

**BLENDER BITES INCORPORATED**

**INTERIM CONDENSED FINANCIAL STATEMENTS**

**April 30, 2021**

**EXPRESSED IN CANADIAN DOLLARS**

**Blender Bites Incorporated**  
**Interim Condensed Statement of Financial Position**

Canadian Dollars  
(Unaudited)

	Note	April 30, 2021	October 31, 2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 1,075,989	\$ 205,868
Accounts receivable		-	10,521
Inventory		26,965	-
Prepaid expenses		25,000	-
		<b>1,127,954</b>	<b>216,389</b>
<b>Non-current assets</b>			
Equipment	4	10,901	12,718
Trademarks	4	11,159	1,442
<b>TOTAL ASSETS</b>		<b>\$ 1,150,014</b>	<b>\$ 230,549</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	8	\$ 177,534	\$ 129,185
Promissory notes	5,8	265,244	196,547
Loan	6	1,002,329	-
		<b>1,445,107</b>	<b>325,732</b>
<b>EQUITY</b>			
Share capital	7	250,010	250,010
Deficit		(545,103)	(345,193)
		<b>(295,093)</b>	<b>(95,183)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 1,150,014</b>	<b>\$ 230,549</b>

Basis of Preparation and Going Concern (Note 2)

ON BEHALF OF THE BOARD:

Signed "Chelsie Hodge", Director

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

**Blender Bites Incorporated**

**Interim Condensed Statement of Loss and Comprehensive Loss**

Canadian Dollars  
(Unaudited)

	Note	Three months ended		Six months ended	
		April 30, 2021	April 30, 2020	April 30, 2021	April 30, 2020
Sales		\$ 150,098	\$ 133,055	\$ 206,434	\$ 162,693
Cost of goods sold		133,517	118,023	189,539	138,883
<b>Gross margin</b>		<b>16,581</b>	<b>15,032</b>	<b>16,895</b>	<b>23,810</b>
<b>Operating expenses</b>					
Amortization	4	1,206	948	2,381	1,897
Advertising and promotion		15,737	2,570	38,155	11,451
Bank charges		358	163	573	217
Insurance		648	498	2,624	996
Interest expense	5,6	7,036	636	11,026	636
Management fees	8	38,290	5,000	72,936	21,036
Meals and entertainment		267	385	267	2,354
New product development		18,595	-	19,232	-
Office		5,101	3,227	7,444	6,358
Professional fees		21,266	852	59,637	2,358
Rent		426	618	851	1,444
Travel		335	477	1,679	1,405
		<b>109,265</b>	<b>15,374</b>	<b>216,805</b>	<b>50,152</b>
<b>Loss and Comprehensive Loss for the Period</b>		<b>\$ (92,684)</b>	<b>\$ (342)</b>	<b>\$ (199,910)</b>	<b>\$ (26,342)</b>
<b>Loss per Share – Basic and Diluted</b>		<b>\$ (0.49)</b>	<b>\$ (0.00)</b>	<b>\$ (1.05)</b>	<b>\$ (0.14)</b>
<b>Weighted Average Number of Shares Outstanding</b>		<b>190,000</b>	<b>190,000</b>	<b>190,000</b>	<b>190,000</b>

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

**Blender Bites Incorporated****Interim Condensed Statement of Cash Flows**

Canadian Dollars  
(Unaudited)

	April 30, 2021	Six months ended April 30, 2020
<b>Operating Activities</b>		
Loss for the period	\$ (199,910)	\$ (26,342)
Items not affecting cash:		
Amortization	2,381	1,898
Interest expense	11,026	636
	<b>(186,503)</b>	<b>(23,808)</b>
Changes in current assets and liabilities:		
Accounts receivable	10,521	(131,364)
Inventory	(26,965)	-
Prepaid expenses	(25,000)	-
Accounts payable and accrued liabilities	53,349	73,321
Cash used in operating activities	<b>(174,598)</b>	<b>(81,851)</b>
<b>Investing Activities</b>		
Purchase of intangible assets	(10,281)	-
Cash used in investing activities	<b>(10,281)</b>	<b>-</b>
<b>Financing Activities</b>		
Proceeds from bridge financing	1,000,000	-
Proceeds from promissory note	60,000	100,000
Advances from related parties	75,000	-
Payments to related parties	(80,000)	-
Cash provided by financing activities	<b>1,055,000</b>	<b>100,000</b>
<b>Net Decrease in Cash</b>	<b>870,121</b>	<b>18,149</b>
Cash – Beginning of Period	<b>205,868</b>	<b>48,683</b>
<b>Cash – End of Period</b>	<b>\$ 1,075,989</b>	<b>\$ 66,832</b>
<b>Supplemental disclosures for cash flow information:</b>		
Cash paid during the period for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

