

**Form 51-102F4**

**BUSINESS ACQUISITION REPORT**

**Item 1 Identity of Company**

**1.1 Name and Address of the Company**

Happy Gut Brands Limited (formerly, Happy Supplements Inc.)  
800-1199 West Hastings Street, Vancouver, BC, V6E 3T5

**1.2 Executive Officer**

The following individual is knowledgeable about the particulars described in this business acquisition report.

Geoff Balderson, CFO & Corporate Secretary  
236-521-0626

**Item 2 Details of Acquisition**

**2.1. Nature of Business Acquired**

On October 15, 2021, the Company entered into a letter of intent (the "LOI") with Bettermoo(d) Holdings Corp., ("bettermoo(d)") and its shareholders to complete an acquisition by the Company of all the issued and outstanding fully diluted securities of bettermoo(d) (the "Acquisition").

On November 8, 2021, the Company entered into a purchase agreement (the "Definitive Agreement") and completed the Acquisition by way of share exchange.

The Acquisition is more fully described in the press releases of the Company dated October 15, 2021, and November 12, 2021, filed on SEDAR at [www.sedar.com](http://www.sedar.com) under the Company's SEDAR profile.

**2.2 Acquisition Date**

The bettermoo(d) Acquisition was effective on November 12, 2021, upon the receipt of the required director and shareholder approvals, the completion of the due diligence investigations and entering into of the Definitive Agreement.

**2.3 Consideration**

Pursuant to the Definitive Agreement and in consideration for the Acquisition, the Company issued the following: (i) 9,000,001 common shares (the "Consideration Shares") at a value \$1.00 for gross proceeds of \$9,000,001; (ii) 10,000,000 common share purchase warrants (each, a "Consideration Warrant"). Each Consideration Warrant is exercisable to acquire an additional common share of the Company at a price of \$1.40 for a period of twenty-four months, expiring on November 12, 2023; and (iii) 700,000 incentive stock options (each, a "Consideration Option") to the existing security holders of

bettermoo(d), and each Consideration Option is exercisable to acquire an additional common share at a price of \$0.30 for a period of sixty months, expiring November 12, 2026.

## **2.4 Effect on Financial Position**

Following completion of the bettermoo(d) Acquisition, bettermoo(d) became a wholly-owned subsidiary of the Company. Since closing, the Company has continued its operations, together with the operations of bettermoo(d) on a combined basis. The Company views bettermoo(d) as an additional brand to its list of beverage products.

## **2.5 Prior Valuations**

To the knowledge of the Company, there has not been any valuation opinion obtained within the last twelve months by the Company or bettermoo(d).

## **2.6 Parties to Transaction**

The Transaction was not with an "informed person" (as such term is defined in Section 1.1 of National Instrument 51-102 - Continuous Disclosure Obligations), associate or affiliate of the Company.

## **2.7 Date of Report**

April 13, 2022

## **Item 3 Financial Statements and Other Information**

To address the requirements of Part 8 of National Instrument 51-102, attached hereto as Appendix A to this Business Acquisition Report are:

- Audited financial statements for the most recently completed period-end

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION:** This Business Acquisition Report includes "forward-looking information" as defined under applicable Canadian securities legislation. Forward looking information and statements include, but are not limited to, disclosure regarding possible events, that are based on assumptions about future economic conditions and courses of action. Forward-looking information is necessarily based upon a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking information. Such factors include, but are not limited to: general business, economic, competitive, political and social uncertainties, uncertain and volatile equity and capital markets, lack of available capital, future demand for digital assets and risks related to the cloud computing thereof, integration issues, personnel and staffing requirements and technological change and obsolescence. There are no assurances with respect to: the financial performance and/or success from

operations of the Company and bettermoo(d). Actual results and future events could differ materially from those anticipated in such forward-looking information. Accordingly, readers should not place undue reliance on forward-looking information. All forward looking information in this release is made as of the date hereof and qualified by these cautionary statements and those in our continuous disclosure filings.

**Appendix "A"**

Financial Statements

For the Period from Incorporation on January 25, 2021 to November 11, 2021

**BETTERMOO(D) HOLDINGS CORPORATION**

**FINANCIAL STATEMENTS**

**For the Period from Incorporation on January 25, 2021 to November 11, 2021**

**EXPRESSED IN CANADIAN DOLLARS**



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Bettermoo(d) Holdings Corp.

