BETTERMOO(D) FOOD CORPORATION

(FORMERLY: HAPPY GUT BRANDS LIMITED)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2022

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED – PREPARED BY MANAGEMENT)

NOTICE OF NO AUDITOR REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company for the three months ended March 31, 2022 have been prepared by and are the responsibility of the Company's management, and have not been reviewed by the Company's auditors.

BETTERMOO(D) FOOD CORPORATION (FORMERLY: HAPPY GUT BRANDS LIMITED)
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Note		March 31, 2022		December 31, 2021
ASSETS					
CURRENT					
Cash		$	1,821,007	$	2,051,925
Accounts receivable	12		85,985		65,167
Prepaid expenses	6		14,194		4,800
			1,921,186		2,121,892
NON-CURRENT					
Deferred marketing costs	7		374,133		498,844
Product formulations	5		522,000		522,000
		$	**2,817,319**	**$**	**3,142,736**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
CURRENT					
Accounts payable and accrued liabilities	8, 10	$	312,594	$	487,710
Loan payable – current portion	9		66,739		65,747
			379,333		553,457
Shareholders' Equity					
Share capital	11		26,789,502		26,332,629
Reserves			15,583,443		14,019,266
Accumulated other comprehensive income			31,373		30,109
Deficit			(39,966,332)		(37,792,725)
			2,437,986		2,589,279
		$	**2,817,319**	**$**	**3,142,736**

Going concern (Note 1)
Contingencies (Note 14)

Authorized for issuance on behalf of the Board on May 30, 2022:

"Joel Shacker"	"Geoff Balderson"
Joel Shacker, Director	***Geoff Balderson, Director***

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

BETTERMOO(D) FOOD CORPORATION (FORMERLY: HAPPY GUT BRANDS LIMITED)
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Note	For the three months ended March 31, 2022	For the three months ended March 31, 2021
Revenue		$ -	$ 7,178
Cost of sales		-	5,419
Gross margin		-	1,759
Operating expenses			
Advertising and marketing		120,397	2,224
Amortization of deferred marketing costs	7	124,711	-
Bank charges and interest		2,892	2,666
Computer and internet		-	7,775
Consulting fees	10	140,493	56,580
Office and miscellaneous		59,843	14,026
Product development		61,268	-
Professional fees		44,556	117,283
Rent		9,000	4,000
Share based compensation		1,565,000	-
Shareholder communications		-	2,055
Transfer agent and filing fees		13,123	6,020
Travel and promotions		-	42,704
Wages and benefits	10	32,324	134,409
		(2,173,607)	(389,742)
Net loss		(2,173,607)	(387,983)
Other comprehensive income (loss)			
Items that may be reclassified to profit or loss			
Exchange difference on translating foreign operations		1,264	(21,947)
Comprehensive loss		$ (2,172,343)	$ (409,930)
Loss per share – basic and diluted		$ (0.04)	$ (0.01)
Weighted average number of common shares outstanding – basic and diluted		59,529,437	40,857,890

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

BETTERMOO(D) FOOD CORPORATION (FORMERLY: HAPPY GUT BRANDS LIMITED)
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Share Capital										
	Number of Common Shares		Amount		Reserves		Deficit		AOCI		Total
Balance, December 31, 2020	**40,712,658**	**$**	**7,265,559**	**$**	**1,941,352**	**$**	**(8,950,604)**	**$**	**65,226**	**$**	**321,533**
Exercise of stock options	45,000		14,400		-		-		-		14,400
Exercise of warrants	480,000		192,000		-		-		-		192,000
Exercise of broker warrants	8,995		2,249		-		-		-		2,249
Transfer of fair value on stock options exercised	-		5,850		(5,850)		-		-		-
Transfer of fair value on broker warrants exercised	-		1,232		(1,232)		-		-		-
Net and comprehensive loss	-		-		-		(387,983)		(21,947)		(409,928)
Balance, March 31, 2021	**41,246,653**	**$**	**7,481,290**	**$**	**1,934,270**	**$**	**(9,338,587)**	**$**	**43,279**	**$**	**120,254**
Balance, December 31, 2021	**55,257,419**	**$**	**26,332,629**	**$**	**14,019,266**	**$**	**(37,792,725)**	**$**	**30,109**	**$**	**2,589,279**
Receipt of private placement proceeds	-		5,000		-		-		-		5,000
Exercise of stock options	1,000		1,050		-		-		-		1,050
Exercise of warrants	9,000,000		450,000		-		-		-		450,000
Share based compensation	-		-		1,565,000		-		-		1,565,000
Transfer of fair value on stock options exercised	-		823		(823)		-		-		-
Net and comprehensive loss	-		-		-		(2,173,607)		1,264		(2,172,343)
Balance, March 31, 2022	**64,258,419**	**$**	**26,789,502**	**$**	**15,583,443**	**$**	**(39,966,332)**	**$**	**31,373**	**$**	**2,437,986**