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

**Blender Bites Incorporated****Interim Condensed Statements of Changes in Shareholders' Equity (Deficiency)**

Canadian Dollars  
(Unaudited)

	Number of Shares	Share Capital \$	Deficit \$	Total \$
<b>October 31, 2019</b>	190,000	250,010	(226,284)	23,726
Loss for the period	-	-	(26,342)	(26,342)
<b>April 30, 2020</b>	190,000	250,010	(252,626)	(2,616)
<b>October 31, 2020</b>	190,000	250,010	(345,193)	(95,183)
Loss for the period	-	-	(199,910)	(199,910)
<b>April 30, 2021</b>	190,000	250,010	(545,103)	(295,093)

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

## **Blender Bites Incorporated**

### **Notes to Interim Condensed Financial Statements**

**April 30, 2021**

*Canadian Dollars  
(Unaudited)*

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#### **1. Nature of Business**

Blender Bites Incorporated's ("Blender Bites" or the "Company") business is the manufacturing and distribution of natural and organic frozen smoothie products.

Blender Bites is a private company incorporated in British Columbia, Canada. The head office, principal address and records office of the Company are at 1288 West Cordova Street, #2808, Vancouver, British Columbia, Canada, V6C 3R3.

These financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company has experienced losses since its inception and has had negative cash flows from operations. These circumstances indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern, and therefore, the Company may not be able to realise its assets and discharge its liabilities in the normal course of business.

During the second quarter 2020, the COVID-19 outbreak 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 Company are not known at this time. To the extent that the investments, products under development of the Company are negatively impacted by the COVID-19 outbreak, this will have a direct negative impact on the current and future revenue earned by the Company. The situation with COVID-19 is evolving and consequently, management cannot predict the effect of unknown adverse changes to its future business plans, including its financial position, cash flows, and results of operations.

On March 16, 2021, the Company entered into a non-binding letter of intent with Balsam Technologies Corp. ("Balsam") whereby Balsam agreed to acquire all outstanding and issued securities of the Company in exchange for the issuance of shares in Balsam. As consideration, Balsam proposes to issue 11,500,000 common shares to the existing shares of Blender Bites in exchange for all of the outstanding shares of Blenders Bites. Prior to closing of the transaction, Balsam intends to apply to list its common shares on the Canadian Securities Exchange ("CSE") and voluntarily delist its shares from the TSX Venture Exchange ("TSX-V"). On closing the Balsam will change its name to Blender Bites Ltd.

In connection with the completion of the transaction, Balsam intends to undertake a non-broker private placement of no less than two million subscription receipts at a price of \$1 per subscription receipt to raise no less than \$2,000,000 ("the Financing"). All proceeds from the Financing will be held in escrow pending completion of the transaction and will be returned to subscribers in the event the transaction is not completed. Upon completion of the transaction, each subscription receipt will automatically convert into one common share of Balsam. Balsam anticipates issuing two million common shares to an arm's length third party that assisted in introducing the transaction to Balsam.

Completion of the transaction remains subject to a number of conditions, including the completion of satisfactory due diligence, the negotiation and finalization of definitive documentation, receipt of any required regulatory and third party consents, approval of minority shareholders of Balsam to the delisting of Balsam's common shares from the TSX-V, Balsam having arranged for third parties to lend no less than \$1 million to Blender Bites (Note 6), completion of the Financing, the CSE having conditionally accepted the listing of Balsam's common shares, the TSX-V having consented to the voluntarily delisting of Balsam's common shares, and the satisfaction of other customary closing conditions. The transaction cannot close until the required approvals are obtained and Balsam's common shares have been delisted from the TSX-V. There can be no assurance that the transaction will be completed as proposed or at all.