### Opinion

We have audited the financial statements of Bettermoo(d) Holdings Corp. (the "Company"), which comprise the statement of financial position as at November 11, 2021, and the statements of loss and comprehensive loss, changes in equity and cash flows for the period from incorporation on January 25, 2021 to November 11, 2021, and notes to the financial statements, including a summary of significant accounting policies (collectively referenced to as "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at (current reporting period end date), and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

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

### Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial statements, which describes events and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

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

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

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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



An independent firm  
associated with Moore  
Global Network Limited

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

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

*DMCL*

**DALE MATHESON CARR-HILTON LABONTE LLP**  
**CHARTERED PROFESSIONAL ACCOUNTANTS**  
Vancouver, BC

April 13, 2022

**Bettermoo(d) Holdings Corporation**  
**Statement of Financial Position**

*Canadian Dollars*

	Note		November 11, 2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$	267,425
Deferred marketing cost	5		369,957
<b>TOTAL ASSETS</b>			<b>\$ 637,382</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	6	\$	144,270
<b>EQUITY</b>			
Share capital	7		640,001
Contributed surplus	7		540,315
Deficit			(687,204)
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>\$ 637,382</b>

Nature of Operations and Going Concern (Note 1)  
Commitment (Note 5)  
Subsequent event (Note 1)

ON BEHALF OF THE BOARD:

Signed "Nima Bahrami", Director

The accompanying notes are an integral part of these financial statements



**Bettermoo(d) Holdings Corporation****Statement of Loss and Comprehensive Loss**

For the period of incorporation on January 25, 2021 to November 11, 2021

Canadian Dollars

	Note		2021
<b>Operating expenses</b>			
Amortization of deferred marketing costs	5	\$	70,043
General administration			120,950
Marketing costs	5, 7		177,017
Management fees			168,000
Research costs			78,314
Share-based compensation	7		40,315
Salaries and wages	6		32,251
<b>Loss before other item</b>			<b>(686,890)</b>
<b>Other Items</b>			
Foreign currency loss			(314)
<b>Loss and Comprehensive Loss for the period</b>		\$	<b>(687,204)</b>
<b>Loss per Share – Basic and Diluted</b>		\$	<b>(0.11)</b>
<b>Weighted Average Number of Shares Outstanding</b>			<b>6,051,725</b>

The accompanying notes are an integral part of these financial statements

**Bettermoo(d) Holdings Corporation****Statement of Cash Flows**

For the period of incorporation on January 25, 2021 to November 11, 2021

Canadian Dollars

	<b>2021</b>
<b>Operating Activities</b>	
Loss for the period	\$ (687,204)
Items not involving cash:	
Amortization of deferred marketing costs	70,043
Share-based compensation	40,315
Change in non-cash working capital items:	
Deferred marketing income	(300,000)
Change in accounts payable	144,271
Cash used in operating activities	<b>(732,575)</b>
<b>Financing Activities</b>	
Proceeds from private placements	500,000
Proceeds from warrants issuance	500,000
Cash provided by financing activities	<b>1,000,000</b>
<b>Net Increase in Cash</b>	<b>267,425</b>
Cash – Beginning of period	-
<b>Cash – End of period</b>	<b>\$ 267,425</b>
<b>Supplemental disclosures for cash flow information:</b>	
Shares issued for marketing costs	<b>\$ 140,000</b>

The accompanying notes are an integral part of these financial statements

**Bettermoo(d) Holdings Corporation**

**Statements of Changes in Shareholders' Equity (Deficiency)**

For the period of incorporation on January 25, 2021 to November 11, 2021

Canadian Dollars

	Number of Shares	Share Capital \$	Contributed Surplus \$	Deficit \$	Total \$
<b>Balance, January 25, 2021</b>	1	1		-	1
Shares issued for cash	7,000,000	500,000	500,000	-	1,000,000
Share issuance for services	2,000,000	140,000	-	-	140,000
Share based compensation			40,315		40,315
Loss for the period	-	-	-	(687,204)	(687,204)
<b>Balance, November 11, 2021</b>	<b>9,000,001</b>	<b>640,001</b>	<b>540,320</b>	<b>(687,204)</b>	<b>493,112</b>

The accompanying notes are an integral part of these financial statements

## Bettermoo(d) Holdings Corporation

### Notes to Financial Statements

For the period of incorporation January 25, 2021 to November 11, 2021

Canadian Dollars

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#### 1. Nature of Business and Going Concern

##### *Operation*

Bettermoo(d) Holdings Corporation ("Bettermoo(d)" or the "Company") is a private company incorporated in British Columbia, Canada. The Company is a plant-based dairy alternative company which produces and sells organic and sustainably sourced plant-based dairy alternatives. The head office, principal address and records office of the Company are at 2200 HSBC Building, 885 West Georgia Street, Vancouver, British Columbia V6C 3E8, Canada.