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

BETTERMOO(D) FOOD CORPORATION (FORMERLY: HAPPY GUT BRANDS LIMITED)
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	For the three months ended March 31, 2022	For the three months ended March 31, 2021
Operating activities		
Net loss for the year	$ (2,173,607)	$ (387,981)
Items not involving cash:		
Amortization of deferred marketing costs	124,711	-
Foreign exchange	49,427	(7,869)
Share based compensation	1,565,000	
Changes in non-cash working capital balances:		
Accounts receivable	(20,818)	6,418
Inventory	-	5,778
Prepaid expenses	(9,394)	2,712
Due from related party	-	(125,029)
Accounts payable and accrued liabilities	(175,116)	79,285
Cash used in operating activities	(639,797)	(426,686)
Financing activities		
Proceeds from issuance of shares, net of share issue costs	5,000	208,649
Proceeds from exercise of stock options	1,050	
Proceeds from exercise of warrants	450,000	
Proceeds (repayment) from loan payable	-	710
Cash provided by financing activities	456,050	209,59
Change in cash	(183,747)	(217,328)
Effect of foreign exchange on cash	(47,171)	(14,078)
Cash, beginning	2,051,925	308,849
Cash, ending	**$ 1,821,007**	**$ 77,443**
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period		
Interest	$ -	$ -
Income taxes	$ -	$ -
Non-cash financing and investing activities		
Fair value transferred on exercise of stock options	$ 823	$ -

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

1. NATURE OF OPERATIONS

Bettermoo(d) Food Corporation (formerly: Happy Gut Brands Limited and Happy Supplements Inc.) (the "Company") was incorporated under the laws of the Province of Ontario, and on August 6, 2019, was continued into British Columbia. The Company has the principal address at 1606 Camerbur Dr., Orlando, Florida, U.S.A. and registered office and records office at 1199 West Hastings Street, Suite 800, Vancouver, British Columbia, Canada, V6E 3T5.

On November 12, 2021, the Company acquired all the issued and outstanding shares of Bettermoo(d) Holdings Corp. ("Bettermoo(d)") and Bettermoo(d) became a wholly owned subsidiary of the Company, as further described in Note 5.

On May 19, 2022, the Company changed its name from Happy Gut Brands Limited to Bettermoo(d) Food Corporation. The Company's common shares trade on the Canadian Securities Exchange under the symbol "MOOO".

The Company is an innovative beverage company focused on developing and delivering high quality products through online and in-store retail platforms and uses social media to deliver educational experiences for their customer base while demonstrating and pioneering beverage technologies.

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At March 31, 2022, the Company has not achieved profitable operations, has accumulated losses of $39,966,332 since inception and expects to incur further losses in the development of its business.

There was a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and, specifically, the economies in which the Company operates. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital. These factors, amongst others, could have a significant impact on the Company's operations.

The Company's continued existence is dependent upon its ability to raise additional capital and to identify and acquire a suitable business opportunity. Failure to do so would have an adverse effect on the financial position of the Company and its ability to continue as a going concern. 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. If the going concern assumption were not appropriate for these financial statements, then adjustments may be necessary in the carrying values of assets and liabilities, the reported expenses, and the statement of financial position classifications used. Such adjustments could be material.

2. BASIS OF PREPARATION

(a) Statement of Compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), and in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*.

The condensed interim consolidated financial statements were authorized for issue by the Audit Committee and approved and authorized for issue by the Board of Directors on May 30, 2022.

(b) Basis of Measurement

These condensed interim consolidated financial statements have been prepared on a historical basis, except for certain financial instruments that have been measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary, Bettermoo(d) Holdings Corp. The functional currency of Happy Supplements Inc. is the United States Dollar ("USD").

