID-19)

The outbreak of the novel coronavirus (COVID-19), including the measures to reduce its spread, and the impact on the economy, cannot fully be understood and identified. Indications to date are that there are somewhat offsetting factors relating to the impact on our Company. Industry data shows that supermarket sales remain up, with more people spending more time at home. Anecdotally and statistically, snacking activity is also up while consumers are reporting a decrease in sleep quality and sleep satisfaction. Industry sales data also showed ice cream as one of the categories experiencing the largest increase with year over year growth averaging over 30% through a series of five one-week periods between March 15 and April 12, 2020 according to IRI data.

The offsetting factors are the impact of the virus on the overall economy, and the impact that a down economic period can have on consumer behavior, including trial of new brands. Greater unemployment, recession, and other possible unforeseen factors are shown to have an impact. Research indicates that consumers are less likely to try new brands during economic recession and stress, returning to the legacy brands they've known for decades.

With consumers generally making fewer shopping trips, while buying more on those occasions and reverting back to more familiar brands, certain brand-launch marketing tactics, such as in-store displays and in-store product sampling tables, are either impaired or impermissible. So, while overall night snacking demand is up, and consumer need/desire for better sleep is also stronger, driving consumer trial and adoption has been more difficult and expensive during these circumstances.

From both public statements, and ongoing exploratory meetings between Nightfood Management and experts from certain global food and beverage conglomerates, it has been affirmed to Management that there is increased strategic interest in the nighttime nutrition space as a potential high-growth opportunity, partially due to recent declines in consumer sleep quality and increases in at-home nighttime snacking.

We have experienced no major issues with supply chain or logistics. Order processing function has been normal to date, and our manufacturers have assured us that their operations are "business as usual" as of the time of this filing.

It is possible that the fallout from the pandemic could make it more difficult in the future for the Company to access required growth capital, possibly rendering us unable to meet certain debts and expenses.

More directly, COVID has impaired Nightfood's ability to execute certain in-store and out-of-store marketing initiatives. For example, since the inception of COVID, the Company was unable to conduct in-store demonstrations and unable to participate in local pregnancy, baby expos, and health expos that were originally intended to be part of our marketing mix.

Additionally, with more consumers shopping online, both for delivery or at-store pickup, the opportunity for shoppers to learn about new brands at-shelf has been somewhat diminished. Management is working to identify opportunities to build awareness and drive trial under these new circumstances.

It is impossible to know what the future holds with regard to the virus, both for our company and in the broader sense. There are many uncertainties regarding the current coronavirus pandemic, and the Company is closely monitoring the impact of the pandemic on all aspects of its business, including how it will impact its customers, vendors, and business partners. It is difficult to know if the pandemic has materially impacted the results of operations, and we are unable to predict the impact that COVID-19 will have on our financial position and operating results due to numerous uncertainties. The Company expects to continue to assess the evolving impact of the COVID-19 pandemic and intends to make adjustments accordingly, if necessary.

## RESULTS OF OPERATIONS FOR THE THREE MONTHS PERIOD ENDED

### March 31, 2021 and 2020.

For the three months ended March 31, 2021 and 2020 we had Gross Sales of \$181,172 and \$281,284 and Net Revenues (Net Revenues are defined as Gross Sales, less Slotting Fees, Sales Discounts, and certain other revenue reductions) of \$96,726 and \$119,475 respectively and incurred an operating loss of \$391,240 and \$867,427 respectively. Accounting standards require exclusion on the income statement of Gross Sales made to a customer to whom the Company is paying slotting fees (slotting fees are fees occasionally charged by retailers and distributors to add a new product into their product assortment). In those situations, the Gross Sales number is reduced, dollar for dollar, by the slotting fees, until the total cost of the slotting is covered. These slotting fees do not appear on the income statement as an expense. Rather, Slotting Fees, along with Sales Discounts, are applied against Gross Sales, resulting in Net Revenue, as shown below. The netting of Gross Sales against slotting and sales discounts, as described and shown below, results in the Net Revenue number at the top of the income statement. This is not a reflection of the amount of product shipped to customers, but rather a function of the way certain sales are accounted for when those sales are made to customers who are charging slotting fees.