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#### **2. Basis of Preparation and Going Concern**

These unaudited interim condensed financial statements (the "interim financial statements") have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") as applicable to interim financial reports, including International Accounting Standard 34, "Interim

## Blender Bites Incorporated

### Notes to Interim Condensed Financial Statements

April 30, 2021

Canadian Dollars  
(Unaudited)

Financial Reporting". The interim financial statements do not include all the notes of the type normally included in the annual financial statements. The interim financial statements follow the same accounting policies and methods of application as the most recent annual financial statements with additional policies adopted as described in note 3. These interim financial statements should be read in conjunction with the audited annual financial statements for the period ended October 31, 2020, which have been prepared in accordance with IFRS.

These interim financial statements have been authorized for issue by the Board of Directors of the Company on June 29, 2021.

The interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company realized a net loss of \$199,910 for the six months ended April 30, 2021 (2020 - \$26,342). As at April 30, 2021, the Company had an accumulated deficit of \$454,103. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

The Company's continued existence is dependent upon its ability to raise additional capital and to generate profits from its business. 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.

### 3. Significant Accounting Policies

The following accounting policy has been adopted in the current period:

#### a) Inventory

Inventory is stated at the lower of cost and net realisable value. Cost comprises the purchase price of finished goods from a third-party manufacturer. Costs are assigned to inventory on the first in first out basis ("FIFO"). Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### 4. Equipment and Trademarks

	Trademarks \$	Moulds \$	Total \$
Balance – October 31, 2019	1,603	16,352	17,955
Amortization	(161)	(3,634)	(3,795)
Balance - October 31, 2020	1,442	12,718	14,160
Additions	10,281	-	10,281
Amortization	(564)	(1,817)	(2,381)
<b>Balance – January 31, 2021</b>	<b>11,159</b>	<b>10,901</b>	<b>22,060</b>

**Blender Bites Incorporated****Notes to Interim Condensed Financial Statements****April 30, 2021**Canadian Dollars  
(Unaudited)**5. Promissory Notes**

During the year ended October 31, 2020, the Company entered into two promissory note agreements with a significant shareholder (Note 8). The first promissory note agreement is for principal of \$100,000, due on demand. This note is secured against certain sales of the Company. The second loan agreement, unsecured, was for \$90,000 maturing in July 2021. During February 2021, the Company entered into a third promissory note agreement with a significant shareholder (Note 8), unsecured, for principal of \$60,000 maturing in February 2022. All loans bear interest at 8%.

				<b>Total</b>
Date	February 27, 2020	July 2, 2020	February 5, 2021	
Maturity date	Demand	July 2, 2021	February 5, 2022	
Interest rate	8%	8%	8%	
Principal	\$ 100,000	\$ 90,000	\$ -	\$ 190,000
Interest accrued	4,740	1,807	-	6,547
Balance – October 31, 2020	104,740	91,807	-	196,547
Additions	-	-	60,000	60,000
Interest accrued	4,248	3,724	725	8,697
<b>Balance – April 30, 2021</b>	<b>\$ 108,988</b>	<b>\$ 95,531</b>	<b>\$ 60,725</b>	<b>\$ 265,244</b>

**6. Loan**

During April 2021, the Company received a \$1,000,000 bridge financing loan (the “Loan”) in connection with its letter of intent with Balsam Technologies Corp. (Note 1). The Loan is due on demand and bears interest at 5% per annum. As at April 30, 2021, interest of \$2,329 has accrued on the Loan.

**7. Share Capital****Authorized share capital**

- 100,000 Class A voting common shares without par value
- 100,000 Class B non-voting common shares without par value
- Unlimited number of Class C non-voting common shares without par value.
- Unlimited number of Class D non-voting, redeemable preferred shares with a par value of \$0.01 per share
- Unlimited number of Class E non-voting, redeemable preferred shares with a par value of \$0.01 per share
- Unlimited number of Class F non-voting, redeemable preferred shares with a par value of \$100 per share.

