

**The Yummy Candy Company Inc. (formerly Yummy Bear Goods Inc.)**

**Condensed Interim Consolidated Financial Statements**

**For the six months ended July 31, 2022 and 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 Statements of Financial Position**  
**As at**  
**(Expressed in Canadian Dollars)**

	<b>July 31, 2022</b>	<b>January 31, 2022</b>
	(Unaudited)	(Audited)
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 26,633	\$ 639,001
Amounts receivable (Note 6)	109,400	85,403
Inventory (Note 7)	297,426	320,344
Prepaid expenses (Notes 8 and 13)	50,226	106,984
	483,685	1,151,732
<b>Total assets</b>	<b>\$ 483,685</b>	<b>\$ 1,151,732</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Notes 9 and 13)	\$ 1,275,519	\$ 1,184,532
Loans payable (Note 10)	86,000	-
Subscriptions received (Note 12)	86,000	-
	1,447,519	1,184,532
<b>Total liabilities</b>	<b>1,447,519</b>	<b>1,184,532</b>
<b>Shareholders' deficit</b>		
Share capital (Note 12)	8,740,089	8,740,089
Reserve (Note 12)	2,812,716	2,812,716
Deficit	(12,516,639)	(11,585,605)
<b>Total shareholders' deficit</b>	<b>(963,834)</b>	<b>(32,800)</b>
<b>Total liabilities and shareholders' deficit</b>	<b>\$ 483,685</b>	<b>\$ 1,151,732</b>

**Going concern** (Note 2)

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 Statements of Loss and Comprehensive Loss**  
**For the three and six months ended July 31, 2022 and 2021**  
**(Unaudited - Expressed in Canadian Dollars)**

	For the three months ended July 31, 2022	For the three months ended July 31, 2021	For the six months ended July 31, 2022	For the six months ended July 31, 2021
<b>Revenue</b>	\$ 169,871	\$ 54,558	\$ 367,323	\$ 78,617
<b>Cost of sales</b> (Note 7)	(128,379)	(39,659)	(266,992)	(48,832)
<b>Gross profit</b>	41,492	14,899	100,331	29,785
<b>Operating expenses</b>				
Accounting	25,488	8,000	30,488	8,000
Bank service charges	980	1,015	2,269	2,928
Consulting fees (Note 13)	81,600	74,431	158,100	115,931
Depreciation (Note 11)	-	1,438	-	1,438
General and administration	46,155	13,061	75,013	16,589
Interest expense	-	3,607	-	3,607
Legal fees	7,113	32,766	8,160	41,562
Management fees (Note 13)	14,100	-	28,200	18,000
Research and development (Note 13)	115,706	99,000	209,327	197,281
Sales and marketing	296,835	116,193	484,167	130,878
Rent (Note 13)	18,000	-	18,000	-
Transfer agent and filing fees	14,469	26,637	18,559	26,637
	(620,446)	(376,148)	(1,032,283)	(562,851)
<b>Operating loss</b>	<b>(578,954)</b>	<b>(361,249)</b>	<b>(931,952)</b>	<b>(533,066)</b>
<b>Other Items</b>				
Foreign exchange gain (loss)	834	(2,973)	918	(3,311)
Listing expense (Note 15)	-	(1,894,371)	-	(1,894,371)
	834	(1,897,344)	918	(1,897,682)
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (578,120)</b>	<b>\$ (2,258,593)</b>	<b>\$ (931,034)</b>	<b>\$ (2,430,748)</b>
<b>Loss per share – basic and diluted</b>	<b>\$ (0.02)</b>	<b>\$ (0.09)</b>	<b>\$ (0.03)</b>	<b>\$ (0.11)</b>
<b>Weighted average number of common shares outstanding</b>	<b>27,488,132</b>	<b>23,826,943</b>	<b>27,488,132</b>	<b>22,982,612</b>

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 Statements of Changes in Shareholders' Equity (Deficit)**  
**(Unaudited - Expressed in Canadian Dollars)**

