The Yumy Candy Company Inc. (formerly Yumy Bear Goods Inc.)

Condensed Interim Consolidated Financial Statements

For the three and nine months ended October 31, 2021 and period from September 9, 2020 (date of incorporation) to January 31, 2021

(Unaudited – Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the management and have been approved by the board of directors.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

The Yumy Candy Company Inc. (formerly Yumy Bear Goods Inc.)
Condensed Interim Consolidated Statement of Financial Position
As at
(Expressed in Canadian Dollars)

		October 31, 2021		January 31, 2021
		(Unaudited)		(Audited)
Assets				
Current assets				
Cash	$	1,544,124	$	2,491,298
Amounts receivable (Note 6)		88,708		11,825
Inventory (Note 7)		41,721		-
Prepaid expenses (Note 8)		272,461		-
		1,947,014		2,503,123
Non-current assets				
Right-of-use assets (Note 10)		23,512		-
Total assets	**$**	**1,970,526**	**$**	**2,503,123**
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (Notes 9, 12)	$	1,036,772	$	35,502
Subscriptions received (Note 11)		-		1,900,000
Current portion of lease liabilities (Note 10)		15,374		-
		1,052,146		1,935,502
Non-current liabilities				
Lease liabilities (Note 10)		8,403		-
Total liabilities		**1,060,549**		**1,935,502**
Shareholders' equity				
Share capital (Note 11)		5,030,489		507,870
Reserve (Note 11)		392,132		392,132
Deficit		(4,512,644)		(332,381)
Total shareholders' equity		**909,977**		**567,621**
Total liabilities and shareholders' equity	**$**	**1,970,526**	**$**	**2,503,123**

Going concern (Note 2)
Subsequent event (Note 15)

Approved by:

"Cassidy McCord" (signed)
Cassidy McCord, Director

"Erica Williams" (signed)
Erica Williams, Director

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

The Yumy Candy Company Inc. (formerly Yumy Bear Goods Inc.)

Condensed Interim Consolidated Statement of Loss and Comprehensive Loss
For the three and nine months ended October 31, 2021 and period from September 9, 2020 (date of incorporation) to January 31, 2021
(Unaudited - Expressed in Canadian Dollars)

	For the three months ended October 31, 2021	For the nine months ended October 31, 2021	For the period from September 9, 2020 (date of incorporation) to January 31, 2021
Revenue	$ 119,671	$ 198,288	$ -
Cost of sales (Note 7)	(143,229)	(192,061)	-
Gross profit (loss)	(23,558)	6,227	-
Operating expenses			
Accounting	27,775	35,775	-
Bank service charges	1,775	4,703	85
Consulting fees (Note 12)	74,760	190,691	100,000
Depreciation (Note 10)	3,543	4,981	-
General and administration	55,835	72,424	681
Interest expense (recovery)	(2,633)	974	-
Legal fees	8,117	49,679	5,000
Management fees (Note 12)	22,550	40,550	-
Research and development (Note 12)	92,172	289,453	226,582
Sales and marketing	1,410,478	1,541,356	-
Transfer agent and filing fees	6,403	33,040	-
	1,700,775	(2,263,626)	(332,348)
Operating loss	**(1,724,333)**	**(2,257,399)**	**(332,348)**
Other items			
Foreign exchange loss	(12,412)	(15,723)	(33)
Inventory write-off (Note 7)	(12,370)	(12,370)	-
Listing expense (Note 14)	-	(1,894,371)	-
Loss on lease modification (Note 10)	(400)	(400)	-
	(25,182)	(1,922,864)	(33)
Net loss and comprehensive loss for the period	**$ (1,749,515)**	**$ (4,180,263)**	**$ (332,381)**
Loss per share - basic and diluted	**$ (0.06)**	**$ (0.17)**	**$ (0.02)**
Weighted average number of common shares outstanding	**27,488,132**	**24,465,154**	**15,437,500**