	<b>Class A</b>	<b>Class B</b>	<b>Class C</b>	<b>Class D</b>	<b>Class E</b>	<b>Class F</b>
<b>Issued and outstanding – April 30, 2021 and October 31, 2020</b>	<b>100,000</b>	<b>90,000</b>	-	-	-	-



**Notes to Interim Condensed Financial Statements**

**April 30, 2021**

*Canadian Dollars*

*(Unaudited)*

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**8. Related Party Transactions**

During the six months ended April 30, 2021, the Company incurred \$50,000 (2020 - \$20,700) for the remuneration of the Chief Executive Officer ("CEO"). As at April 30, 2021, \$10,000 (October 31, 2020 - \$7,500) of remuneration was due to the CEO which is included in accounts payable and accrued liabilities.

During the six months ended April 30, 2021, the Company repaid advances totalling \$80,000 previously owing to the CEO. During the same period, the CEO advanced an additional \$75,000 to the Company. As at April 30, 2021, advances totalling \$75,000 (October 31, 2020 - \$80,000) were due to the CEO which is included in accounts payable and accrued liabilities. Advances from the CEO are unsecured, non-interest bearing and due on demand.

As of April 30, 2021, promissory notes payable of \$265,244 (October 31, 2020 - \$196,547), including accrued interest, were payable to a significant shareholder (Note 5).

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**9. Operating Segments**

As of April 30, 2021, the Company is operating its business in one reportable segment: the sale of frozen smoothie products in Canada. All non-current assets are located in Canada. The Company derives 99% of its revenue from a single customer.

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**BLENDER BITES INCORPORATED**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE PERIOD ENDED APRIL 30, 2021

The following Management's Discussion and Analysis ("MD&A") comments on the audited financial condition and results of operations of Blender Bites Incorporated ("Blender") for the year ended October 31, 2020. All data in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee. The information contained herein should be read in conjunction with Blender's audited financial statements for the year ended October 31, 2020 (the "Financial Statements"). Unless the context otherwise requires, all references to "Blender", "Corporation", "Company", "our", "us", and "we" refers to Blender Bites Incorporated.

This MD&A is dated June 29, 2021. All amounts are presented in Canadian dollars, unless otherwise noted.

## **Advisory Regarding Forward-Looking Statements**

This MD&A contains forward-looking statements. When used in this MD&A the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions, as they relate to the Company, are intended to identify forward-looking statements. In particular, this MD&A contains forward-looking statements with respect to, among other things, our objectives, goals, strategies, intentions, plans, estimates, outlook, expected growth and business opportunities. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, including without limitation, factors and assumptions regarding revenues, operating costs and tariffs, taxes and fees, changes in market competition, governmental or regulatory developments, changes in tax legislation and general economic conditions. Actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from these expectations include, among other things: the Company's ability to develop market food and products which are considered financially viable; the sufficiency of the Company's cash and cash generated from operations to meet its working capital and capital expenditure requirements; the ability of the Company to raise sufficient capital to fund operations and meet its financial obligations; and changes in accounting standards.

The Company cautions you that the foregoing list may not contain all of the forward-looking statements made in this document. The Company's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits that the Company will derive therefrom. Readers are cautioned that the foregoing list of factors is not exhaustive. When relying upon our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Furthermore, the forward-looking statements contained in this document are made as at the date of this document and Blender does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

## **Overview and About Blender Bites Incorporated**

Blender Bites Incorporated ("Blender Bites" or "the Company") was formed under the BCBCA on September 17, 2015. The head office of Blender Bites is located at Suite 2808, 1288 West Cordova Street, Vancouver, British Columbia V6C 3R3 and its registered office is located at Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7.

Blender Bites is a timely and innovative functional frozen food company that combines convenience, taste and nutrition in the form of a frozen smoothie puck that is easily added to a liquid of choice to create a healthy drink that can be used as a breakfast or nutritious snack or meal, any time of day.

The Company was created and launched by founder Chelsie Hodge and has created an innovative, timely and relevant frozen product line, called Blender Bites™ (BB), a frozen premium organic frozen food-line targeted for this important growing market segment.

