



BILLY GOAT
BRANDS

Billy Goat Brands Ltd.

Condensed Interim Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Unaudited, expressed in Canadian Dollars)

Billy Goat Brands Ltd.
Condensed Interim Statement of Financial Position
(Unaudited, expressed in Canadian Dollars)

	September 30, 2021	December 31, 2020 (Audited)
ASSETS		
Current		
Cash	\$ 3,166,555	\$ 409,966
Loan receivable (Note 5)	200,000	-
Prepaid expenses (Note 6)	1,104,364	-
	4,470,919	409,966
Investments (Notes 4 and 8)	7,451,682	-
TOTAL ASSETS	\$ 11,922,601	\$ 409,966
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 62,987	\$ 33,483
	62,987	33,483
Derivative liability (Note 4)	976,000	-
TOTAL LIABILITIES	1,038,987	33,483
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	15,367,466	20,000
Reserves (Note 7)	701,042	393,500
Deficit	(5,184,894)	(37,017)
TOTAL SHAREHOLDERS' EQUITY	10,883,614	376,483
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 11,922,601	\$ 409,966

Nature of operations and going concern (Note 1)
Subsequent events (Note 10)

Approved and authorized for issuance on behalf of the Board on November 29, 2021.

"Kris Dahl", Director

"Kerry Biggs", Director

(The accompanying notes are an integral part of these condensed interim financial statements)

Billy Goat Brands Ltd.
Condensed Interim Statement of Loss and Comprehensive Loss
(Unaudited, expressed in Canadian Dollars)

	Three Months ended September 30, 2021	Three Months ended September 30, 2020	Nine Months ended September 30, 2021	Nine Months ended September 30, 2020
Operating Expenses				
Advertising and promotions	\$ 230,781	\$ -	\$ 294,185	-
Management fees (Note 8)	64,750	-	124,750	-
Office and miscellaneous	53,546	-	98,925	-
Professional fees	183,044	-	566,201	-
Share based compensation (Note 7)	-	-	1,611,537	-
Consulting fees (Note 8)	496,152	-	941,437	-
Transfer agent and filing fees	13,163	-	125,960	-
Transaction costs (Note 4)	255,000	-	425,000	-
Loss before other income (loss)	\$ 1,296,436	\$ -	\$ 4,187,995	-
Other income (loss)				
Impairment of investments (Note 4)	-	-	(1,285,132)	-
Interest income (Note 4)	28,674	-	48,408	-
Gain (loss) on investments (Note 4)	(607,908)	-	1,250,000	-
Gain on settlement of debt (Note 7)	2,842	-	2,842	-
Loss on derivative liability (Note 4)	(976,000)	-	(976,000)	-
Net Loss and Comprehensive Loss for the Period	\$ 2,848,828	\$ -	\$ 5,147,877	-
Net Loss per Share, Basic and Diluted	\$ (0.04)	\$ -	\$ (0.12)	-
Weighted Average Number of Shares Outstanding	76,960,290	-	43,749,079	-

(The accompanying notes are an integral part of these condensed interim financial statements)

Billy Goat Brands Ltd.
Condensed Interim Statements of Changes in Equity
(Unaudited, expressed in Canadian Dollars)

	Share Capital	Amount	Reserves	Deficit	Total
Incorporation on September 22, 2020	2 \$	- \$	- \$	- \$	-
Net and comprehensive loss for the period	-	-	-	-	-
Balance, September 30, 2020	2 \$	- \$	- \$	- \$	-
Balance, December 31, 2020	4,000,002 \$	20,000 \$	393,500 \$	(37,017) \$	376,483
Shares issued for private placement, net of issue cost	35,658,500	5,303,412	9,071	-	5,312,483
Shares issued for investment, net of issue cost	25,312,404	3,028,761	335,572	-	3,364,333
Shares issued on exercise of options	5,500,000	1,375,851	(1,265,851)	-	110,000
Shares issued on exercise of warrants	330,000	33,000	-	-	33,000
Special warrants issued	29,180,000	5,047,122	(382,787)	-	4,664,335
Shares issued to settle debt	2,059,433	559,320	-	-	559,320
Share based compensation	-	-	1,611,537	-	1,611,537
Net and comprehensive loss for the period	-	-	-	(5,147,877)	(5,147,877)
Balance, September 30, 2021	102,040,339 \$	15,367,466 \$	701,042 \$	(5,184,894) \$	10,883,614

(The accompanying notes are an integral part of these condensed interim financial statements)

Billy Goat Brands Ltd.
Condensed Interim Statement of Cash Flows
(Unaudited, expressed in Canadian Dollars)

