
BLENDER BITES LIMITED (FORMERLY: BALSAM TECHNOLOGIES CORP.)
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JANUARY 31, 2022, AND 2021
(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 financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company for the three months ended January 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.

BLENDER BITES LIMITED (FORMERLY: BALSAM TECHNOLOGIES CORP.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at January 31, 2022, and October 31, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

| | January 31, 2022 | October 31, 2021 |
|---|---------------------|---------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 1,854,519 | \$ 2,587,871 |
| Accounts receivable | 689,513 | 455,023 |
| Inventory (Note 6) | 173,931 | - |
| Prepaid expenses | 946,887 | 1,315,326 |
| | 3,664,850 | 4,358,220 |
| NON-CURRENT ASSETS | | |
| Equipment (Note 7) | 362,167 | 83,611 |
| Trademarks (Note 7) | 20,278 | 20,839 |
| Total assets | \$ 4,047,295 | \$ 4,462,670 |
| LIABILITIES AND EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities (Notes 8 and 11) | \$ 428,482 | \$ 741,608 |
| Promissory notes (Note 9) | 33,718 | 33,265 |
| | 462,200 | 774,873 |
| SHAREHOLDERS' EQUITY (DEFICIENCY) | | |
| Share capital (Note 10) | 19,079,889 | 18,126,510 |
| Contributed surplus (Note 10) | 2,272,000 | 1,859,000 |
| Deficit | (17,766,794) | (16,297,713) |
| | 3,585,095 | 3,687,797 |
| Total liabilities and shareholders' equity (deficiency) | \$ 4,047,295 | \$ 4,462,670 |

Nature of business and continuance of operations (Note 1)

Approved and authorized by the Board of Directors:

"Chelsie Hodge"
Chelsie Hodge, Director

"Geoff Balderson"
Geoff Balderson, Director

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

BLENDER BITES LIMITED (FORMERLY: BALSAM TECHNOLOGIES CORP.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the three months ended January 31, 2022, and 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

| | Three months ended January 31, 2022 | Three months ended January 31, 2021 |
|---|---|---|
| Sales | \$ 759,604 | \$ 56,336 |
| Cost of goods sold | 790,688 | 56,022 |
| Gross Margin | (31,084) | 314 |
| EXPENSES | | |
| Advertising and promotion | 545,638 | 22,418 |
| Consulting fees (Note 11) | 261,284 | - |
| Depreciation (Note 7) | 7,397 | 1,175 |
| Interest and accretion expense (Note 9) | 453 | 3,990 |
| Management fees (Note 11) | - | 34,646 |
| New product development | 35,360 | 637 |
| Office and administration | 32,074 | 4,959 |
| Professional fees | 27,028 | 38,371 |
| Share based compensation (Note 10) | 413,000 | - |
| Transfer agent and filing fees | 55,177 | - |
| Travel expense | 556 | 1,344 |
| Wages and benefits (Note 11) | 113,141 | - |
| | (1,491,108) | (107,540) |
| OTHER ITEMS | | |
| Gain on settlement of AP (Note 10) | 53,060 | - |
| Other income | 51 | - |
| | 53,111 | - |
| Net loss and comprehensive loss for the year | \$ (1,469,081) | \$ (107,226) |
| Basic and diluted loss per share | \$ (0.04) | \$ (0.56) |
| Weighted average number of common shares outstanding | 37,037,350 | 190,000 |