The Company is currently listed in over 560 major retail stores across Canada, and the Company anticipates its products to be available in over 2,500 retail locations by the end of 2021.

Blender Bites are 100% organic Superfood Pucks for Smoothies. They are composed of organic fruits, mixed with various functional ingredients such as detoxifying greens, vitamin supplementation and fibre. Blender Bites will be launching new products focused on post workout recovery, skin health, stress reduction and gut health.

## **Proposed Transactions**

The Company entered into the Letter of Intent with arm's length party, Balsam Technologies Corp. ("Balsam"), pursuant to which Balsam proposed to acquire all of the issued and outstanding shares of Blender Bites. Upon completion of the Proposed Transaction, Balsam will make an application to have its common shares listed on the CSE.

Subject to the terms and conditions of the Share Purchase Agreement, at the closing of the Proposed Transaction, 100% of the Blender Shares will be sold to Balsam for the Consideration Shares, pursuant to which, among other things, on the Effective Date:

- (a) As consideration for the acquisition of Blender Shares by Balsam, Balsam will issue the Consideration Shares to the Blender Bites Shareholders;
- (b) As a result of the Proposed Transaction, Blender Bites will be 100% owned by the Balsam; and
- (c) Upon completion of the Proposed Transaction, the Resulting Issuer will be renamed "Blender Bites Limited".

Upon completion of the Blender Acquisition, the Resulting Company will be re-named "Blender Bites."

## **Operations and Operational Highlights**

Blender Bites was formed by Chelsie Hodge with the goal of becoming the North American leading provider of organic, highly nutritious and convenient solutions for the market's daily smoothie routine.

Blender Bites are a frozen premium organic frozen food-line targeted for this important growing market segment. They are made fresh, and then frozen to be kept in an optimal state for maintaining taste, nutrition and quality, as well as safety. This process is also an effective method to greatly extend shelf-life.

Blender Bites was first to market in Western Canada and pioneered the quick and easy smoothie category with key retailers, such as Whole Foods Market. At present, Blender Bites is available in over 560 retail locations Canada-wide, with its U.S. launch scheduled for Q4 of 2021. Blender Bites' first three smoothie puck varieties have been favorably received and the Company has in place strong distribution partners in both Canada and the U.S. Leveraging the success of the initial Blender Bites formulas in Canada, the Company has planned to introduce re-formulated versions of the products—incorporating plant-based proteins and functional ingredients—to the market over the next year. Through its product innovation, Blender is poised for growth on a national and global scale.

The overall product plan for Blender Bites is to develop a broad portfolio of organic, frozen functional smoothie products; expanding its current lineup of frozen smoothie pucks and introducing a line of functional ingredient smoothie popsicles which will be first to market of its kind in North America. , which are accessible to a large market.

Blender Bites is also currently seeking \$2,000,000 in a private placement (the "Financing") to accelerate its business and growth objectives. Funds from the financing and cash on hand will primarily be used for

product manufacturing, sales and marketing activities, general and administrative expenses, and costs related to a public listing of the Resulting Issuer's shares on the CSE.

For the rest of 2021 Blender Bites focus will be on the launch of Loblaws National, club stores, Big Y Foods, and potentially other accounts in the U.S as well as the launch of their direct to consumer e-commerce platform in Canada. To date, Blender Bites has been successful in establishing a strong distribution network and customer base across Canada. Blender Bites currently has a non-exclusive agreement with Tree of Life Canada, ULC ("Tree of Life") as its main distribution partner, as well as a verbal agreement with Horizon Grocery & Wellness, a leading Western Canadian distributor. Blender Bites' launch with Gordon Food Service is on hold due to the impact of the COVID-19 pandemic on the food service industry. Blender Bites has successfully established its Canadian distribution channels and is currently available nation-wide at retailers such as Sobeys, Safeway, Save On Foods, Buy-Low, Whole Foods Markets and Thrifty Foods. Blender Bites has also entered into distribution agreements with companies that specialize in food distribution across the U.S. with a target launch of Q4 2021. As at the end of October 2020, the Company had its products for sale in 507 stores compared to 86 stores at the end of its 2019 fiscal year, an increase of 421 stores.