	Nine months ended September 30, 2021	Period from incorporation on September 22, 2020 to September 30, 2020
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss for the period	\$ (5,147,877)	\$ -
Items not affecting cash:		
Share based compensation	1,611,537	-
Impairment of investments	1,285,132	-
Interest income	(48,368)	-
Transaction costs	425,000	-
Gain on investments	(1,250,000)	-
Gain on settlement of debt	(2,842)	-
Loss on derivative liability	976,000	-
Changes in non-cash working capital:		
Prepaid expenses	(1,104,364)	-
Accounts payable and accrued liabilities	318,541	-
	(2,937,241)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	5,376,125	-
Equity issuance costs	(151,807)	-
Special warrants exercised	4,752,500	-
Warrants exercised	33,000	-
Options exercised	110,000	-
	10,119,818	-
CASH FLOWS USED IN INVESTING ACTIVITIES		
Loans receivable	(200,000)	-
Investment in Sophie's Kitchen	(3,725,987)	-
Investment in Evanesce	(150,001)	-
Investment in Vegetarian Butcher	(350,000)	-
	(4,425,988)	-
NET CHANGE IN CASH	2,756,589	-
CASH - beginning of period	409,966	-
CASH - end of period	\$ 3,166,555	\$ -
Supplemental cash flow information		
Interest paid	\$ -	\$ -
Income taxes paid	-	-
Common shares issued for Funguys investment	2,199,560	-
Common shares issued to settle debt	286,195	-
Common shares issued for Sophie	677,326	-
Warrants issued for Funguys investment	335,572	-
Finders warrants issued	19,784	-

(The accompanying notes are an integral part of these condensed interim financial statements)

Billy Goat Brands Ltd.
Notes to the Condensed Interim Financial Statements
For the Three and Nine Months Ended September 30, 2021 and
Period from Incorporation on September 22, 2020 to December 31, 2020
(Unaudited, expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

Billy Goat Brands Ltd. (the “Company” or “Billy”) is an investment holding firm focused on investments and acquisition of assets in the functional foods, plant-based proteins and health and wellness space. The Company was formed on September 22, 2020 under the Business Corporations Act in Province of British Columbia, Canada. On January 5, 2021, the Company changed its name from 1266663 B.C. Ltd. to Billy Goat Brands Ltd.

These condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to continue its operation as a going concern for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. At September 30, 2021, the Company had not achieved profitable operations, had an accumulated deficit of \$5,184,894 (December 31, 2020 - \$37,017) and expects to incur further losses in the development of its business. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern. These condensed interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

Although the Company has been successful in the past in obtaining financing, there can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations.

During 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus (“COVID-19”) as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Company in future periods.

2. Basis of Presentation

a) Statement of Compliance and Presentation

These condensed interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB have been condensed or omitted and therefore, these condensed interim financial statements should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2020.

These condensed interim financial statements have been prepared on a historical cost basis, except for certain financial instruments. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

b) Functional and Presentation Currency

The presentation and functional currency of the Company is the Canadian dollar. All amounts in these condensed interim financial statements are expressed in Canadian dollars, unless otherwise indicated.

Billy Goat Brands Ltd.
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Period from Incorporation on September 22, 2020 to December 31, 2020
(Unaudited, expressed in Canadian Dollars)

2. Basis of Presentation (continued)

c) Significant Accounting Judgment and Estimates

The preparation of these condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. Estimates and assumptions are pervasive throughout the financial statements and are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and future periods impacted.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the condensed interim statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i. Going Concern

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

ii. Investment entity

Management has applied judgement in determining whether the Company meets the criteria required under IFRS 10, in order to be classified as an investment entity.

iii. Investments

Where the fair values of investments in private companies recorded on the condensed interim statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair value.

iv. Loans receivable

The Company recognizes 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 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 profit or 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.

3. Significant Accounting Policies

The accounting policies applied by the Company in these condensed interim financial statements are the same as those applied by the Company as at and for the period ended December 31, 2020 other than stated below.

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Period from Incorporation on September 22, 2020 to December 31, 2020
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3. Significant Accounting Policies (continued)

Functional Currency

All figures presented in the condensed interim financial statements are reflected in Canadian dollars;

Foreign currency transactions are translated to the respective functional currencies of the Company's entities at the exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the foreign exchange rate applicable at the condensed interim statement of financial position date. Non-monetary items carried at historical cost denominated in foreign currencies are translated to the functional currency at the date of the transactions. Non-monetary items carried at fair value denominated in foreign currencies are translated to the functional currency at the date when the fair value was determined. Realized and unrealized exchange gains and losses are recognized through profit and loss.