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

BLENDER BITES LIMITED (FORMERLY: BALSAM TECHNOLOGIES CORP.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
For the three months ended January 31, 2022, and 2021
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

| | SHARE CAPITAL | | Contributed Surplus | Deficit | Total Equity (Deficiency) |
|------------------------------------|------------------|---------------|---------------------|-----------------|---------------------------|
| | Number of Shares | Amount | | | |
| Balance at October 31, 2020 | 190,000 | \$ 250,010 | \$ - | \$ (345,193) | \$ 95,183 |
| Net loss for the period | - | - | - | (107,226) | (118,909) |
| Balance at January 31, 2021 | 190,000 | 250,010 | - | (452,419) | (202,409) |
| Balance at October 31, 2021 | 36,768,391 | \$ 18,126,510 | \$ 1,859,000 | \$ (16,297,713) | \$ 3,687,797 |
| Consolidated adjustment | (34) | - | - | - | - |
| Shares issued for debt | 209,890 | 212,241 | - | - | 212,241 |
| Exercise of warrants | 2,988,464 | 741,138 | - | - | 741,138 |
| Share based compensation | - | - | 413,000 | - | 413,000 |
| Net loss for the period | - | - | - | (1,469,081) | (1,469,081) |
| Balance at January 31, 2022 | 39,966,711 | \$ 19,079,889 | \$ 2,272,000 | \$ (17,766,794) | \$ 3,585,095 |

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

BLENDER BITES LIMITED (FORMERLY: BALSAM TECHNOLOGIES CORP.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended January 31, 2022, and 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

| | Three months ended January 31, | |
|---|--------------------------------|------------------|
| | 2022 | 2021 |
| CASH PROVIDED BY (USED IN): | | |
| OPERATING ACTIVITIES | | |
| Net loss for the period | \$ (1,469,081) | \$ (107,226) |
| Items not involving cash: | | |
| Depreciation | 7,397 | 1,175 |
| Interest and accretion expense | 453 | 3,990 |
| Share based compensation | 413,000 | - |
| Changes in non-cash working capital items: | | |
| Accounts receivable | (234,490) | (71,513) |
| Inventory | (173,931) | - |
| Prepaid expenses and deposits | 368,439 | - |
| Accounts payable and accrued liabilities | (100,886) | 7,573 |
| Cash (used) in operating activities | (1,189,099) | (181,147) |
| INVESTING ACTIVITIES | | |
| Purchase of equipment | (285,391) | - |
| Purchase of trademarks | - | (9,085) |
| Cash provided by investing activities | (285,391) | (9,085) |
| FINANCING ACTIVITIES | | |
| Exercise of warrants | 741,138 | - |
| Cash provided by financing activities | 741,138 | - |
| CHANGE IN CASH DURING THE PERIOD | (733,352) | (190,232) |
| CASH, BEGINNING OF PERIOD | 2,587,871 | 205,868 |
| CASH, END OF PERIOD | \$ 1,854,519 | \$ 15,636 |
| SUPPLEMENTAL CASH FLOW INFORMATION | | |
| Interest paid | \$ - | \$ - |
| Income tax paid | \$ - | \$ - |
| Fair value of shares issued for debt settlement | \$ 212,241 | \$ - |

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

BLENDER BITES LIMITED (FORMERLY: BALSAM TECHNOLOGIES CORP.)
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS

January 31, 2022

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

1. NATURE OF BUSINESS AND CONTINUANCE OF OPERATIONS

Blender Bites Limited (formerly: Balsam Technologies Corp.) (“BITE” or the “Company”) was incorporated on March 23, 1999, under the laws of British Columbia and is the parent company of Blender Bites (Holdings) Limited (“BBI” or “Blender Bites”). The head office and records are located at Suite 800 – 1199 West Hastings Street, Vancouver, British Columbia V6E 3T5. Effective October 8, 2020, the Company changed its name from Rewardstream Solutions Inc. to Balsam Technologies Corp. and commenced trading under the trading symbol “BTEC.H”. Effective September 21, 2021, the Company changed its name from Balsam Technologies Corp. to Blender Bites Limited and commenced trading under the trading symbol “BITE” on the Canadian Securities Exchange (“CSE”). The Company’s business in the manufacturing and distribution of natural and organic frozen smoothie products.

On January 19, 2022, the Company completed a share split of its common shares on the basis of 1.25 new common shares for every existing 1 common share. The share consolidation has been retroactively presented in the condensed interim consolidated financial statements by adjusting all share amounts, including per share amounts.