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

The Yumy Candy Company Inc. (formerly Yumy Bear Goods Inc.)
Condensed Interim Consolidated Statement of Changes in Shareholders' Equity
For the nine months ended October 31, 2021 and period from September 9, 2020 (date of incorporation) to January 31, 2021
(Unaudited - Expressed in Canadian Dollars)

	Share Capital				
	Number	**Amount**	**Reserve**	**Deficit**	**Total**
Balance, September 9, 2020 (date of incorporation)	**-**	**$ -**	**$ -**	**$ -**	**$ -**
Share issued for cash on incorporation (Note 8)	2,000,000	2		-	2
Shares issued for cash (Note 8)	20,000,000	607,868	392,132	-	1,000,000
Share issuance costs (Note 8)	-	(100,000)	-	-	(100,000)
Net loss for the period	-	-	-	(332,381)	(332,381)
Balance, January 31, 2021	**22,000,000**	**$ 507,870**	**$ 392,132**	**$ (332,381)**	**$ 567,621**
Cancellation of YBGI shares (Note 11)	(22,000,000)	-	-	-	-
Yumy Bear common shares (post share consolidation) (Note 11)	3,434,804	-	-	-	-
Shares issued for reverse takeover transaction (Notes 11, 14)	22,000,000	1,442,619	-	-	1,442,619
Shares issued from private placement (Notes 11, 14)	2,053,328	3,080,000	-	-	3,080,000
Net loss for the period	-	-	-	(4,180,263)	(4,180,263)
Balance, October 31, 2021	**27,488,132**	**$ 5,030,489**	**$ 392,132**	**$ (4,512,644)**	**$ 909,977**

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

The Yumy Candy Company Inc. (formerly Yumy Bear Goods Inc.)
Condensed Interim Consolidated Statement of Cash Flows
For the three and nine months ended October 31, 2021 and period from September 9, 2020 (date of incorporation) to January 31, 2021
(Unaudited - Expressed in Canadian Dollars)

	For the three months ended October 31, 2021	For the nine months ended October 31, 2021	For the period from September 9, 2020 (date of incorporation) to January 31, 2021
Cash provided by (used in):			
Operating activities			
Net loss for the period	$ (1,749,515)	$ (4,180,263)	$ (332,381)
Items not involving cash:			
Accretion on lease	785	1,184	-
Depreciation	3,543	4,981	-
Inventory write-off	12,370	12,370	-
Listing expense	-	1,894,371	-
Loss on lease modification	400	400	-
Reversal of interest on loans	(3,418)	(210)	-
Unrealized foreign exchange gain	(106)	(15)	-
Change in working capital items:			
Amounts receivable	(64,043)	(76,883)	(11,825)
Inventory	9,669	(54,091)	-
Prepaid expenses	368,768	(272,461)	-
Accounts payable and accrued liabilities	(362,235)	39,587	35,502
Net cash used in operating activities	(1,783,782)	(2,631,030)	(308,704)
Investing activities			
Cash acquired from reverse takeover transaction	-	937,327	-
Purchase of lease asset	(4,350)	(6,300)	-
Net cash (used in) provided by investing activities	(4,350)	931,027	-
Financing activities			
Shares issued on incorporation	-	-	2
Proceeds from issuance of shares	-	1,180,000	900,000
Loan repayments	(427,171)	(427,171)	-
Subscription received	-	-	1,900,000
Net cash (used in) provided by financing activities	(427,171)	752,829	2,800,002
Change in cash	**(2,215,303)**	**(947,174)**	**2,491,298**
Cash, beginning of period	**3,759,427**	**2,491,298**	**-**
Cash, end of period	**$ 1,544,124**	**$ 1,544,124**	**$ 2,491,298**

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

1. NATURE OF OPERATIONS

The Yumy Candy Company Inc. (formerly Yumy Bear Goods Inc.) (the "Company" or "Yumy") was incorporated on September 22, 1997 under the laws of the Province of British Columbia. Its head office is located at 25th Floor, 700 West Georgia Street, Vancouver, British Columbia, V7Y 1B3.