##### *Acquisition*

On November 8, 2021, the Company, the securityholders of the Company and Happy Supplements Inc ("Happy") entered into a share purchase agreement (the "Agreement"), whereby Happy would acquire all issued and outstanding shares of Bettermoo(d). Pursuant to the Agreement, Happy issued 9,000,001 common shares (the "Consideration Shares"), 10,000,000 common share purchase warrants (each, a "Consideration Warrant") and 700,000 incentive stock options (each, a "Consideration Option") to the existing securityholders of Bettermoo(d) on a one for one basis. Each Consideration Warrant is exercisable to acquire an additional common share of Happy at a price of \$1.40 for a period of twenty-four months following the closing date, and each Consideration Option is exercisable to acquire an additional common share of Happy at a price of \$0.30 for a period of sixty months following the closing date. The acquisition was completed on November 12, 2021.

##### *Going Concern*

These financial statements have been prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. To date, the Company has experienced losses and may incur further losses. The Company realized a net loss of \$687,204 for the period from incorporation on January 25, 2021 to November 11, 2021. As at November 11, 2021, the Company had an accumulated deficit of \$687,204.

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to raise financing and generate profits and positive cash flows from operations in order to cover its operating costs. Thus far, the Company generated working capital to fund its operations by raising additional capital through equity financing. However, there is no assurance it will be able to continue to do so in the future. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

##### *COVID-19*

In March 2020, the outbreak of COVID-19 was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the investments of the Company are not known at this time. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. The situation with COVID-19 is evolving and highly uncertain, consequently, management cannot predict the effect of the adverse changes to its future business plans, including its financial position, cash flows and results of operations.

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#### 2. Basis of Preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied during the period, unless otherwise stated.

The Board of Directors approved the financial statements on April 13, 2022.

## Bettermoo(d) Holdings Corporation

### Notes to Financial Statements

For the period of incorporation January 25, 2021 to November 11, 2021

Canadian Dollars

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#### 3. Summary of Significant Accounting Policies

The significant accounting policies described below have been applied consistently to the period presented in these financial statements, unless otherwise stated.

a) Basis of measurement

The financial statements have been prepared on an accrual basis, except for cash flow information, and are based on historical costs, except for certain financial instruments that are measured at fair value.

b) Functional and presentation currency

The functional and presentation currency of the Company is Canadian Dollars, the currency of the primary economic environment in which the Company operates.

c) Financial instruments

Initial Recognition

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets and liabilities are recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as fair value through profit or loss. Transaction costs of financial assets and liabilities classified as at FVTPL are expensed in the period in which they are incurred. Subsequent measurement of financial assets and liabilities depends on the classifications of such assets and liabilities.

Financial Assets

*Amortized cost*

Financial assets that meet the following conditions are measured at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal repayments plus the cumulative amortization, using the effective interest method applied to the difference between the initial amount and the maturity amount, adjusted for any allowance due to losses or gains. Interest income is recognized using the effective interest method. As at November 11, 2021, the Company's financial asset at amortized cost include accounts payable.

*Fair value through other comprehensive income*

Financial assets that meet the following conditions are measured at fair value through other comprehensive income ("FVTOCI"):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

As at November 11, 2021, the Company does not have any instruments classified as financial assets at FVTOCI.

**Bettermoo(d) Holdings Corporation**

**Notes to Financial Statements**

**For the period of incorporation January 25, 2021 to November 11, 2021**

*Canadian Dollars*

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**3. Summary of Significant Accounting Policies (continued)**

c) Financial instruments (continued)

Financial Assets

*Fair value through profit or loss ("FVTPL")*

The Company, at initial recognition, may also irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. As at November 11, 2021, the Company has cash that is classified as financial assets measured at FVTPL.

Financial Liabilities

Financial liabilities are designated as either: (i) FVTPL; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and due to related parties are classified under other financial liabilities and carried on the consolidated statement of financial position at amortized cost.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss. The Company does not have any derivative financial assets and liabilities.

d) Foreign currency translation

Transactions in foreign currencies are translated using the exchange rate prevailing at the date of the transaction. At each reporting date, foreign currency denominated monetary assets and liabilities are translated at year-end exchange rates. Exchange differences arising from the transactions are recorded in profit or loss for the period, except for exchange differences relating to borrowings hedging net investments denominated in the consolidated subsidiaries' currency. These differences are recognized in other comprehensive income as currency translation differences until the disposal of the net investment. Exchange differences arising from operating transactions are recorded in operating profit for the period; exchange differences related to financing transactions are recognized as finance costs or income, or in other comprehensive income.

e) Provisions

A provision is recognized when it becomes probable that a present obligation arising from a past event will require an outflow of resources that can be reliably estimated. The amount of the provision is the best estimate of the outflow of resources required to settle this obligation. Where a potential obligation resulting from past events exists, but occurrence of the outflow of resources is not probable or the estimate is not reliable, these contingent liabilities are disclosed in commitments and contingencies.