On September 20, 2021, the Company acquired all the issued and outstanding shares of Blender Bites by way of reverse takeover (the “Acquisition”). Pursuant to the Acquisition, Blender Bites became a wholly owned subsidiary of BITE for legal purposes and the Company changed its name to Blender Bites Limited. Upon closing of the transaction, the shareholders of Blender Bites had control of the Company and as a result, the transaction is considered a reverse acquisition of BITE by Blender Bites. For accounting purposes, Blender Bites is considered the acquirer and BITE, the acquiree; therefore, the Company and these condensed interim consolidated financial statements are a continuation of the financial statements of Blender Bites. The net assets of BITE at the date of the reverse acquisition are deemed to have been acquired by Blender Bites and these condensed interim consolidated financial statements include the results of operations of BITE from September 20, 2021. See Note 5 for additional details.

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and the settlement of liabilities and commitments in the normal course of operations. The Company realized a net loss of \$1,469,081 for the three months ended January 31, 2022. As at January 31, 2022, the Company had an accumulated deficit of \$17,766,794. 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.

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.

BLENDER BITES LIMITED (FORMERLY: BALSAM TECHNOLOGIES CORP.)
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS

January 31, 2022

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

2. BASIS OF PRESENTATION

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 March 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 financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

c) Basis of consolidation

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

| | Incorporated | Nature | Ownership January 31, 2022 | Ownership October 31, 2021 |
|-------------------------------------|---------------------|-------------------|---|---|
| Blender Bites (Holdings) Limited | British Columbia | Consumer products | 100% | NIL |

These condensed interim consolidated financial statements are a continuation of the financial statements of Blender Bites. The net assets of BITE at the date of the reverse acquisition are deemed to have been acquired by Blender Bites and these condensed interim consolidated financial statements include the results of operations of BITE from September 20, 2021.

The results of the wholly owned subsidiary 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. 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 October 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 October 31, 2021.

BLENDER BITES LIMITED (FORMERLY: BALSAM TECHNOLOGIES CORP.)
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS

January 31, 2022

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income or loss in the year of change, if the change affects that year only, or in the year of the change and future three months, if the change affects both.

Critical estimates which are most subject to uncertainty and have the most significant risk of resulting in a material adjustment to the carrying values of assets and liabilities within the next twelve months are as follows:

Recoverability of accounts receivable and allowance for credit loss

The Company provides allowances for lifetime expected credit losses based on an assessment of the recoverability of accounts receivable. Allowances are applied to accounts receivable at initial recognition based on the probability of default by the customers. Management analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgment to evaluate the adequacy of the allowance for lifetime expected credit losses. Where the expectation is different from the original estimate, such difference will impact the carrying value of accounts receivable.

Critical judgments in applying accounting policies

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustments to the carrying amounts of assets and liabilities recognized in the condensed interim consolidated financial statements within the next financial year are discussed below:

Going concern

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern. See Note 1 for additional details.

Reverse acquisition

The determination of the acquirer in the Acquisition of Blender Bites by BITE requires significant judgment assessing the relative voting rights, composition of the governing body, and composition of senior management of the combined entity, amongst other factors. The Company concluded Blender Bites to be the acquirer, and its acquisition of all of the outstanding shares of BITE has been determined to be an asset acquisition as BITE does not meet the definition of a business under IFRS 3, *Business Combinations*. As a result, the transaction has been accounted for as a reverse takeover by Blender Bites of BITE's net assets in accordance with the guidance under IFRS 2, *Share-based Payment*.

The Company bases its estimates and judgments on current facts and various other factors that it believes to be reasonable under the circumstances. The actual results experienced by the Company may differ materially and adversely from the Company's estimates and could affect future results of operations and cash flows.