	Three Months Ended March 31,	
	2021	2020
Gross product sales	\$ 181,172	\$ 281,284
Less:		
Slotting fees	\$ (4,435)	\$ (156,944)
Sales discounts, promotions, and other reductions	(80,011)	(4,865)
<b>Net Revenues</b>	<b>\$ 96,725</b>	<b>\$ 119,475</b>

The decrease in Gross Sales, is largely due to the fact that during the three months ended March 31, 2020, we recognized sales from the onboarding and pipeline fill of two major supermarket accounts (Jewel-Osco and Shaw's/Star Market). Although Nightfood did not begin appearing on shelves in some of those stores until May due to the pandemic, product was ordered, shipped, and delivered in February and March of 2020 to those accounts.

During the three months ended March 31, 2021, no major new accounts were onboarded. Walmart, our largest account, started carrying Nightfood in April 2021. While the initial purchase orders were received from Walmart in March, delivery was requested for early April. We book revenue not when product is shipped from our facility, but when it is received by the customer. As a result, zero Walmart revenue was recognized or reported for the quarter ending March 31, 2021. That revenue will be recognized in the quarter ending June 30, 2021.

For the three months ended March 31, 2021 and 2020, Cost of Product Sold decreased to \$102,922 from \$157,265. This is the result of lower gross sales as a result of no new account onboarding during the three months ended March 31, 2021, which brings about lower broker fees, less freight, and other expenses related directly to the generation of sales.

The decrease in operating losses is largely the result of lower spend on slotting fees, advertising and promotion, and other marketing expenses as well as a charge of \$166,667 in the three months ended March 31, 2020 for amortization of intangible assets. These decreases are reflected in the decrease of total operating expenses from \$986,902 in the three months ended March 31, 2020 to \$487,567 in the 3 months ended March 31, 2021.

For the three months ended March 31, 2021 compared to the three months ended March 31, 2020, we also experienced a change in derivative liabilities to \$1,152,119 from (\$256,468). This is largely the result of a significant increase in our stock price during the period, and shows up as an expense on our income statement. For the three months ended March 31, 2021 compared to the three months ended March 31, 2020 total other expense, which includes the calculation for change in derivative liability, increased to \$1,548,474 from \$224,100. Again, this is not an actual cash expense that needs to be paid, but rather a "paper expense" that is driven largely by the increase in stock price.

## RESULTS OF OPERATIONS FOR THE NINE MONTH PERIOD ENDED

### March 31, 2021 and 2020.

For the nine months ended March 31, 2021 and 2020 we had Gross Sales of \$643,359 and \$666,438 and Net Revenues (Net Revenues are defined as Gross Sales, less Slotting Fees, Sales Discounts, and certain other revenue reductions) of \$270,919 and \$227,257 respectively and incurred an operating loss of \$1,379,102 and \$1,960,629 respectively.

Accounting standards require exclusion on the income statement of Gross Sales made to a customer to whom the Company is paying slotting fees (slotting fees are fees occasionally charged by retailers and distributors to add a new product into their product assortment). In those situations, the Gross Sales number is reduced, dollar for dollar, by the slotting fees, until the total cost of the slotting is covered. These slotting fees do not appear on the income statement as an expense. Rather, Slotting Fees, along with Sales Discounts, are applied against Gross Sales, resulting in Net Revenue, as shown below. The netting of Gross Sales against slotting and sales discounts, as described and shown below, results in the Net Revenue number at the top of the income statement. This is not a reflection of the amount of product shipped to customers, but rather a function of the way certain sales are accounted for when those sales are made to customers who are charging slotting fees.

	Nine Months Ended March 31,	
	2021	2020
Gross product sales	\$ 643,359	\$ 666,438
Less:		
Slotting fees	\$ (190,295)	\$ (428,650)
Sales discounts, promotions, and other reductions	(182,145)	(10,532)
<b>Net Revenues</b>	<b>\$ 270,919</b>	<b>\$ 227,257</b>

While gross sales decreased slightly from last year, that decrease came along with a significant decrease in slotting fees, operating expenses, and operating losses.