On June 30, 2021, the Company completed an acquisition transaction whereby the Company acquired 100% of the issued and outstanding shares of Yumy Bear Goods Inc. ("YBGI") and consequently operates the business of YBGI. Upon completion of the acquisition, the Company consolidated its common shares on the basis of one post-consolidation share for three pre-consolidation shares and changed its name from "Fire River Gold Corp." to "Yumy Bear Goods Inc." and its trading symbol to "YUMY" (Note 14). The transaction was accounted for as a Reverse Take Over Acquisition.

Subsequent to nine months ended October 31, 2021, the Company changed its name and symbol to "The Yumy Candy Company Inc." and "TYUM", respectively (Note 15).

2. GOING CONCERN

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern under International Financial Reporting Standards ("IFRS"). The use of these principles under IFRS assumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge its liabilities in the normal course of operations.

At October 31, 2021, the Company had cash of $1,544,124 (January 31, 2021 - $2,491,298) and working capital of $894,868 (January 31, 2021 - $567,621). During the nine months ended October 31, 2021, the Company generated revenue of $198,288 and has incurred net losses since inception and as at October 31, 2021 has a deficit of $4,512,644.

The above factors indicate material uncertainties, which may cast significant doubt about the Company's ability to continue as a going concern. 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. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company's own resources and external market conditions.

The ability of the Company to continue as a going concern is dependent on generating profitable operations, raising additional financing, and developing its products and services. The Company is not yet generating positive cash flows from operations. No assurance can be given that any such additional financing will be available, or that it can be obtained on terms favorable to the Company. Failure to obtain additional financing or generate profitable operations, results in material uncertainties that cast significant doubt as to the Company's ability to continue to operate as a going concern.

These condensed interim consolidated financial statements do not include any adjustments to the recoverability and classification of recorded assets amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. GOING CONCERN (CONTINUED)

Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which included the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruptions to business globally in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time. The impact of these factors on the Company is not yet determinable; however, the Company’s financial position, results of operations and cash flows in future periods may be materially affected.

3. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”). These condensed interim financial statements were approved by the board of directors on December 30, 2021.

(b) Basis of preparation

The condensed interim consolidated financial statements of the Company have been prepared on an accrual basis except for cash flow information and are based on historical costs, modified where applicable. These condensed interim consolidated financial statements are presented in Canadian dollars, which is also the Company’s functional currency. All values are rounded to the nearest dollar unless otherwise indicated.

The significant accounting policies set out in Note 4 have been applied consistently to the period presented.

(c) Basis of consolidation

These condensed interim consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control exists when the Company has power over an investee, exposure or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Company’s returns.

These consolidated financial statements include the financial statements of the Company and its significant subsidiaries listed in the table below:

Name	Country of Incorporation	% equity interest as at October 31, 2021
1295304 B.C. Ltd.	Canada	100%
Yumy Bear Goods (US) Inc.	USA	100%

3. BASIS OF PRESENTATION (CONTINUED)

(c) Basis of consolidation (continued)

All inter-company balances and transactions have been eliminated on consolidation.

The functional currency and reporting currency of the Company and its subsidiaries is the Canadian Dollar.

(d) Significant accounting estimates and judgements

<u>Significant estimates and assumptions</u>
The preparation of the consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting period include the fair value measurements for financial instruments, the recoverable amounts of cash generating units and estimates used in purchase price allocations.

Other significant estimates made by management affecting the consolidated financial statements include:

Income taxes
The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the success of the business operations. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

Incremental borrowing rate for leased assets
The discount rate used in the present value calculation for lease payments is the incremental borrowing rate for each leased asset or portfolio of leased assets with similar characteristics by reference to the Company's creditworthiness, the original term of the lease, the quality of the underlying leased asset, and the economic environment where the leased asset is located. The fair value of the finance lease obligations was determined using current borrowing rates for similar debt instruments.