## Overall Performance & Discussion of Operations

### Results of Operations

#### Summary of Quarterly Results

The following table sets out selected unaudited quarterly financial information of the Company and is derived from unaudited interim consolidated financial statements. The Company's interim consolidated financial statements are prepared in accordance with IFRS applicable to interim financial statements.

Period	Revenues \$	Loss for the period \$	Loss per share (basic and diluted) \$
2 <sup>nd</sup> Quarter 2021	150,098	(92,684)	(0.49)
1 <sup>st</sup> Quarter 2021	56,336	(107,226)	(0.56)
4 <sup>th</sup> Quarter 2020	18,790	(60,072)	(0.32)
3 <sup>rd</sup> Quarter 2020	259,803	(32,494)	(0.17)
2 <sup>nd</sup> Quarter 2020	133,055	(342)	(0.00)
1 <sup>st</sup> Quarter 2020	29,638	(26,000)	(0.14)
4 <sup>th</sup> Quarter 2019	19,067	(27,808)	(0.15)
3 <sup>rd</sup> Quarter 2019	13,728	(50,692)	(0.68)

The Company's quarterly revenues and income/loss for the period are subject to seasonal volatility. The Company anticipates that its second and third quarters of each fiscal year, will be stronger revenue months as the Company anticipates selling more smoothies in the spring and summer compared to winter months.

Sales dropped in the fourth quarter of 2020 as a result of the seasonal fluctuations in smoothie demand heading into the winter season.

#### **Three months ended April 30, 2021 compared to the three months ended April 30, 2020**

The Company had a loss from operations of \$92,684 in the period ended April 30, 2021 compared to a loss of \$342 in the three months ended April 30, 2020, an increase in loss of \$92,342.

During the period ended April 30, 2021, the Company increased its sales to \$150,098 from \$133,055 in the period ended April 30, 2020, an increase of \$17,043 or 13%. The increase was a result of the Company being able to increase its Canadian distribution channel during the current period. The Company's gross margin increased to \$16,581 in the current period compared to a gross margin of \$15,032 in the comparative period. The Company expects its gross margin percentage to increase as it grows its distribution and scales its production.

Operating costs for the period ended April 30, 2021 were \$109,265 compared to \$15,374, an increase of \$93,891. The increase in operating costs is largely attributable to advertising and promotion, management fees, new product development, and professional fees which, in total, increased by \$85,466 compared to the period ended April 30, 2020. The Company expects its general and administrative costs will increase in 2021 as a result of the Company scaling up its operations and distributions and as well due to the costs associated with its transaction with Balsam.

### ***Six months ended April 30, 2021 compared to the six months ended April 30, 2020***

The Company had a loss from operations of \$199,910 in the six month period ended April 30, 2021 compared to a loss of \$26,342 in the six months ended April 30, 2020, an increase in loss of \$173,568.

During the period ended April 30, 2021, the Company increased its sales to \$206,434 from \$162,693 in the period ended April 30, 2020, an increase of \$43,741 or 27%. The increase was a result of the Company being able to increase its Canadian distribution channel during the current period. The Company's gross margin decreased to \$16,895 in the current period compared to a gross margin of \$23,810 in the comparative period due to various promotional offerings to stores. The Company expects its gross margin percentage to increase as it grows its distribution and scales its production.

Operating costs for the period ended April 30, 2021 were \$216,805 compared to \$50,152, an increase of \$166,653. The increase in operating costs is largely attributable to advertising and promotion, management fees, new product development, and professional fees which, in total, increased by \$155,115 compared to the period ended April 30, 2020. The Company expects its general and administrative costs will increase in 2021 as a result of the Company scaling up its operations and distributions and as well due to the costs associated with its transaction with Balsam.

### **Liquidity and Capital Resources**

The Company had cash of \$1,075,989 as at April 30, 2021 and a negative working capital balance of \$317,153. During the period ended April 30, 2021, the Company used \$174,598 of cash in operating activities as compared to using \$81,851 of cash in the period ended April 30, 2020. The increase is primarily related to an increase in current assets as well as an increase in general and administrative expenses.