4. Investments

At September 30, 2021, the Company held the following investments:

	Number of Shares		Cost		Fair Value
Private Companies					
Vegetarian Butcher Inc.	1,842,105	\$	350,000	\$	350,000
Funguys Beverage Inc.	100		2,535,132		1,250,000
Sophie's Kitchen	1,531,751		1,889,850		1,889,850
Evanesce Packaging Solutions Inc.	41,667		150,001		119,001
Credit Facility					
Sophie's Kitchen		\$	2,561,831	\$	2,561,831
Warrants					
Sophie's Kitchen			-	\$	1,250,000
Evanesce Packaging Solutions Inc.			-		31,000
		\$	7,486,814	\$	7,451,682

At December 31, 2020, the Company held \$Nil investments.

The fair value of the derivative instruments as at acquisition and as of September 30, 2021 was determined using the Black-Scholes option pricing model and Monte Carlo simulation with the following inputs:

	Volatility factor	Risk-free interest rate	Expected life (years)	Expected dividend yield	Share price
Sophie's Kitchen	55%	1.52%	9.46	0%	US\$1.20
Evanesce Packaging Solutions Inc.	100%	0.40%	1	0%	\$3.90

Funguys Beverage Inc.

On February 8, 2021, the Company acquired all of the issued and outstanding common shares of Funguys Beverage Inc. ("Funguys") for 21,995,600 common shares of the Company at a price of \$0.10 per share and 10,997,800 warrants at an exercise price of \$0.25, exercisable for a period of twenty-four months following the closing date. The acquisition constitutes a related party transaction (see note 8). The consideration for acquiring all of the issued and outstanding common shares of Funguys consists of the issuance of the Company's common shares with a cost base of \$2,199,560 and a value of the warrants of \$335,572 for a total cost base of \$2,535,132.

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Period from Incorporation on September 22, 2020 to December 31, 2020
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4. Investments (continued)

The fair value of the warrants was estimated to be \$335,572 using the Black-Scholes option pricing model with the following assumptions: term - 2 years; expected volatility - 100%; risk-free rate - 0.18%; and expected dividends – zero. Funguys' principal business is the development of mushroom infused cold coffee drinks. During the period ended September 30, 2021, an independent third-party valuation was performed and deemed the fair value of the entire holdings of Funguys to be \$1,250,000, with a resulting impairment on investments of \$1,285,132.

Vegetarian Butcher Inc.

On February 10, 2021, the Company acquired 1,842,105 common shares of The Vegetarian Butcher Inc. ("Vegetarian"), for a 12.4% ownership of Vegetarian, at \$0.19 per share for a total of \$350,000. The Company issued 200,000 finders' common shares in connection with the purchase of Vegetarian common shares at a value of \$0.25 per share (see note 7).

Sophie's Kitchen, Inc.

On February 8, 2021, the Company entered into a loan agreement where the Company agreed to loan CAD\$614,673 (US\$500,000) at the rate of 6% interest per annum with a maturity date of June 30, 2022 to Sophie's Kitchen, Inc. ("Sophie's Kitchen"). The loan is to be used for general working capital purposes in connection with the development and expansion of the existing operations of Sophie's Kitchen.

On March 15, 2021, the Company entered into a credit facility agreement with Sophie's Kitchen to establish a credit facility in the principal amount of USD\$3,000,000 (the "SF Credit Facility") at the rate of 6% interests per annum with a maturity date 12 months after closing. The SF Credit Facility permits short term loans for general working capital purposes of Sophie's Kitchen. The maximum monthly draw from the SF Credit Facility is USD\$500,000.

These loan proceeds can be converted to Sophie's Kitchen common equity at any time prior to the maturity date at the option of the Company at a pre-determined valuation. In any event, the loan has a mandatory conversion provision into Sophie's Kitchen common equity at the maturity date. The initial loan on February 8, 2021 was converted into this SF Credit Facility as the first drawdown.

The Company received share purchase warrants entitling the Company to acquire additional common shares of Sophie's Kitchen with a value of USD\$1,500,000 based on a twenty percent discount from the post-subscription valuation of Sophie's Kitchen immediately prior to a public listing of Sophie's Kitchen. These warrants can be converted to Sophie's Kitchen common equity at any time prior to the warrant maturity date of March 15, 2031. The Company also has a share subscription option at a predetermined valuation, to acquire additional common shares of Sophie's Kitchen with a value of USD\$2,400,000, less the accrued interest. Sophie's Kitchen has the option to cause the Company to acquire additional Sophie's Kitchen shares valued at USD\$2,000,000, less accrued interest ("Sophie's Kitchen Option"). The consideration paid by the Company for the Sophie's Kitchen Option will be in the form of common shares of the Company based on a price of \$0.25 per share. In connection with the Sophie's Kitchen Option, the Company recognized a derivative liability for \$976,000 (December 31, 2020 - \$Nil).