(c) Basis of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries at the end of the reporting period:

	Incorporated	Nature	March 31, 2022	December 31, 2021
Bettermoo(d) Holdings Corp.	BC, Canada	Consumer products	100%	100%
Happy Supplements Inc.	Florida, USA	Consumer products	100%	100%

The results of the wholly owned subsidiaries will continue to be included in the condensed interim consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited financial statements for the year ended December 31, 2021. The accompanying unaudited condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2021.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these 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 which, 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

Management has made critical judgments in the process of applying accounting policies. The one has the most significant effect on the amounts recognized in the financial statements include:

i. The assessment of the Company's ability to continue as a going concern and its ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances. The factors considered by management are disclosed in Note 1.
ii. 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.
iii. 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
iv. The determination of whether a set of assets acquired and liabilities assumed in an acquisition constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits. The reverse takeover as described in note 5 did not constitute a business combination as only net asses were acquired, and accordingly were accounted for as asset purchase transactions.

Significant estimates

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 amount of assets and liabilities within the current and next fiscal financial years:

i. The Company determines its allowance for inventory obsolescence based upon expected inventory turnover, inventory aging, the expiry dates of the products, and current and future expectations with respect to product sales. Assumptions underlying the allowance for inventory obsolescence include future sales trends, marketing strategy and others. These estimates could materially change from period to period due to changes in various factors.
ii. The Company uses the Black-Scholes option pricing model to value options and warrants granted during the year. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The model requires management to make estimates that are subjective and may not be representative of actual.
iii. The determination of whether facts and circumstances suggest that the carrying value of intangible assets may exceed their recoverable amount is an area of significant estimate. Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment, estimates, and interpretations. Determining the recoverable amount of the individual asset or cash generating unit is subject to estimates and judgements. These estimates and judgments are inherently subjective given the company's stage of operations with no revenue producing history.

(Expressed in Canadian Dollars; Unaudited – Prepared by Management)

5. ASSET ACQUISITION

On November 12, 2021, the Company completed the acquisition of all issued and outstanding share capital of Bettermoo(d) by issuing 9,000,001 common shares, 10,000,000 warrants, and 700,000 stock options to Bettermoo(d)'s shareholders. The Company also issued 180,000 common shares with a value of $297,000 as a finders' fee.

At the date of acquisition, the Company determined that Bettermoo(d) did not constitute a business as defined under IFRS 3, *Business Combinations*, and the Bettermoo(d) acquisition was accounted for as an asset acquisition. The consideration paid was determined as an equity share-based payment under IFRS 2, *Share-based* payments, and recognized at the fair value of the common shares of the Company at a price of $1.65 per share. As a result of the transaction, the Company replaced 10,000,000 warrants, with a fair value of $9,308,645, and 700,000 stock options, with a fair value of $1,049,939. The warrants were valued using the Black-Scholes Option Pricing model using the following assumptions: Risk free rate of 0.98%; Volatility of 100%; Stock Price of $1.65; Exercise price of $1.40; Dividend yield of NIL% and expected life of 2 years. The stock options were valued using the Black-Scholes Option Pricing model using the following assumptions: Risk free rate of 1.45%; Volatility of 100%; Stock Price of $1.65; Exercise price of $0.30; Dividend yield of NIL% and expected life of 5 years.

As a result of the acquisition, intangible assets were identified that met the recognition criteria under IFRS; therefore, the Company recognized the fair value of the intangible assets received and the remaining excess of the consideration paid over the fair value of the assets and liabilities assumed was expensed as transaction expense.

The following table shows the finalized allocation of the purchase price to the fair value of the assets acquired and liabilities assumed, based on the estimated fair value, including a summary of the identifiable classes of considered transferred, and amounts by category of assets acquired and liabilities assumed at the acquisition date:

Consideration:		
Fair value of 9,000,001 common shares at $1.65 per share	$	14,850,002
Fair value of 10,000,000 replacement warrants		9,308,645
Fair value of 700,000 replacement stock options		1,049,939
Total consideration		25,208,586
Fair value of net assets acquired:		
Cash		267,425
Deferred marketing costs		369,957
Product formulations		522,000
Accounts payable and accrued liabilities		(144,270)
Total net assets		1,015,112
Fair value of 180,000 common shares at $1.65 per share issued as finders' fee		297,000
Transaction expense	**$**	**24,490,474**

As at March 31, 2022, the Company has product formulations and related patents for the production of Moodrink, a plant-based dairy alternative beverage. Pursuant to the acquisition of Bettermoo(d) and as at March 31, 2022, the Company has recognized $522,000 (December 31, 2021 – $522,000) in product formulations. As the Company has yet to utilize these formulations in active production, no amortization has been recognized in the consolidated statements of loss and comprehensive loss.