3. BASIS OF PRESENTATION (CONTINUED)

(d) Significant accounting estimates and judgements (continued)

Significant estimates and assumptions (continued)

Share-based compensation
The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the fair value of the Company's common shares, expected life of the share option, forfeiture rate, volatility and dividend yield and making assumptions about them.

Business combinations
Judgement is required to determine if the Company's acquisitions represent a business combination or an asset purchase. More specifically, management concluded that the Company's acquisitions did not represent a business, as the assets acquired were not an integrated set of activities with inputs, processes and outputs. Since it was concluded that the acquisitions represented the purchase of assets, no goodwill was recognized on the transactions and acquisition costs were capitalized to the assets purchased rather than expensed. As the Company concluded that the acquisitions were asset acquisitions, an allocation of the purchase price to the individual identifiable assets acquired and liabilities assumed based on their fair values at the date of purchase was required. The fair values of the net assets acquired was calculated using significant estimates and judgments. If estimates or judgments differed, this could result in a materially different allocation of net assets on the consolidated statement of financial position.

Significant judgments
The preparation of consolidated financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's consolidated financial statements include the assessment of the Company's ability to continue as a going concern.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. All financial instruments are initially recorded at fair value, adjusted for directly attributable transaction costs. The Company determines each financial instrument's classification upon initial recognition. Measurement in subsequent periods depends on the financial instrument's classification.

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Financial instruments (continued)

Classification (continued)

instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The following table shows the classification of financial instruments under IFRS 9:

Financial assets/liabilities	**New classification IFRS 9**
Cash	FVTPL
Amounts receivable	Amortized cost
Accounts payable	Amortized cost
Loans payable	Amortized cost

Measurement

Financial assets at FVTOCI
Elected investments in equity investments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss). The Company has no financial assets classified as FVTOCI.

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. The Company's financial assets and liabilities at amortized cost include amounts receivable and accounts payable, respectively.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transactions costs expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are recorded in the statements of comprehensive loss in the period in which they arise. The Company has no financial assets and liabilities classified as FVTPL.

Impairment of financial assets at amortized cost

The Company recognized a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Financial instruments (continued)

Impairment of financial assets at amortized cost (continued)

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset's credit risk has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of comprehensive loss.

(b) Cash

Cash is comprised of cash held at major financial institutions and short-term investments which are readily convertible into a known amount of cash.

(c) Research and development

Research expenses are expensed in the period in which the costs are incurred. Development costs are capitalized as assets when all the recognition criteria set by IAS 38 - Intangible Assets are met. Development costs include purchases of materials and services and payroll-related costs of employees directly involved in the project.

(d) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Loss per share

Basic loss per share is calculated by dividing the net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees. The effects of anti-dilutive potential units are ignored in calculating diluted earnings per share. All options and warrants are considered anti-dilutive when the Company is in a loss position.

(f) Inventory

Inventory is carried at the lower of cost and net realizable value, which requires the Company to utilize estimates related to fluctuations in future retail prices, seasonality and costs necessary to sell the inventory, including the cost of ingredients, direct labor, and applicable overhead. The Company’s inventory is comprised of gummies and finished goods.

(g) Taxation

Deferred tax is provided for based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the reporting date.

(h) Share-based payments

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Revenue recognition

The Company derives its revenue from sale of products to customers. The Company recognizes revenue from the sale of products when persuasive evidence of a contractual arrangement exists, the products have been delivered to the customer, no significant vendor obligations remain outstanding, the price is fixed or determinable, and collectability is reasonably assured.

The Company operates a website where customers can purchase plant-based confectionaries. The Company's primary sources of revenue are sales made through its website, wholesale arrangements and sales made directly to restaurants and grocery stores.

(j) Cost of sales

Cost of sales includes all expenditures to purchase the products.

(k) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects. The warrant reserve records the fair value of the warrants issued for services until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital.

(l) Impairment of non-financial assets

The carrying amount of the Company's assets is reviewed for any indicators of impairment at the end of each reporting period. If an indication of impairment exists, the Company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets.