BLENDER BITES LIMITED (FORMERLY: BALSAM TECHNOLOGIES CORP.)
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS

January 31, 2022

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

5. REVERSE TAKEOVER

As described in Note 1, on September 20, 2021, BITE completed the acquisition of all issued and outstanding shares of Blender Bites pursuant to the share purchase agreement dated August 31, 2021. As a result of the transaction, the Company issued 14,716,975 common shares and 12,670,988 share purchase warrants to Blender Bites' shareholders and a certain debt holder. The Company also paid a finder's fee of 2,500,000 common shares to third parties that introduced the transaction to the Company valued at \$2,000,000 which is recognized in transaction and listing expense in profit or loss.

The transaction constituted a reverse acquisition of BITE and had been accounted for as a reverse acquisition transaction in accordance with the guidance provided under IFRS 2, *Share-based Payment* and IFRS 3, *Business Combinations*. As BITE did not qualify as a business according to the definition in IFRS 3, this reverse acquisition was accounted for as an asset acquisition by the issuance of shares and warrants of the Company for the net assets of BITE.

The consideration paid was determined as equity settled share-based payment under IFRS 2, at the fair value of the equity of Blender Bites retained by the shareholders of BITE based on the fair value of Blender Bites' common shares on the date of closing of the RTO at \$0.80 per share. As a result of the transaction, the Company assumed 3,260,870 share purchase warrants, valued at \$1,810,000. The share purchase warrants were valued using the Black-Scholes Option Pricing model using the following assumptions: Risk free rate of 0.44%; Volatility of 100%; Stock Price of \$0.80; Exercise price of \$0.25; Dividend yield of NIL% and expected life of 0.38 three months.

For accounting purposes, Blender Bites has been treated as the accounting parent company (legal subsidiary) and BITE has been treated as the accounting subsidiary (legal parent) in these condensed interim consolidated financial statements. As Blender Bites was deemed to be the acquirer for accounting purposes, its assets, liabilities, and operations since incorporation are included in these condensed interim consolidated financial statements at their historical carrying value. The results of operations of BITE are included in these condensed interim consolidated financial statements from the date of the reverse acquisition of September 20, 2021.

The following table summarizes the allocation of the purchase price to the fair value of the assets acquired and liabilities assumed at the date of acquisition is based on management's best estimate using the information currently available and may be revised by the Company as additional information is received and finalized.

| | | |
|--|-----------|-------------------|
| Fair value of 14,374,829 common shares at \$0.80 per share | \$ | 11,499,863 |
| Fair value of 3,260,870 share purchase warrants | | 1,810,000 |
| Total consideration | | 13,309,863 |
| Allocated to the fair value of BITE's net assets as follows: | | |
| Cash | | 899,508 |
| Accounts receivable | | 49,407 |
| Accounts payable and accrued liabilities | | (466,192) |
| Loan payable | | (32,658) |
| Net identifiable assets acquired | | 450,065 |
| Finders' fees paid in shares | | 2,000,000 |
| Transaction and Listing Expense | \$ | 14,859,798 |

BLENDER BITES LIMITED (FORMERLY: BALSAM TECHNOLOGIES CORP.)
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS

January 31, 2022

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

6. INVENTORY

Inventory is comprised of finished goods held on consignment with the Company's distributors for delivery and fulfilment of sales to wholesalers.

7. EQUIPMENT AND TRADEMARKS

The following is a summary of activities for the three months ended January 31, 2022:

| | Moulds \$ | Equipment \$ | Trademarks \$ | Total \$ |
|---|---------------|-----------------|------------------|----------------|
| COST | | | | |
| Balance, October 31, 2020 | 18,169 | - | 1,603 | 19,772 |
| Additions | 12,944 | 64,494 | 20,801 | 98,239 |
| Balance, October 31, 2021 | 31,113 | 64,494 | 22,404 | 118,011 |
| Additions | 8,115 | 277,276 | - | 285,391 |
| Balance, January 31, 2022 | 39,228 | 341,770 | 22,404 | 403,402 |
| ACCUMULATED DEPRECIATION | | | | |
| Balance, October 31, 2020 | 5,451 | - | 161 | 5,612 |
| Additions | 4,126 | 2,419 | 1,404 | 7,949 |
| Balance, October 31, 2021 | 9,577 | 2,419 | 1,565 | 13,561 |
| Additions | 1,759 | 5,077 | 561 | 7,397 |
| Balance, January 31, 2022 | 11,336 | 7,496 | 2,126 | 20,959 |
| Net book value, October 31, 2021 | 21,536 | 62,075 | 20,839 | 104,450 |
| Net book value, January 31, 2022 | 27,892 | 334,275 | 20,278 | 382,444 |