	Share Capital				
	Number	Amount	Reserve	Deficit	Total
<b>Balance, January 31, 2021</b>	<b>22,000,000</b>	<b>\$ 507,870</b>	<b>\$ 392,132</b>	<b>\$ (332,381)</b>	<b>\$ 567,621</b>
Cancellation of YBGI shares (Note 12)	(22,000,000)	-	-	-	-
Yumy Bear common shares (post share consolidation) (Note 12)	3,434,804	-	-	-	-
Shares issued for reverse takeover transaction (Notes 12, 15)	22,000,000	1,442,619	-	-	1,442,619
Shares issued from private placement (Notes 12, 15)	2,053,328	3,080,000	-	-	3,080,000
Net loss for the period	-	-	-	(2,430,748)	(2,430,748)
<b>Balance, July 31, 2021</b>	<b>27,488,132</b>	<b>\$ 5,030,489</b>	<b>\$ 392,132</b>	<b>\$ (2,763,129)</b>	<b>\$ 2,659,492</b>
<b>Balance, January 31, 2022</b>	<b>27,488,132</b>	<b>\$ 8,740,089</b>	<b>\$ 2,812,716</b>	<b>\$ (11,585,605)</b>	<b>\$ (32,800)</b>
Net loss for the period	-	-	-	(931,034)	(931,034)
<b>Balance, July 31, 2022</b>	<b>27,488,132</b>	<b>\$ 8,740,089</b>	<b>\$ 2,812,716</b>	<b>\$ (12,516,639)</b>	<b>\$ (963,834)</b>

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 Statements of Cash Flows**

**For the three and six months ended July 31, 2022 and 2021**

**(Unaudited - Expressed in Canadian Dollars)**

	<b>For the three months ended July 31, 2022</b>	<b>For the three months ended July 31, 2021</b>	<b>For the six months ended July 31, 2022</b>	<b>For the six months ended July 31, 2021</b>
<b>Cash provided by (used in):</b>				
<b>Operating activities</b>				
Net loss for the period	\$ (578,120)	\$ (2,258,593)	\$ (931,034)	\$ (2,430,748)
Items not involving cash:				
Accretion on lease	-	399	-	399
Depreciation	-	1,438	-	1,438
Interest on loans	-	3,208	-	3,208
Listing expense	-	1,894,371	-	1,894,371
Unrealized foreign exchange (gain) loss	(809)	93	(967)	93
Change in working capital items:				
Amounts receivable	35,025	(14,752)	(23,997)	(12,840)
Inventory	(75,796)	(51,765)	22,918	(63,760)
Prepaid expense	44,924	(604,876)	56,758	(641,229)
Accounts payable and accrued liabilities	244,514	205,507	91,954	401,820
Net cash used in operating activities	(330,262)	(824,970)	(784,368)	(847,248)
<b>Investing activities</b>				
Cash acquired from reverse takeover acquisition	-	937,327	-	937,327
Purchase of lease asset	-	(1,950)	-	(1,950)
Net cash provided by investing activities	-	935,377	-	935,377
<b>Financing activities</b>				
Proceeds from issuance of shares	-	1,050,000	-	1,180,000
Proceeds from loans payable	86,000	-	86,000	-
Share subscriptions received	86,000	-	86,000	-
Net cash provided by financing activities	172,000	1,050,000	172,000	1,180,000
<b>Change in cash</b>	<b>(158,262)</b>	<b>1,160,407</b>	<b>(612,368)</b>	<b>1,268,129</b>
<b>Cash, beginning of period</b>	<b>184,895</b>	<b>2,599,020</b>	<b>639,001</b>	<b>2,491,298</b>
<b>Cash, end of period</b>	<b>\$ 26,633</b>	<b>\$ 3,759,427</b>	<b>\$ 26,633</b>	<b>\$ 3,759,427</b>

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

**The Yumy Candy Company Inc. (formerly Yumy Bear Goods Inc.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended July 31, 2022 and 2021**  
**(Unaudited - Expressed in Canadian Dollars)**

---

**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 2500, 700 West Georgia Street, Vancouver, British Columbia, V7Y 1B3. The Company was formerly an exploration stage company engaged in the acquisition of minerals properties. The Company’s common shares trade on the Canadian Securities Exchange (“CSE”).