The decrease in Gross Sales, is largely due to the fact that during the nine months ended March 31, 2020, we recognized sales from the onboarding and pipeline fill of two major supermarket accounts (Albertson's divisions Jewel-Osco and Shaw's/Star Market). Although Nightfood did not begin appearing on shelves in some of those stores until May due to the pandemic, product was ordered, shipped, and delivered in February and March of 2020 to those accounts.

During the nine months ended March 31, 2021, no major new accounts were onboarded. Walmart, our largest account, started carrying Nightfood in April 2021. While the initial purchase orders were received from Walmart in March, delivery was requested for early April. We book revenue not when product is shipped from our facility, but when it is received by the customer. As a result, zero Walmart revenue was recognized or reported for the quarter ending March 31, 2021. That revenue will be recognized in the quarter ending June 30, 2021.

Slotting fees for the nine months ended March 31, 2021 were \$190,295 compared to the nine months ended March 31, 2020 when they were \$428,650. Total operating expenses for the nine months ended March 31, 2021 were \$1,660,420 compared to the nine months ended March 31, 2020 when they were \$2,187,886. This decrease is due largely to a one-time impairment charge as an amortization of an intangible asset. Operating losses for the nine months ended March 31, 2021 were \$1,389,501 compared to the nine months ended March 31, 2020 when they were \$1,960,629.

For the nine months ended March 31, 2021 compared to the nine months ended March 31, 2020, we also experienced a change in derivative liabilities of \$887,301 from (\$612,093). This is largely the result of a significant increase in our stock price during the period and shows up as an expense on our income statement. For the nine months ended March 31, 2021 compared to the nine months ended March 31, 2020 total other expense, which includes the calculation for change in derivative liability, increased to \$2,092,741 from \$781,420. Again, this is not an actual cash expense that needs to be paid, but rather a “paper expense” that is driven largely by the increase in stock price.

#### **Customers**

During the nine months ended March 31, 2021, the Company had one customer account for approximately 31% of the gross sales. One other customer accounted for approximately 27% of gross sales, and one other customer accounted for over 12% of gross sales. During the nine months ended March 31, 2020, one customer accounted for approximately 45% of the gross sales.

During the three months ended March 31, 2021, the Company had one customer account for approximately 44% of the gross sales. During the three months ended March 31, 2020, one customer accounted for approximately 36% of the gross sales while three other customers accounted for over 10% of gross sales.

#### **LIQUIDITY AND CAPITAL RESOURCES**

As of March 31, 2021, we had cash on hand of \$73,181, receivables of \$44,033 and inventory value of \$344,914.

Subsequent to the end of the quarter, the Company completed a financing round of \$4,500,000, consisting of \$3,000,000 in cash and the rollover of \$1,500,000 of previously existing convertible debt. As of the time of this filing, the Company is debt free.

The Company believes it has sufficient cash on hand to operate for the next several quarters. We do not believe our cash on hand will be adequate to satisfy our long-term working capital needs. We believe that our current capitalization structure, combined with ongoing increases in distribution, revenues, and market capitalization, will enable us to successfully secure required financing to continue our growth.

Because the business has limited operating history and sales, no certainty of continuation can be stated. Management has devoted a significant amount of time in the raising of capital from additional debt and equity financing. However, the Company’s ability to continue as a going concern will again be dependent upon raising additional funds through debt and equity financing and generating revenue. There are no assurances the Company will receive the necessary funding or generate revenue necessary to fund operations long-term.

The Company cannot give any assurance that it will, in the future, be able to achieve a level of profitability from the sale of its products to sustain its operations. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. The accompanying financial statements do not include any adjustments to reflect the possible future effects on recoverability and reclassification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

Since our inception, we have sustained operating losses. During the nine months ended March 31, 2021, we incurred a net loss of \$3,453,142 (comprised of operating loss of \$1,379,102 and other expenses of \$2,074,040, most of which is comprised of changes in derivative liability and amortization of Beneficial Conversion Features related to convertible note financing and changes in the share price of the common stock) compared to \$2,742,049 (comprised of operating loss of \$1,960,629 and other expenses of \$781,420, most of which is comprised of changes in derivative liability and amortization of Beneficial Conversion Features related to convertible note financing and changes in the share price of the common stock) for the nine months ended March 31, 2020. Much of these losses is largely a function of the way certain financing activities are recorded, and does not represent actual operating losses.