Recoverable amount of an asset group is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written-down to its recoverable amount. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leases

IFRS 16 replaced IAS 17. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease.

The Company adopted all of the requirements of IFRS 16 Leases ("IFRS 16") on incorporation at September 9, 2020. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use, with the exception of leases of low-value assets or leases with a term of 12 months or less, which are recognized on a straight-line basis as an expense. Each lease payment is allocated between the repayment of the lease liability and finance cost. The finance cost is charged to the statement of net income (loss) and comprehensive income (loss) over the lease period to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. Right-of-use assets and lease liabilities arising from a lease are initially measured on a present value basis (Note 10).

(n) Future accounting pronouncements

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

5. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, amounts receivable, accounts payable and loans payable. The carrying values of the financial instruments approximate fair value due to the short-term nature of these instruments. Fair value of financial assets and liabilities, information related to risk management positions and discussion of risks associated with financial assets and liabilities are presented as follows:

Fair value

IFRS 13 establishes a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1 quoted prices in active markets for identical assets or liabilities;
Level 2 inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and
Level 3 inputs for the asset or liability that are not based upon observable market data.

(Unaudited - Expressed in Canadian Dollars)

5. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's primary exposure to credit risk is in its cash accounts and amounts receivable. The Company manages credit risk, in respect of cash, by placing cash at major Canadian financial institutions.

The carrying amount of trade and other receivables as at October 31, 2021 was $88,708 (January 31, 2021 - $11,825). The Company performs ongoing credit reviews on its customers before concluding sales transactions.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due. The Company maintained cash at October 31, 2021 in the amount of $1,544,124 (January 31, 2021 - $2,491,298), in order to meet short-term business requirements. At October 31, 2021, the Company had accounts payable and accrued liabilities of $1,036,772 (January 31, 2021 - $35,502). All of the Company's financial liabilities have contractual maturities of less than 90 days. Liquidity risk is assessed as low.

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 income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital. As at October 31, 2021, the Company is not exposed to significant market risk.

6. AMOUNTS RECEIVABLE

		October 31, 2021		January 31, 2021
Trade receivable	$	57,564	$	-
GST recoverable		31,144		11,825
Total	**$**	**88,708**	**$**	**11,825**

7. INVENTORY

		October 31, 2021		January 31, 2021
Beginning	$	-	$	-
Purchases		246,152		-
Cost of sales		(192,061)		-
Write-off		(12,370)		
Ending	**$**	**41,721**	**$**	**-**

(Unaudited - Expressed in Canadian Dollars)

8. PREPAID EXPENSES

		October 31, 2021		January 31, 2021
Deposits to vendor	$	179,769	$	-
Filing fees		7,500		-
Insurance		1,809		-
Sales and marketing		9,962		-
Shareholder relations		13,765		-
Shipping and freight		36,076		-
Travel		23,580		-
Total	**$**	**272,461**	**$**	**-**

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		October 31, 2021		January 31, 2021
Trade payables (Note 12)	$	918,170	$	35,502
Accrued liabilities		90,822		-
Customer deposits		1,016		-
Payroll liabilities		4,609		-
Tax payables		392		-
Credit card and other payables		21,763		-
	$	**1,036,772**	**$**	**35,502**

10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

On May 15, 2021, the Company entered a lease agreement for warehouse use for a monthly lease payment of $650 over a period of two years. Under IFRS 16, the Company recognizes lease liabilities measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate. The Company's incremental borrowing rate applied to the lease liabilities was determined to be 12%. The Company recognized the value of right-of-use ("ROU") asset and lease liability on the consolidated statement of financial position.

Right-of-use asset:		
Present value of lease payments	$	13,808
Lease modification		14,685
Depreciation		(4,981)
Balance, October 31, 2021	**$**	**23,512**

Lease liability:		
Present value of lease payments	$	13,808
Lease modification		15,085
Cash payment		(6,300)
Accrued interest		1,184
Balance, October 31, 2021		**23,777**
Less: current portion		(15,374)
Non-current portion	**$**	**8,403**

10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

On August 15, 2021, the Company's usage of the warehouse increased, and in return monthly lease payment increased to $1,650 for the remaining period of the lease. During the nine months ended October 31, 2021, the Company recorded a loss on lease modification of $400 (2020 - $Nil).