(Expressed in Canadian Dollars; Unaudited – Prepared by Management)

6. PREPAID EXPENSES

Prepaid expenses relate to prepayments rendered to third-party vendors for services to be incurred related to marketing and investor relations activities. During the three months ended March 31, 2022, the Company impaired prepaid expenses of $Nil (December 31, 2021 – $96,520).

7. DEFERRED MARKETING COSTS

On September 21, 2021, Bettermoo(d) entered into a marketing agreement with Adams Communications Inc. ("Adams") whereby it engaged Adams to produce marketing and promotional content for the use by Bettermoo(d). The term of the agreement is from September 21, 2021 to December 31, 2022; however, as part of the agreement, Bettermoo(d) will hold an exclusive royalty free license to use the content produced by Adams until December 31, 2024. The consideration for the services and license is as follows:

Consideration		Amount
Cash payment upon execution of the agreement	$	300,000
Cash payment to be made at six months subsequent to the execution of the Agreement		200,000
2,000,000 shares upon execution of the agreement		140,000
Total	$	640,000

As at March 31, 2022, Bettermoo(d) had paid $500,000 in cash and issued 2,000,000 common shares to Adams pursuant to the agreement.

A continuity of the deferred marketing costs is as follows:

	Amount
Balance, January 1, 2021	-
Acquired from Bettermoo(d)	369,957
Accrued cash payment (paid on March 21, 2022)	200,000
Amount expensed	(71,113)
Balance, December 31, 2021	498,844
Amount expensed	(124,711)
Balance, March 31, 2022	374,133

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		March 31, 2022		December 31, 2021
Accounts payable	$	241,087	$	229,532
Accrued liabilities		71,507		258,178
	$	312,594	$	487,710

(Expressed in Canadian Dollars; Unaudited – Prepared by Management)

9. LOAN PAYABLE

On May 21, 2020, the Company received a Small Business Administration ("SBA") loan of US $50,857 through an accredited lender under the Paycheck Protection Program (the "PPP") program pursuant to the Federal Government Cares Act. The loan bears interest at 1% per annum and is repayable over 18 months, with principal and interest deferred for the first year. The PPP allows for full loan forgiveness if the Company meets certain eligibility requirements, which is subject to the lender's evaluation of the Company's use of the proceeds. As at March 31, 2022, the Company determined that it could not reasonably assure whether it has met the requirements, as a result $Nil was recognized into government grant in relation to the loan forgiveness during the year.

The SBA loan was accounted for using the effective interest rate method and was discounted using a rate of 12% per annum, with discount portion recognized as government grant. The loan was fully accreted during the year and the Company recognized an interest expense of $1,962 that is recorded in the statements of loss and comprehensive loss for the three months ended March 31, 2022 (year ended December 31, 2021 – $5,838). The payments due on the SBA loan is summarized as follows:

	March 31, 2022	December 31, 2021
Within one year	$ 66,739	$ 65,747
One to two years	-	-
	66,739	65,747
Less: amount representing interest payments	-	-
Total loan payable	66,739	65,747
Loan payable – current portion	66,739	65,747
Loan payable – long-term portion	$ -	$ -

On April 27, 2021 and April 28, 2021, the Company entered into loan agreements with two third-party creditors for a total of $75,000, which are unsecured, bear interest at 3% per annum and are due on or before December 31, 2021. As at December 31, 2021, these loans have been repaid and the Company made total interest payments of $749.

10. RELATED PARTY BALANCES AND TRANSACTIONS

Key management compensation

Related party transactions not otherwise described in these financial statements are shown below. The remuneration of the Company's directors and other members of key management, individuals who have the authority and responsibility for planning, directing, and controlling the activities of the Company, for the three months ended March 31, 2022 and year ended December 31, 2021 are as follows:

	For the three months ended March 31, 2022	For the year ended December 31, 2021
Key Management Compensation		
Consulting fees	$ 71,153	$ 210,386
Wages and benefits	30,000	163,983
Share-based compensation	554,712	541,048
	$ 655,865	$ 915,417

Included in the accounts payable and accrued liabilities is $20,207 (December 31, 2021 – $6,890) related to the above compensation incurred with the Company's Chief Executive Officer and director.

11. SHARE CAPITAL

a) Share capital

Authorized

Unlimited number of common voting shares without par value.

b) Issued and outstanding

(i) Share issuances

<u>During the three months ended March 31, 2022:</u>

In connection with the private placement closed on September 3, 2021, the Company collected outstanding share subscription receivables of $5,000.

During the three months ended March 31, 2022, pursuant to the exercise of stock options, the Company issued 1,000 common shares for proceeds of $1,050.