During the nine months ended March 31, 2021, net cash used in operating activities was \$841,133 compared to \$1,328,708 for the nine months ended March 31, 2020. Much of what shows as “net cash used in operating activities” is related to non-cash items associated with to the ongoing capitalization of the Company during the reporting period.

During the nine months ended March 31, 2021, net cash of \$0 was used in investing activities, compared to \$333,333 for the nine months ended March 31, 2020.

During the nine months ended March 31, 2021, net cash aggregating \$716,692 was provided by financing activities, compared to \$1,742,000 for the nine months ended March 31, 2020.

From our inception in January 2010 through March 31, 2021, we have generated an accumulated deficit of approximately \$21,113,364, compared to \$17,631,122 from inception through June 30, 2020. This is not debt and this is not an amount that needs to be paid out at any point in the future. Many large and successful companies have large accumulated deficits, such as Tesla and Starbucks. In our case, it is a function of losses sustained over time, along with the costs associated with raising operating capital.

Assuming we raise additional funds and continue operations, we expect to incur additional operating losses during the next two to six quarters and possibly thereafter. We plan to continue to pay or satisfy existing obligation and commitments and finance our operations, as we have in the past, primarily through the sale of our securities and other forms of external financing until such time that we are able to generate sufficient funds from the sale of our products to finance our operations, of which we can give no assurance.

Effective May 6, 2015, the Company entered into a consulting agreement with Sean Folkson. The agreement was retroactive to January 1st, 2015. In exchange for services provided to the Company by Folkson, the Company agreed to pay Folkson \$6,000 monthly. This compensation expense started accruing on January 1, 2015, and accrued on a monthly basis through June of 2018.

In June of 2018, and again in June of 2019, the Company entered into updated consulting agreements with Folkson, which included a modified compensation structure. Each new Consulting Agreement contained the identical cash compensation allowance of \$6,000 monthly. In addition, Folkson would earn Warrants with a strike price of \$.50 or \$1 when the Company hit certain revenue milestones, such as when the Company records its first quarter with revenue greater than \$1,000,000. All Warrants earned under Folkson's current agreement would convert into restricted shares, shall carry a cashless provision, and must be exercised within 90 days of the filing of the 10Q or 10K on which such revenues are reported. The Agreement from June of 2019 ran through the end of December of 2020, at which time a new Agreement was executed between the parties. All terms were identical with the exception that additional milestones were added by which Folkson would earn \$.50 warrants. These included a milestone of \$500,000 in net revenue during calendar 2021 from nontraditional retail channels (such as hotels and college campuses), and a warrant bonus should Folkson successfully negotiation a product development or distribution partnership with a multi-national food & beverage conglomerate during the Term of the Agreement.

On October 12, 2018, Folkson opted to purchase 400,000 shares of common stock at \$.30 per share, by exercising warrants. To make this purchase, Folkson used \$120,000 in accrued Nightfood consulting fees.

On February 4, 2019, the Company entered into a "Lock-Up" Agreement with Folkson whereby Folkson agreed to not transfer, sell, or otherwise dispose of any shares of his NGTF stock during the next twelve months. As part of this agreement, Folkson received warrants to acquire 400,000 shares of NGTF common stock at an exercise price of \$.30 per share. All warrants in this agreement carried a twelve month term and a cashless provision, and were to expire if not exercised within the twelve month term. Folkson did not have rights to transfer, sell, or otherwise dispose of these warrants at any time, as there were no transfer rights provided for in the Agreement. The warrants that were part of the February 2019 Lock Up Agreement expired unexercised, as the share price was below \$.30 at the end of the Agreement.

On January 20, 2020, Folkson and the Company entered into a new Lock-Up Agreement which went into effect on February 4, 2020 and is in place for twelve months, with identical financial terms to the February 4, 2019 Agreement.