**3. Summary of Significant Accounting Policies (continued)**

f) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the reserves. The fair value of options is determined using a Black–Scholes Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

g) Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity in which case the related income tax is recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the end of the reporting period and any adjustments to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that such assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities when they relate to income taxes levied by the same taxation authority and when the Company intends to settle its current tax assets and liabilities on a net basis.

h) Loss per Share

Basic loss per share is computed by dividing earnings loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of outstanding options and their equivalents are reflected in diluted earnings per share by application of the treasury stock method. The treasury stock method calculates the dilutive effect of share options assuming that the proceeds to be received on the exercise of share options are applied to repurchase common shares at the average market price of the period.

i) Future accounting pronouncement

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

## Bettermoo(d) Holdings Corporation

### Notes to Financial Statements

For the period of incorporation January 25, 2021 to November 11, 2021

Canadian Dollars

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#### 4. Significant Accounting Estimates and Judgements

The preparation of the financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### Significant Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- (i) The assessment of the Company's ability to continue as a going concern requires significant judgment. The financial statements have been prepared on the basis of accounting principles applicable to a going concern, as disclosed in Note 1.
- (ii) Management has applied judgement in determining whether or not the fair value of the services received pursuant to certain agreement can be reliably measured. As a result, the Company has measured the transaction based on the fair value of the equity instruments issued therein.
- (iii) Management is required to assess the functional currency of the Company. In concluding that the Canadian dollar is the functional currency of the Company, management considered the currency that mainly influences the operating expenditures in the jurisdiction in which the Company operates.

##### Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the current and next fiscal financial years:

- (i) Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the consolidated statement of financial position could be impacted.
- (ii) The determination of the fair value of the equity instruments issued pursuant to the agreement as disclosed in Note 5, has required management to apply several estimates and assumptions.



## Bettermoo(d) Holdings Corporation

### Notes to Financial Statements

For the period of incorporation January 25, 2021 to November 11, 2021

Canadian Dollars

#### 5. Deferred Marketing Cost

On September 21, 2021, the Company entered into a marketing agreement (the "Agreement") with Adams Communications Inc. ("Adams") whereby it engaged Adams to produce marketing and promotional content for the use by the Company and raise awareness of the Company. The agreement has a term for up to December 31, 2022 for the service; however as part of the Agreement, the Company will hold an exclusive royalty free license to use the content produced by Adams during the terms of the Agreement and the period of two years following the expiry of the term. The consideration for the services and license include:

Consideration		Amount
Cash payment upon execution of the Agreement (paid)	\$	300,000
Cash payment to be made at six months subsequent to the execution of the Agreement		200,000
2,000,000 Shares issued at \$0.07 per share upon execution of the Agreement <sup>(1)</sup>		140,000
Total	\$	640,000

(1) These shares are subject to a pooling arrangement from which they will be released in equal monthly tranches over a period of 18 months commencing October 21, 2021.

As at November 11, 2021, the Company has paid \$300,000 in cash and issued 2,000,000 common shares of the Company to Adams pursuant to the Agreement. The second cash payment of \$200,000 remained unpaid. The shares issued to Adams were valued at the amount of \$140,000 based on the most recent share price in the private placement completed on March 19, 2021 as disclosed in Note 7.

A continuity of the deferred marketing costs is as follows:

	Amount
Balance, January 25, 2021	-
Marketing costs paid and deferred:	
Cash payment	300,000
Shares issued	140,000
Amount recognized to expense for the period	(70,043)
Balance, November 11, 2021	369,957

#### 6. Related Party Transactions

##### Key Management Compensation

Key management consists of the officers and directors who are responsible for planning, directing and controlling the activities of the Company. The following expenses were incurred by the Company's key management:

	Period from incorporation on January 25, 2021 to November 11, 2021
Management fees	\$ 160,000
Consulting fees	15,000
Salaries and wages	32,251
Share-based compensation	8,639
	\$ 215,890

Winchester Securities Corp ("Winchester") provides management and administrative services to the Company. During the period ended November 11, 2021, the Company incurred \$160,000 in management fees to Winchester. As at November 11, 2021, \$105,000 was owing to Winchester.