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”. The transaction was accounted for as a reverse takeover transaction, and the Company now carries on the business of YBGI (Note 15).

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

**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 July 31, 2022, the Company had cash of \$26,633 (January 31, 2022 - \$639,001) and a working capital deficiency of \$963,834 (January 31, 2022 - \$32,800). During the six months ended July 31, 2022, the Company generated revenue of \$367,323 (2021 - \$78,617) and has incurred net losses since inception and as at July 31, 2022 has a deficit of \$12,516,639 (January 31, 2022 - \$11,585,605).

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 and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

**The Yumy Candy Company Inc. (formerly Yumy Bear Goods Inc.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended July 31, 2022 and 2021**  
**(Unaudited - Expressed in Canadian Dollars)**

---

**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 consolidated financial statements were approved by the board of directors on September 29, 2022.

(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 periods 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 condensed interim consolidated financial statements include the financial statements of the Company and its significant subsidiaries listed in the table below:

---

<b>Name</b>	<b>Country of Incorporation</b>	<b>% equity interest as at July 31, 2022</b>
1295304 B.C. Ltd.	Canada	100%
Yumy Bear Goods (US) Inc	USA	100%

---



**The Yumy Candy Company Inc. (formerly Yumy Bear Goods Inc.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended July 31, 2022 and 2021**  
**(Unaudited - Expressed in Canadian Dollars)**

---

**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 judgments

Significant estimates and assumptions

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.

*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.

**The Yumy Candy Company Inc. (formerly Yumy Bear Goods Inc.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended July 31, 2022 and 2021**  
**(Unaudited - Expressed in Canadian Dollars)**

---

**3. BASIS OF PRESENTATION (CONTINUED)**

(d) Significant accounting estimates and judgments (continued)

Significant estimates and assumptions (continued)

*Business combinations*

Judgment 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 transaction. 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 excess of the consideration paid over the fair value of the net liabilities assumed was recognized as listing expense in the consolidated statements of loss and comprehensive loss. The fair values of the net liabilities 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 and the amount recognized as listing expense in the consolidated statements of loss and comprehensive loss.

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 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 Yumy Candy Company Inc. (formerly Yumy Bear Goods Inc.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended July 31, 2022 and 2021**  
**(Unaudited - Expressed in Canadian Dollars)**

**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(a) Financial instruments (continued)

Classification (continued)

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

<b>Financial assets/liabilities</b>	<b>Classification IFRS 9</b>
Cash	FVTPL
Amounts receivable	Amortized cost
Accounts payable	Amortized cost
Loans payable	Amortized cost
Subscriptions received	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, accounts payable and subscription received, 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 consolidated statements of loss and 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 consolidated statements of loss and comprehensive loss in the period in which they arise. Cash is 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.

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 consolidated statements of loss and 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.

**The Yumy Candy Company Inc. (formerly Yumy Bear Goods Inc.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended July 31, 2022 and 2021**  
**(Unaudited - Expressed in Canadian Dollars)**

---

**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(a) Financial instruments (continued)

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 consolidated statements of loss and 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 consolidated statements of loss and 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

Expenditure on internally developed products is capitalized as an intangible asset if it can be demonstrated that:

- It is technically feasible to develop the product for it to be sold;
- Adequate resources are available to complete the development;
- There is an intention to complete and sell the product;
- The Company is able to sell the product;
- Sale of the product will generate future economic benefits; and
- Expenditure on the project can be measured reliably.

(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.

(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 anti-dilutive when the Company is in a loss position.