On January 21, 2021, Folkson and the Company entered into a new Lock-Up Agreement which went into effect on February 4, 2020 and is in place for twelve months, with identical financial terms to the February 4, 2019 Agreement.

The foregoing accounts for the entirety of compensation earned by Folkson since inception.

On February 6, 2019, the Registrant entered into a "Leak-Out" Agreement with Peter Leighton, former affiliate and owner of 4,000,000 shares, which will restrict Leighton's ability to sell, transfer, or otherwise dispose of his shares above a certain, mutually agreed-upon monthly threshold.

## Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations is based on our unaudited condensed consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these unaudited condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent liabilities. On an on-going basis, we evaluate past judgments and our estimates, including those related to allowance for doubtful accounts, allowance for inventory write-downs and write offs, deferred income taxes, provision for contractual obligations and our ability to continue as a going concern. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Note 2 to the consolidated financial statements, presented in our Annual Report on Form 10-K for the fiscal year ended June 30, 2020, describe the significant accounting estimates and policies used in preparation of our consolidated financial statements. There were no significant changes in our critical accounting estimates during the nine months ended March 31, 2021.

## OFF BALANCE SHEET ARRANGEMENTS

None.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

No report required.

## ITEM 4. CONTROLS AND PROCEDURES

### *Evaluation of Disclosure Controls and Procedures*

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Disclosure and control procedures are also designed to ensure that such information is accumulated and communicated to management, including the chief executive officer and chief financial officer, to allow timely decisions regarding required disclosures.

We carried out an evaluation, under the supervision and with the participation of management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2021. In designing and evaluating the disclosure controls and procedures, management recognizes that there are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their desired control objectives. Additionally, in evaluating and implementing possible controls and procedures, management is required to apply its reasonable judgment. Based on the evaluation described above, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this report because we did not document our Sarbanes-Oxley Act Section 404 internal controls and procedures.

As funds become available to us, we expect to implement additional measures to improve disclosure controls and procedures such as implementing and documenting our internal controls procedures.

### *Changes in internal controls over financial reporting*

There was no change in our internal controls over financial reporting that occurred during the period covered by this report, which has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

### *Limitations on the Effectiveness of Controls*

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The Company's management, including its Principal Executive Officer and its Principal Financial Officer, do not expect that the Company's disclosure controls will prevent or detect all errors and all fraud. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.



**PART II – OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS.**

We are not engaged in any litigation at the present time, and management is unaware of any claims or complaints that could result in future litigation. Management will seek to minimize disputes with its customers but recognizes the inevitability of legal action in today's business environment as an unfortunate price of conducting business.

**ITEM 1A. RISK FACTORS.**

Not required for smaller reporting companies.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

Not applicable.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

**ITEM 5. OTHER INFORMATION.**

None.

**ITEM 6. EXHIBITS.**

<b>Exhibit</b>	<b>Exhibit Description</b>
31.1	<a href="#">Rule 13a-14(a)/15d-14(a) certification of Chief Executive Officer</a>
32.1	<a href="#">Section 1350 certification of Chief Executive Officer</a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

**SIGNATURES**

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 17, 2021

**Nightfood Holdings, Inc.**

By: /s/ Sean Folkson  
Sean Folkson,  
Chief Executive Officer  
(Principal Executive, Financial and  
Accounting Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Sean Folkson, certify that:

1. I have reviewed this Form 10-Q of NightFood Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods present in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involved management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 17, 2021

By: /s/ Sean Folkson  
Sean Folkson  
Chief Executive Officer  
(Principal Executive, Financial and Accounting Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report on Form 10-Q of NightFood Holdings, Inc. for the quarter ended March 31, 2021, I, Sean Folkson, Chief Executive Officer of NightFood Holdings, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

1. Such Quarterly Report on Form 10-Q for the fiscal quarter ending March 31, 2021 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in such Quarterly Report on Form 10-Q for the fiscal quarter ending December 31, 2020, fairly presents, in all material respects, the financial condition and results of operations of NightFood Holdings, Inc.

May 17, 2021

By: /s/ Sean Folkson,  
Sean Folkson  
Chief Executive Officer  
(Principal Executive, Financial and Accounting Officer)