11. CAPITAL STOCK

(a) Authorized

The Company has authorized an unlimited number of common shares with no par value.

On June 30, 2021, in connection with the completion of the reverse takeover transaction, the Company consolidated its common shares on the basis of one post-consolidation share for three pre-consolidation shares (Note 14). All shares figures have been retroactively adjusted to reflect share consolidation.

As at October 31, 2021, the Company had 27,488,132 (January 31, 2021 - 22,000,000) common shares outstanding.

(b) Issued and outstanding

During the nine months ended October 31, 2021:

On June 30, 2021, the Company issued 22,000,000 common shares as part of the reverse takeover transaction of YBGI (Note 14). Concurrently, the Company completed a private placement consisting of 2,053,328 common shares at a price of $1.50 per share for gross proceeds of $3,080,000.

During the period from September 9, 2020 (date of incorporation) to January 31, 2021:

On September 9, 2020, the date of incorporation, the Company issued 2,000,000 common shares at a price of $0.000001.

In October 2020, the Company issued an aggregate of 20,000,000 units at a price of $0.05 for gross proceeds of $1,000,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share of the Company for a period of 2 years at an exercise price of $0.05 per common share. The Company recognized $607,868 in share capital and $392,132 in warrant reserve. The Company also incurred share issuance costs of $100,000 relating to the issued units.

(c) Securities held in escrow

Following the completion of the reverse takeover transaction, 2,000,000 shares were held in escrow. As per agreement, 10% of the escrowed securities were released on the listing date and 15% will be released every six months thereafter over a 36-month period.

(Unaudited - Expressed in Canadian Dollars)

11. CAPITAL STOCK (continued)

(c) Securities held in escrow (continued)

As at October 31, 2021, 1,800,000 shares were held in escrow and will be released on each of the following dates:

Number of escrow shares	Date
300,000	December 30, 2021
300,000	June 30, 2022
300,000	December 30, 2022
300,000	June 30, 2023
300,000	December 30, 2023
300,000	June 30, 2024

(d) Shares to be issued

During the period ended from September 9, 2020 (date of incorporation) to January 31, 2021, the Company received share subscriptions of $1,900,000 in advance in connection to the concurrent private placement that was completed on July 1, 2021

(e) Share purchase warrants

On October 29, 2020, the Company issued 20,000,000 share purchase warrants pursuant to a private placement with a fair value of $392,132. Each warrant was exercisable into a common share of the Company for a period of 2 years at an exercise price of $0.05.

The fair value of the warrants issued were estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	October 29, 2020
Estimated risk-free rate	0.21%
Expected volatility	130.63%
Estimated annual dividend yield	0.00%
Expected life of warrants	2 years
Share price at issue date	$0.05
Forfeiture rate	0.00%

The expected volatility is based on historical prices of comparable companies within the same industry due to the lack of historical pricing information for the Company.

(Unaudited - Expressed in Canadian Dollars)

11. CAPITAL STOCK (continued)

(e) Share purchase warrants (continued)

Share purchase warrants outstanding as follows:

	Number of Warrants		Weighted Average Exercise Price
Outstanding as at September 9, 2020 (date of incorporation)	-	$	-
Issued	20,000,000		0.05
Outstanding as at January 31, 2021	**20,000,000**		**0.05**
Opening balance of Yumy Bear*	2,380,953		0.55
YBGI warrants cancelled (Note 14)	(20,000,000)		(0.05)
RTO replacement warrants (Note 14)	20,000,000		0.05
Outstanding as at October 31, 2021	**22,380,953**	**$**	**0.10**

*On June 30, 2021, the Company issued 20,000,000 replacement warrants to effect the reverse takeover acquisition of YBGI (Note 14). Each warrant is exercisable for common shares of the Company at an exercise price of $0.05 per share until October 29, 2022.