## Bettermoo(d) Holdings Corporation

### Notes to Financial Statements

For the period of incorporation January 25, 2021 to November 11, 2021

Canadian Dollars

#### 6. Related Party Transactions (continued)

During the period ended November 11, 2021, the Company incurred \$32,251 for the remuneration to the Chief Executive Officer ("CEO"), and \$15,000 to the former CEO.

#### 7. Share Capital

##### a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value ("Shares").

##### b) Issued and Outstanding

###### *Common Shares*

On March 19, 2021, the Company issued 7,000,000 common shares for total proceeds of \$500,000.

On September 24, 2021, The Company issued a 2,000,000 common shares to Adams pursuant to the Agreement dated September 21, 2021. These shares are subject to certain pooling arrangement as described in Note 5.

As at November 11, 2021 the Company has a total of 9,000,001 common shares outstanding.

###### *Stock Options*

On September 28, 2021, the Company granted a total of 700,000 stock options to the CEO and two consultants. Each stock option can be exercised for one common share of the Company at a price of \$0.30 per stock option. The stock options have an expiry date of 5 years from the date of the grant and are deemed to be fully vested upon grant.

A summary of the Company's stock options as at Nov 11, 2021 were as follows

	Stock options outstanding
Balance, January 25, 2021	-
Granted	700,000
Balance, November 11, 2021	700,000

The weighted average inputs used in the measurement of the fair values at grant date of the stock options were as follows:

	Weighted average assumptions
Share price at grant date (based on the most recent transaction)	\$0.07
Exercise price	\$0.30
Expected volatility (based on comparable publicly listed entities)	150%
Expected life	5 years
Expected dividends	Nil
Risk-free interest rate	1.09%

During the period ended November 11, 2021, the Company recognized a total of \$40,315 as share-based compensation expense.

## Bettermoo(d) Holdings Corporation

### Notes to Financial Statements

For the period of incorporation January 25, 2021 to November 11, 2021

Canadian Dollars

#### 7. Share Capital (continued)

##### Share Purchase Warrants

On September 16, 2021 the Company issued 10,000,000 warrants to certain investors at a price of \$0.05 per warrant for total proceeds of \$500,000. Each warrant can be exercised for one common share of the Company and is exercisable for a two year period from the date of the grant at an exercise price of \$1.00.

A summary of the Company's warrants as at November 11, 2021 were as follows

	<b>Warrants outstanding</b>
Balance, January 25, 2021	-
Granted	10,000,000
Balance, November 11, 2021	10,000,000

#### 8. Financial Instruments

##### a) Fair Value

The fair value of the Company's financial assets and liabilities approximates their carrying amount due to their short terms of maturity. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments classified as level 1 include cash. As at November 11, 2021, the carrying values of the Company's financial assets and financial liabilities approximate their fair values.

##### b) Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

##### i. Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. As the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are rated high credit quality financial institutions

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Canadian Dollars

#### 8. Financial Instruments (continued)

##### b) Financial Risk Management

##### ii. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements by taking into account anticipated cash expenditures for its operating activities. The Company will pursue equity or debt financing as required to meet its long-term commitments. There is no assurance that such financing will be available or that it will be available on favourable terms.

As at November 11, 2021, the Company's financial liabilities consist of accounts payable totalling \$144,270, which is expected to be settled within the next twelve months.

##### iii. Currency risk

Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's exposure to currency risk is low.

##### c) Capital Management

The Company's objectives of capital management are intended to safeguard the Company's ability to support the Company's operations and growth. The capital of the Company consists of items included in its shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. To effectively manage its capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its objectives. The Company may issue new shares or seek debt to ensure that there is sufficient working capital to meet its short-term business requirements.

#### 9. Income Taxes

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

	Period from incorporation on January 25, 2021 to November 11, 2021
Loss before income taxes	\$ (687,204)
Canadian federal and provincial income tax rates	27%
Income tax recovery based on the above rates	(185,545)
Non deductible expenses and other	29,899
Tax effect of deferred tax assets and liabilities for which no tax benefit has been recorded	155,646
Total income tax expense	\$ -

**Bettermoo(d) Holdings Corporation**

**Notes to Financial Statements**

**For the period of incorporation January 25, 2021 to November 11, 2021**

*Canadian Dollars*

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**9. Income Taxes (continued)**

The components of the Company's unrecognized deferred income taxes are as follows:

	<b>November 11, 2021</b>
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<b>Deferred income tax assets:</b>	
Non-capital losses	\$ <b>155,646</b>
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In assessing the recoverability of deferred tax assets other than deferred tax assets resulting from the initial recognition of assets and liabilities that do not affect accounting or taxable profit, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

As at November 11, 2021, the Company has non-capital losses available for carry forward of \$576,470 which may be applied to reduce future taxable income until 2041.