During the three months ended March 31, 2022, pursuant to the exercise of warrants, the Company issued 9,000,000 common shares for proceeds of $450,000.

<u>During the year ended December 31, 2021:</u>

On November 12, 2021, an acquisition transaction was completed whereby the Company acquired all the issued and outstanding common shares of Bettermoo(d) and issued consideration of 9,000,0001 common shares of the Company, 10,000,000 warrants, and 700,000 stock options. The Company also issued 180,000 common shares, with a fair value of $297,000 as finders' fees.

On October 7, 2021, the Company issued 71,250 common shares with a fair value of $85,500 to three service providers to settle debt of $85,500.

On September 3, 2021, the Company issued 4,127,500 units at a price of $0.80 per unit for gross proceeds of $3,302,000. Each unit consists of one common share and one warrant, exercisable at a price of $2.50 for two years from the closing date. The warrants have a fair value of $Nil based on the residual value method.

In connection with the private placement, the Company issued 33,020 common shares as administrative fees to a third party who assisted with facilitating the transaction, valued at $26,416. As at December 31, 2021, share subscription receivables of $5,000 was netted against share capital and received subsequent to year-end.

During the year ended December 31, 2021, pursuant to the exercise of stock options, the Company issued 45,000 common shares for proceeds of $14,400.

During the year ended December 31, 2021, pursuant to the exercise of warrants, the Company issued 1,070,000 common shares for proceeds of $428,000.

During the year ended December 31, 2021, pursuant to the exercise of broker warrants, the Company issued 17,990 common shares for proceeds of $4,498.

(Expressed in Canadian Dollars; Unaudited – Prepared by Management)

11. SHARE CAPITAL (continued)

c) Warrants

Warrant transactions and the number of warrants outstanding as at March 31, 2022 and December 31, 2021 are summarized as follows:

	March 31, 2022		December 31, 2021	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning	23,127,500	$ 1.07	10,183,333	$ 0.09
Assumed from Reverse Takeover	-	$ -	-	$ -
Granted	-	$ -	14,127,500	$ 1.72
Exercised	(9,000,000)	$ 0.05	(1,070,000)	$ 0.40
Expired	-	$ -	(113,333)	$ 0.40
Outstanding, ending	14,127,500	$ 1.07	23,127,500	$ 1.07

The following warrants were outstanding and exercisable as at March 31, 2022:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Outstanding and Exercisable
September 3, 2023	1.43	$ 2.50	4,127,500
November 12, 2023	1.62	$ 1.40	10,000,000
	1.56	$ 1.07	14,127,500

The fair value of 1,183,333 warrants assumed from Reverse Takeover was calculated using the Black-Scholes option pricing model based on the following weighted average assumptions: Expected life – 0.57 year; Risk-free interest rate – 0.25%; Expected annualized volatility – 150%; Stock price at grant date - $0.25; Exercise price - $0.40; and Dividend yield – 0%. The Company has used a volatility of 150% with reference to the historical record of comparable public companies.

The fair value of 10,000,000 warrants assumed from the asset acquisition was calculated using the Black-Scholes option pricing model based on the following weighted average assumptions: Expected life – 2 years; Risk-free interest rate – 0.98%; Expected annualized volatility –100%; Stock price at grant date - $1.65; Exercise price - $1.40; and Dividend yield – 0%. The Company has used a volatility of 100% with reference to the historical record of comparable public companies.

The weighted average share price on the date of exercise for warrants was equal to $1.24 (December 31, 2021 – $1.12).

(Expressed in Canadian Dollars; Unaudited – Prepared by Management)

11. SHARE CAPITAL (continued)

d) Broker warrants

Broker warrant transactions and the number of broker warrants outstanding as at March 31, 2022 and December 31, 2021 are summarized as follows:

	March 31, 2022		December 31, 2021	
	Number of Broker Warrants	Weighted Average Exercise Price	Number of Broker Warrants	Weighted Average Exercise Price
Outstanding, beginning	-	$ -	73,990	$ 0.25
Granted	-	$ -	-	$ -
Exercised	-	$ -	(17,990)	$ 0.25
Expired	-	$ -	(56,000)	$ 0.25
Outstanding, ending	-	$ -	-	$ -

The fair value of 73,990 broker warrants issued was calculated using the Black-Scholes option pricing model based on the following weighted average assumptions: Expected life – 1 year; Risk-free interest rate – 0.25%; Expected annualized volatility – 150%; Stock price at grant date - $0.25; Exercise price - $0.25; and Dividend yield – 0%. The Company has used a volatility of 150% with reference to the historical record of comparable public companies.