**The Yumy Candy Company Inc. (formerly Yumy Bear Goods Inc.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended July 31, 2022 and 2021**  
**(Unaudited - Expressed in Canadian Dollars)**

---

**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(f) Inventory

The Company values inventory at the lower of cost and net realizable value. Cost includes the costs of purchases net of vendor allowances plus other costs, such as transportation, that are directly incurred to bring the inventory to their present location and condition. The Company uses the weighted average method to determine the cost of inventory. The Company estimates net realizable value as the amount that inventory is expected to be sold while taking into consideration the estimated selling costs. Inventory are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, or declining market prices. When the circumstances that previously caused inventory to be written down below cost no longer exist or when there is apparent evidence of an increase in selling price then the amount of the write-down previously recorded is reversed. Storage costs, indirect administrative overhead, and certain selling costs related to inventory is expensed in the period incurred. The Company's inventory is comprised of gummies and finished goods.

(g) Taxation

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

Current tax is the expected tax payable on the taxable income for the reporting year, using tax rates enacted, or substantively enacted, at the end of the reporting year.

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.

**The Yumy Candy Company Inc. (formerly Yumy Bear Goods Inc.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended July 31, 2022 and 2021**  
**(Unaudited - Expressed in Canadian Dollars)**

---

**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(i) Revenue recognition

The Company has adopted all requirements of IFRS 15 Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 utilizes a methodical framework for entities to follow to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

The IFRS 15 model contains the following five-step contract-based analysis of transactions guiding revenue recognition:

1. Identify the contract with a customer;
2. Identify the performance obligation(s) in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligation(s) in the contract; and
5. Recognize revenue when or as the Company satisfies the performance obligation(s).

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.

Revenue comprises the fair value of consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of returns and discounts

(j) Cost of sales

Cost of sales includes all expenditures to purchase the products, and cost to bring the products to their current location.

(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

**The Yumy Candy Company Inc. (formerly Yumy Bear Goods Inc.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended July 31, 2022 and 2021**  
**(Unaudited - Expressed in Canadian Dollars)**

---

**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(l) Impairment of non-financial assets (continued)

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.

(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 consolidated statement of loss and comprehensive 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 11).

(n) Future accounting pronouncements

There are no other IFRS or International Reporting Interpretations that are not yet effective that are expected to have a material 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 subscription received. 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:

**The Yumy Candy Company Inc. (formerly Yumy Bear Goods Inc.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended July 31, 2022 and 2021**  
**(Unaudited - Expressed in Canadian Dollars)**

**5. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)**

**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.

Cash is measured using level 1 inputs.

**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 value of amounts receivable as at July 31, 2022 was \$109,400 (January 31, 2022 - \$85,403). Credit risk with respect amounts receivable is mitigated by the Company performing 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 July 31, 2022 in the amount of \$26,633 (January 31, 2022 - \$639,001), in order to meet short-term business requirements. At July 31, 2022, the Company had accounts payable and accrued liabilities of \$1,275,519 (January 31, 2022 - \$1,184,532). All of the Company's financial liabilities have contractual maturities of less than 90 days. Liquidity risk is assessed as high.

**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 July 31, 2022, the Company is not exposed to significant market risk.

**6. AMOUNTS RECEIVABLE**

		<b>July 31, 2022</b>		<b>January 31, 2022</b>
Trade receivable	\$	60,640	\$	43,966
GST recoverable		48,760		41,437
<b>Total</b>	<b>\$</b>	<b>109,400</b>	<b>\$</b>	<b>85,403</b>



**The Yumy Candy Company Inc. (formerly Yumy Bear Goods Inc.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended July 31, 2022 and 2021**  
**(Unaudited - Expressed in Canadian Dollars)**

**7. INVENTORY**

The Company's inventory is comprised of gummies and finished goods. The movement in inventory for the six months ended July 31, 2022 and year end January 31, 2022 is as follows:

		<b>July 31, 2022</b>		<b>January 31, 2022</b>
Beginning inventory	\$	320,344	\$	-
Purchases		244,074		749,080
Cost of sales		(266,992)		(416,366)
Write-off of obsolete inventory		-		(12,370)
<b>Ending inventory</b>	<b>\$</b>	<b>297,426</b>	<b>\$</b>	<b>320,344</b>

**8. PREPAID EXPENSES**

		<b>July 31, 2022</b>		<b>January 31, 2022</b>
Deposits to suppliers	\$	3,741	\$	58,626
Filing fees		7,056		7,278
Insurance		284		1,292
Sales and marketing		-		10,038
Legal		1,495		1,494
Shareholder relations		-		8,604
Rent (Note 13)		18,000		-
Travel		19,650		19,652
<b>Total</b>	<b>\$</b>	<b>50,226</b>	<b>\$</b>	<b>106,984</b>

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

		<b>July 31, 2022</b>		<b>January 31, 2022</b>
Trade payables (Note 13)	\$	1,187,005	\$	1,080,130
Accrued liabilities		70,198		80,151
Customer deposits		176		579
Payroll liabilities		557		1,169
Credit card and other payables		17,583		22,503
	<b>\$</b>	<b>1,275,519</b>	<b>\$</b>	<b>1,184,532</b>

**10. LOANS PAYABLE**

On June 1, 2022, the Company entered into a loan agreement with a principal of \$86,000 from non-related parties. The loan is non-interest bearing, unsecured and due on demand. The loan is outstanding as at July 31, 2022.

**11. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

On May 15, 2021, the Company entered into a warehouse lease agreement requiring a monthly lease payment of \$650 over a period of two years. The Company recognized a lease liability measured at the present value of the 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.

**The Yumy Candy Company Inc. (formerly Yumy Bear Goods Inc.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended July 31, 2022 and 2021**  
**(Unaudited - Expressed in Canadian Dollars)**

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

<b>Right-of-use asset:</b>	
Present value of lease payments	\$ 13,808
Lease modification	14,685
Depreciation	(5,632)
Lease termination	(22,861)
<b>Balance, January 31, 2022 and July 31, 2022</b>	<b>\$ -</b>
<b>Lease liability:</b>	
Present value of lease payments	\$ 13,808
Lease modification	15,085
Cash payments	(6,300)
Accrued interest	1,184
Lease termination	(23,777)
<b>Balance, January 31, 2022 and July 31, 2022</b>	<b>\$ -</b>

On August 15, 2021, the Company's usage of the warehouse increased and accordingly the lease was modified and required monthly lease payments of \$1,650 for the remaining period of the lease. During the year ended January 31, 2022, the Company recorded a loss on lease modification of \$400.

On November 15, 2021, the lease was terminated. During the year ended January 31, 2022, the Company recorded a gain on lease termination of \$916.

**12. 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 15). All shares figures have been retroactively adjusted to reflect share consolidation.

As at July 31, 2022, the Company had 27,488,132 (January 31, 2022 - 27,488,132) common shares outstanding.

(b) Issued and outstanding

On June 30, 2021, the Company issued 22,000,000 common shares as part of the reverse takeover transaction of YBGI (Note 15). 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.

No shares were issued during the six months ended July 31, 2022.

**The Yumy Candy Company Inc. (formerly Yumy Bear Goods Inc.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended July 31, 2022 and 2021**  
**(Unaudited - Expressed in Canadian Dollars)**

**12. CAPITAL STOCK (continued)**

(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.

As at July 31, 2022, 1,200,000 shares were held in escrow and will be released on each of the following dates:

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

(d) Shares to be issued

On June 1, 2022, the Company received share subscriptions of \$86,000 in advance in connection to the exercise of warrants at an exercise price of \$0.05 per share that has not been issued as at July 31, 2022.

(e) Reserves

The reserve records the fair value of warrants granted.

(f) 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.