The financial statements of the Company and this MD&A 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 business. Blender Bites is an early stage revenue generating company and as at April 30, 2021 had an accumulated deficit of \$545,103. Management of the Company does not expect that its current cash position will be sufficient to meet all of its operating requirements, financial commitments, and business development priorities during the next twelve months. Accordingly, the Company will need to obtain financing in the form of debt, equity, or a combination to continue to operate. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. These conditions indicate the existence of material uncertainty that may give rise to significant doubt about the Company's ability to continue as a going concern.

### **Off-Balance Sheet Arrangements**

As of the date of this filing, the Corporation does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition

of the Corporation including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

## **Related Party Transactions**

During the six months ended April 30, 2021, the Company incurred \$50,000 (2020 - \$20,700) for the remuneration of the Chief Executive Officer, Chelsie Hodge (“CEO”). As at April 30, 2021, \$10,000 (October 31, 2020 - \$7,500) of remuneration was due to the CEO which is included in accounts payable and accrued liabilities.

During the six months ended April 30, 2021, the Company repaid advances totalling \$80,000 previously owing to the CEO. During the same period, the CEO advanced an additional \$75,000 to the Company. As at April 30, 2021, advances totalling \$75,000 (October 31, 2020 - \$80,000) were due to the CEO which is included in accounts payable and accrued liabilities. Advances from the CEO are unsecured, non-interest bearing and due on demand.

As of April 30, 2021, promissory notes payable of \$265,244 (October 31, 2020 - \$196,547), including accrued interest, were payable to Countryman Investments Limited, a significant shareholder.

## **Key Accounting Estimates and Judgments**

Preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates form the judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

Management’s key estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical accounting estimates and Judgments

Significant assumptions relate to the following:

### **Revenues**

To determine whether to recognize revenue, the Company follows a 5-step process:

1. Identifying the contract with a customer.
2. Identifying the performance obligations.
3. Determining the transaction price.
4. Allocating the transaction price to the performance obligations.
5. Recognizing revenue when/as performance obligation(s) are satisfied.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognized at a point in time when the Company satisfies performance obligations by transferring the promised goods or services to its customers.

The Company sells frozen smoothie pucks to a third-party distribution company. Orders are fulfilled utilizing a third-party manufacturer. The Company is responsible for the shipment of goods from the manufacturer’s warehouse to the distributors warehouses across Canada. Revenue is recognized upon delivery of goods

to the distributor, representing the Company's performance obligation in the transaction. As the Company acts as the principal in the transaction, revenue is recognized on a gross basis.

## Significant Accounting Policies

The following accounting policy has been adopted in the current period:

### Inventory

Inventory is stated at the lower of cost and net realisable value. Cost comprises the purchase price of finished goods from a third-party manufacturer. Costs are assigned to inventory on the first in first out basis ("FIFO"). Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### Financial Instruments

	April 30, 2021	October 31, 2020
<b>Financial assets at amortized cost</b>		
Cash	\$ 1,075,989	\$ 205,868
Accounts receivable	-	10,521
	<b>\$ 1,075,989</b>	<b>\$ 216,389</b>
<b>Financial liabilities at amortized cost</b>		
Accounts payable and accrued liabilities	\$ 177,534	\$ 129,185
Promissory notes	265,244	196,547
Loan	1,002,329	-
	<b>\$ 1,445,107</b>	<b>\$ 325,732</b>

#### a) Fair value

As at April 30, 2021, the carrying values of all of the Company's financial assets and financial liabilities approximate their fair value.

#### b) Management of financial risk

The Company's financial instruments are exposed to certain financial risks, credit risk and liquidity risk.

##### i. 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.

##### 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 favorable terms.



As at April 30, 2021, the Company's financial liabilities consist of accounts payable and accrued liabilities, promissory notes, and loan totaling \$1,445,107, which are expected to be paid over the next twelve months.

## **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.

There were no changes to the Company's approach to capital management during the period ended April 30, 2021.

## **Approval**

The director of Blender Bites has approved the disclosure contained in this MD&A.