As at October 31, 2021, the Company had outstanding warrants, enabling the holders to acquire common shares as follows:

Expiry Date	Number of Warrants		Exercise Price	Weighted Average Remaining in Contractual Life, in Years
October 29, 2022	20,000,000	$	0.05	0.99
March 11, 2022	2,380,953		0.56	0.35
	22,380,953	$	0.10	0.92

12. RELATED PARTY TRANSACTIONS

Related parties and related party transactions are summarized below and include transactions with the following individuals or entities:

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers and companies owned by these individuals.

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12. RELATED PARTY TRANSACTIONS (continued)

Remuneration attributed to key management personnel is summarized as follows:

		Nine months ended October 31, 2021		Period from September 9, 2020 (date of incorporation) to January 31, 2021
Consulting fees	$	71,500	$	50,000
Management fees		37,550		-
Research and development		34,700		25,000
	$	**143,750**	**$**	**75,000**

As at October 31, 2021, the Company had $140,517 (January 31, 2021 - $25,000) owing to the directors of the Company, which is included in the accounts payable (Note 9). The amounts due to related parties are non-interest bearing, unsecured and had no fixed terms of repayment.

The above transactions were incurred in the normal course of operations and was carried out under normal market terms as agreed to by the related parties.

13. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company considers the items included in shareholders' equity as capital. The Company's primary source of capital comes from the issuance of capital stock.

The Company manages and adjusts its capital structure when changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek to additional funding through issuance of new shares or new debt. The Company may require additional capital resources to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required in the long-term but recognizes there will be risks involved that may be beyond its control. There were no changes to the Company's capital management approach during the nine months ended October 31, 2021.

14. REVERSE TAKEOVER ACQUISITION

On June 30, 2021, the Company completed a reverse takeover acquisition transaction whereby the Company acquired 100% of the issued and outstanding shares of Yumy Bear Goods Inc. ("YBGI") in exchange for an aggregate of 22,000,000 common shares (Note 11). In connection with the transaction, the Company consolidated its common shares on the basis of one post-consolidation share for three pre-consolidation shares and changed its name to "Yumy Bear Goods Inc." on June 30, 2021. The Company continued the business of YBGI, which is imports and sales of low sugar plant-based candy confectionaries.

Concurrently with the closing, the Company completed a share financing consisting of 2,053,328 common shares at a price of $1.50 per financing share for gross proceeds of $3,080,000 (Note 11).

The Company does not meet the definition of a business, therefore the transaction is outside of the scope of IFRS 3 *Business Combinations*. Instead, the transaction will be accounted for under IFRS 2 *Share-based Payment*. Under this basis of accounting, the consolidated entity is considered to

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14. REVERSE TAKEOVER ACQUISITION (continued)

be a continuation of YBGI with the net identifiable assets of the Company deemed to have been acquired by YBGI. The results of operations from the Company are included in the financial statements since the date of acquisition.

The following table summarizes the consideration paid and fair value of the identifiable assets acquired, and liabilities assumed as of the date of the acquisition:

Fair value of the consideration (3,434,804 shares at $0.42 per share)	$	1,442,619
Allocated as follows:		
Identified fair value of net assets:		
Cash	$	937,327
Trade and other payables		(961,698)
Loans payable*		(427,381)
Net liabilities assumed		(451,752)
Listing expense	**$**	**1,894,371**

*The Company assumed at the completion of reverse takeover transaction a $300,000 promissory note bearing an interest rate of 10% per annum, compounding annually and a $20,000 loan bearing an interest rate of 7% per annum owed to non-related parties. During the nine months ended October 31, 2021, all loans were repaid.

15. SUBSEQUENT EVENT

On December 30, 2021, the Company changed its name and symbol to “The Yumy Candy Company Inc.” and “TYUM”, respectively.