**The Yumy Candy Company Inc. (formerly Yumy Bear Goods Inc.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended July 31, 2022 and 2021**  
**(Unaudited - Expressed in Canadian Dollars)**

**12. CAPITAL STOCK (continued)**

(f) Share purchase warrants (continued)

Share purchase warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
<b>Outstanding as at January 31, 2021</b>	<b>20,000,000</b>	<b>\$ 0.05</b>
Opening balance of Yumy Bear*	2,380,953	0.55
YBGI warrants cancelled (Note 15)*	(20,000,000)	(0.05)
RTO replacement warrants (Note 15)	20,000,000	0.05
<b>Outstanding as at January 31, 2022</b>	<b>22,380,953</b>	<b>0.10</b>
Expired	(2,380,953)	0.55
<b>Outstanding as at July 31, 2022</b>	<b>20,000,000</b>	<b>\$ 0.05</b>

\*On June 30, 2021, the Company issued 20,000,000 replacement warrants to affect the reverse takeover acquisition of YBGI. Each warrant is exercisable for common shares of the Company at an exercise price of \$0.05 per share until October 29, 2022. The Company also assumed 2,380,953 outstanding warrants of Yumy Bear issued before the RTO transaction (Note 15).

As at July 31, 2022, 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	0.25

**13. 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.

Remuneration attributed to key management personnel is summarized as follows:

	Six months ended July 31, 2022	Six months ended July 31, 2021
Consulting fees	\$ 63,000	\$ 41,500
Management fees	28,200	18,000
Research and development	16,800	28,500
Rent	18,000	-
	<b>\$ 126,000</b>	<b>\$ 88,000</b>

**The Yumy Candy Company Inc. (formerly Yumy Bear Goods Inc.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended July 31, 2022 and 2021**  
**(Unaudited - Expressed in Canadian Dollars)**

---

**13. RELATED PARTY TRANSACTIONS (continued)**

As at July 31, 2022, the Company had \$187,567 (January 31, 2022 - \$133,964) owing to the directors of the Company, which is included in the trade payable (Note 9). The amounts due to related parties are non-interest bearing, unsecured and had no fixed terms of repayment.

As at July 31, 2022, \$18,000 (2021 - \$Nil) was included in prepaid expenses to a director of the Company for rent expense (Note 8).

**14. 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 six months ended July 31, 2022.

**15. 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 12). 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 sells 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 12).

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 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 consolidated financial statements since the date of acquisition.

**The Yumy Candy Company Inc. (formerly Yumy Bear Goods Inc.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended July 31, 2022 and 2021**  
**(Unaudited - Expressed in Canadian Dollars)**

**15. REVERSE TAKEOVER ACQUISITION (continued)**

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 \$1.5 per share)*	\$	5,152,219
Fair value of warrants assumed (2,380,593 warrants at \$1.02 per warrant)*		2,420,584
<b>Total consideration</b>		<b>7,572,803</b>
Allocated as follows:		
Identified fair value of net assets:		
Cash	\$	937,327
Trade and other payables		(961,698)
Loans payable*		(427,381)
<b>Net liabilities assumed</b>		<b>(451,752)</b>
<b>Listing expense</b>	<b>\$</b>	<b>8,024,555</b>

\*The fair value of the 3,434,804 shares issued for the transaction were estimated to be \$1.5 per share using the price of the concurrent private placement (Note 12).

\*The fair value of the assumed warrants of 2,380,593 was estimated using the Black Sholes Option Pricing Model (share price at issue date of \$1.5; estimated risk-free rate of 0.44%; estimated annual yield of 0%; expected life of 0.7 years; expected volatility of 121.61%; and forfeiture rate of 0%)

\*The Company assumed at the completion of reverse takeover transaction a \$300,000 promissory note bearing interest at 10% per annum, compounding annually and a \$20,000 loan bearing at 7% per annum owed to arm's length parties. During the year ended January 31, 2022, the total outstanding balance of \$427,381, including accrued interest of \$107,381 was repaid.