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | January 31, 2021 | October 31, 2021 |
|---------------------|---------------------|---------------------|
| Accounts payable | \$ 378,482 | \$ 583,621 |
| Accrued liabilities | 50,000 | 157,987 |
| | \$ 428,482 | \$ 741,608 |

9. PROMISSORY NOTES

During the three months ended January 31, 2020, Blender Bites entered into two promissory note agreements with a significant shareholder. The first promissory note agreement is for principal of \$100,000, due on demand. This note is secured against certain sales of Blender Bites. The second loan agreement, unsecured, was for \$90,000 and is due on demand.

During February 2021, the Company entered into a third promissory note agreement with a significant shareholder, unsecured, for principal of \$60,000 maturing in February 2022. All loans bear interest at 8%. As the promissory notes have either matured or are due within twelve months, the amounts are due on demand and are recognized as a current liability on the statements of financial position.

BLENDER BITES LIMITED (FORMERLY: BALSAM TECHNOLOGIES CORP.)
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS

January 31, 2022

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

9. PROMISSORY NOTES (continued)

The following is a summary of promissory note activities for the three months ended January 31, 2022:

| | | Total |
|----------------------------------|-----------|----------------|
| Balance, October 31, 2020 | \$ | 196,547 |
| Additions | | 60,000 |
| Assumed from RTO | | 32,658 |
| Settled with shares | | (273,580) |
| Interest accrued | | 17,640 |
| Balance, October 31, 2021 | \$ | 33,265 |
| Interest accrued | | 453 |
| Balance, January 31, 2022 | \$ | 33,718 |

10. SHARE CAPITAL

a) Authorized:

Unlimited number of common shares, without par value.

b) Issued and outstanding:

During the three months ended January 31, 2022:

On November 22, 2021, the company issued 209,890 common shares to settle outstanding debt of \$265,300. The Company valued the shares at the market price of \$1.26 and recognized a gain on settlement of debt of \$53,060.

During the three months ended January 31, 2022, the Company issued an aggregate 2,988,464 common shares for total proceeds of \$741,138 for the exercise of warrants.

During the three months ended January 31, 2021:

There were no shares issued during the three months ended January 31, 2021.

c) Stock options

The Company has a stock option plan (the "Plan") that permits the grant of stock options up to 20% of the issued and outstanding common shares of the Company to directors, officers, key employees, and consultants. Terms of the options granted are subject to determination and approval by the Board of Directors.

BLENDER BITES LIMITED (FORMERLY: BALSAM TECHNOLOGIES CORP.)
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS

January 31, 2022

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

10. SHARE CAPITAL (continued)

c) Stock options

The table below summarizes the information on the outstanding stock options of the Company for the three months ended January 31, 2022:

| | Number of Stock options | Weighted Average Exercise Price |
|------------------------------------|----------------------------|------------------------------------|
| Balance, October 31, 2021 and 2020 | - | \$ - |
| Issued | 700,000 | 1.25 |
| Balance, January 31, 2022 | 700,000 | \$ 1.25 |

As at January 31, 2022, the Company's outstanding stock options expire as follows:

| Expiry Date | Weighted Average Remaining Contractual Life in Three months | Exercise Price | Outstanding |
|------------------|---|----------------|-------------|
| January 25, 2027 | 4.99 | \$ 1.25 | 700,000 |
| | 4.99 | \$ 1.25 | 700,000 |