The weighted average share price on the date of exercise for broker warrants was equal to $Nil (December 31, 2021 – $1.30).

e) Stock options

The Company has a stock option plan to grant incentive stock options to directors, officers, employees and consultants. Under the plan, the aggregate number of common shares that may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date, including options granted prior to the adoption of the plan. The exercise price of these options is not less than the Company's closing market price on the day prior to the grant of the options less the applicable discount permitted by the CSE and will not otherwise be less than $0.10 per share. Options granted may not exceed a term of five years. All options vest when granted unless otherwise specified by the Board of Directors.

Stock options transactions and the number of stock options outstanding as at March 31, 2022 and December 31, 2021 are summarized as follows:

	March 31, 2022		December 31, 2021	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning	2,900,000	$ 0.87	95,000	$ 0.32
Granted	1,550,000	$ 1.35	2,900,000	$ 0.87
Exercise	(1,000)	$ 1.05	(45,000)	$ 0.32
Forfeited	(15,000)	$ 1.05	(50,000)	$ 0.32
Outstanding, ending	4,434,000	$ 1.04	2,900,000	$ 0.87

(Expressed in Canadian Dollars; Unaudited – Prepared by Management)

11. SHARE CAPITAL (continued)

e) Stock options (continued)

The following stock options were outstanding and exercisable as at March 31, 2022:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Outstanding and Exercisable
July 9, 2026	4.28	$ 1.05	2,184,000
November 12, 2026	4.62	$ 0.30	700,000
January 25, 2027	4.82	$ 1.35	1,550,000
	4.52	$ 1.04	4,434,000

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. The fair value of stock options issued was calculated using the following weighted average assumptions:

	Three months ended March 31, 2022	Year ended December 31, 2021
Risk-free interest rate	1.64%	1.06%
Expected option life in years	5 years	5 years
Expected share price volatility*	100%	100%
Expected forfeiture rate	-	-
Expected dividend yield	Nil	Nil

*The share price volatility was determined based on the Company's historical volatility and comparable entities' historical volatility in share price due to the Company's limited trading history.

12. FINANCIAL INSTRUMENTS

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities and loan payable approximate their fair values due to their short-term nature.

a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit risk the Company is exposed to is 100% of cash and its receivables. The Company's cash is held at a large Canadian financial institution. At March 31, 2022, $85,985 of accounts receivable primarily consist of refundable government goods and services tax.

b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The accounts payable and accrued liabilities are typically due in 30 days, which are settled using cash. As at March 31, 2022, the Company has a working capital of $1,541,853.

Management is considering different alternatives to secure adequate debt or equity financing to meet the Company's short term and long-term cash requirement.

12. FINANCIAL INSTRUMENTS (continued)

b) Liquidity risk (continued)

At present, the Company's operations do not generate positive cash flow. The Company's primary source of funding has been the issuance of equity securities. Despite previous success in acquiring financing, there is no guarantee of obtaining future financings.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's operations, income, or the value of the financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the returns. The Company is exposed to market risk as follows:

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is not exposed to significant interest rate risk due to the short-term to maturity of its financial instruments. The Company had no interest rate swap or financial contracts in place as at March 31, 2022. Interest rate risk is minimal as promissory notes have a fixed interest rate.

ii) Price risk

The Company has limited exposure to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's profit or loss due to movements in individual equity prices or general movements in the level of the stock market.

13. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard its ability to continue as a going concern. In order to facilitate the management of its capital requirements, the Company prepares periodic budgets that are updated as necessary. The Company manages its capital structure and adjusts it to effectively support the Company's objectives. In order to pay for general administrative costs, the Company will raise additional amounts as needed.

The Company reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company considers shareholders' equity and working capital as components of its capital base. The Company may access capital through the issuance of shares or the disposition of assets. Management historically funds the Company's expenditures by issuing share capital rather than using capital sources that require fixed repayments of principal and/or interest. The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products. The Company believes it will be able to raise additional equity capital as required, but recognizes the uncertainty attached thereto. There were no changes to the Company's approach to capital management during the three months ended March 31, 2022.

14. CONTINGENCIES

The Company may be involved in legal claims or disputes that arise in the normal course of operations. Management is of the opinion that the outcome of such claim(s) or potential claim(s), if any, will not have a material adverse impact on the Company's financial position or results of operations. Accordingly, no provision was made for the outstanding claim as at the date of the condensed interim consolidated financial statements.