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 January 31, 2021 | Year ended October 31, 2021 |
|----------------------------------|--|--------------------------------|
| Risk-free interest rate | 0.59% | - |
| Expected option life in years | 5 years | - |
| Expected share price volatility* | 100% | - |
| Expected forfeiture rate | - | - |
| Expected dividend yield | Nil | - |

d) Warrants

The table below summarizes the information on the outstanding warrants of the Company for the three months ended January 31, 2022:

| | Number of Warrants | Weighted Average Exercise Price |
|---------------------------|-----------------------|------------------------------------|
| Balance, October 31, 2020 | - | \$ - |
| Assumed from BITE | 3,260,870 | 0.25 |
| Issued | 15,098,800 | 0.94 |
| Exercised | (272,406) | 0.25 |
| Balance, October 31, 2021 | 18,087,406 | 0.82 |
| Exercised | (2,988,464) | 0.18 |
| Balance, January 31, 2022 | 15,098,800 | \$ 0.94 |

BLENDER BITES LIMITED (FORMERLY: BALSAM TECHNOLOGIES CORP.)
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS

January 31, 2022

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

10. SHARE CAPITAL (continued)

d) Warrants (continued)

As at January 31, 2022, the Company's outstanding share purchase warrants expire as follows:

| Expiry Date | Weighted Average Remaining Contractual Life in Three months | Exercise Price | Outstanding |
|--------------------|---|----------------|-------------|
| September 20, 2023 | 1.64 | 1.60 | 2,427,812 |
| May 28, 2023 | 1.32 | 0.80 | 12,500,000 |
| August 31, 2023 | 1.58 | 1.60 | 170,988 |
| | 1.37 | \$ 0.94 | 15,098,800 |

e) Escrow shares

6,281,349 shares were placed into escrow. Under the escrow agreement, 10% of the shares were released on September 20, 2021, the listing date on CSE, and an additional 15% will be released on each of the dates which are 6 months, 12 months, 18 months, 24 months, 30 months, and 36 months following the initial release. As at January 31, 2022, 5,653,214 shares were in escrow.

11. RELATED PARTY TRANSACTIONS

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 January 31, 2022 and 2021 are as follows:

| | For the three months ended January 31, | |
|--|---|-----------|
| | 2022 | 2021 |
| Key Management Compensation | | |
| Management fees and wages and benefits | \$ 90,000 | \$ 22,500 |
| | \$ 90,000 | \$ 22,500 |

Accounts payable and accrued liabilities at January 31, 2022 includes \$NIL (2021 - \$15,000) owing to the CEO of the Company and \$51,035 (2021 - \$41,035) owing to a director, and a company controlled by the CFO of the Company.

Amounts due to related parties are unsecured, non-interest bearing and due on demand.

The Company entered into employment agreement with the CEO of the Company effective September 20, 2021 and will continue indefinitely until it is terminated. The base salary is \$240,000 on an annual basis. The CEO is entitled to performance bonuses based meeting certain gross revenue thresholds. In the case of termination without cause or change of control, the CEO is entitled to an amount equal to two times of the sum of the annual base salary and bonus in lieu of notice.

BLENDER BITES LIMITED (FORMERLY: BALSAM TECHNOLOGIES CORP.)
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS

January 31, 2022

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

12. OPERATING SEGMENTS

As of January 31, 2022 and January 31, 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% (2021 - 99%) of its revenue from two customers (2021 – one customer).

13. FINANCIAL INSTRUMENTS

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities and promissory notes 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 January 31, 2022, \$504,824 of accounts receivable were with two customers of the Company, which were subsequently collected. The remaining 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 January 31, 2022, the Company has a working capital of \$3,202,650.

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

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 January 31, 2022. Interest rate risk is minimal as promissory notes have a fixed interest rate.

BLENDER BITES LIMITED (FORMERLY: BALSAM TECHNOLOGIES CORP.)
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS

January 31, 2022

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

13. FINANCIAL INSTRUMENTS (continued)

c) Market risk (continued)

(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.

14. 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 makes adjustments to 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 January 31, 2022.