On July 7, 2021, the Company acquired 1,531,751 Sophie's Kitchen shares. In consideration for the Sophie's Kitchen shares acquired, the Company made cash payments of \$1,212,524 and issued 2,709,304 common shares. The cost of the investment in Sophie's Kitchen was valued at \$1,889,850.

The Company issued 1,500,000 finders' common shares in connection with the SF Credit Facility at a value of \$0.25 per share (Note 7).

For the nine-month period ended September 30, 2021, drawdowns of \$2,513,462 (December 31, 2020 - \$Nil) were made as per the SF Credit Facility. As at September 30, 2021, \$2,561,831 (December 31, 2020 - \$Nil) was outstanding which includes interest accrual of \$48,368 (December 31, 2020 - \$Nil). This has been classified as an investment.

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Period from Incorporation on September 22, 2020 to December 31, 2020
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4. Investments (continued)

Evanesce Packaging Solutions Inc.

On August 13, 2021, the Company subscribed for 41,667 units at \$3.60 per unit of Evanescence Packaging Solutions Inc. Each unit consists of one common share of Evanescence Packaging Solutions Inc. and one-half common share purchase warrant. Each whole warrant entitles the Company to purchase one additional common share for a period of two years at a price of \$3.90 if exercised in the first twelve months following issuance or \$4.80 if exercised after twelve months following issuance. The fair value of the units was allocated to the shares and warrants using the Black-Scholes option pricing model with the inputs described above.

5. Loan Receivable

During the period ended September 30, 2021, the Company loaned Funguys an aggregate of \$200,000 for working capital purposes. The loan accrues zero-interest and is repayable on demand. At December 31, 2020, the Company had loans receivable of \$Nil.

6. Prepaids

At September 30, 2021, the Company had following prepaid expenses:

Types of services	Amount
Marketing	\$ 771,913
Corporate services	9,371
Consulting	316,668
Computer software	6,412
	\$ 1,104,364

At December 31, 2020, the Company had prepaids of \$Nil.

7. Share Capital

Authorized

Unlimited common shares without par value.

Share Capital

During the period ended September 30, 2021, the Company had the following transactions that resulted in the issuance of its common shares:

On January 28, 2021, the Company issued 3,750,000 common shares at \$0.10 per share for proceeds of \$375,000 pursuant to the first tranche of a non-brokered private placement.

On February 8, 2021, the Company entered into a share purchase agreement with Funguys Beverage Inc. (“Funguys”). The Company acquired all of the issued and outstanding common shares of Funguys for 21,995,600 common shares of the Company at a price of \$0.10 per share and 10,997,800 warrants at an exercise price of \$0.25, exercisable for a period of twenty-four months following the closing date. Funguys’ principal business is the development of mushroom infused cold coffee drinks.

On February 26, 2021, the Company issued 19,840,000 common shares at \$0.10 per share for proceeds of \$1,984,000 pursuant to the second tranche of the January 28, 2021 non-brokered private placement.

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Notes to the Condensed Interim Financial Statements
For the Three and Nine Months Ended September 30, 2021 and
Period from Incorporation on September 22, 2020 to December 31, 2020
(Unaudited, expressed in Canadian Dollars)

7. Share Capital (continued)

On March 29, 2021, the Company completed a private placement of 2,600,000 units at \$0.25 per unit for gross proceeds of \$650,000, with each unit comprising of one common share and one-half-of-one common share purchase warrant. Each whole warrant entitling the holder to purchase one additional common share of the Company at a price of \$0.50 per share purchase warrant share for a period of twenty-four months from the date of issue.

On April 26, 2021, the Company issued 9,468,500 Units at \$0.25 per share for proceeds of \$2,367,125 pursuant to the non-brokered private placement. Each Unit is comprised of one common share and one-half of one transferable common share purchase warrant (each whole warrant being a “Warrant”), each Warrant entitles the holder to acquire one additional common share of the Company at a price of \$0.50 for a period of two years from the date of issuance.

In connection with the above private placements, 102,000 finders’ warrants with the same terms were issued and \$63,642 cash was paid in connection to the private placement.

On April 26, 2021, the Company issued 380,233 Units at \$0.25 per share with a fair value of \$95,058 to settle \$95,058 of accounts payable owed to related parties (see Note 8). Each Unit is comprised of one common share and one-half of one transferable common share purchase warrant (each whole warrant being a “Warrant”), each Warrant entitles the holder to acquire one additional common share of the Company at a price of \$0.50 for a period of two years from the date of issuance.

On July 7, 2021, the Company entered into a share purchase agreement with Sophie’s Kitchen. The Company acquired 1,347,336 common shares of Sophie for cash payments of \$1,212,524 and 1,616,804 common shares of the Company at a price of \$0.25 per share. The Company issued finders shares of 1,700,000 at \$0.25 per share with fair value of \$425,000 in connection to the transaction.

On July 7, 2021, the Company issued 1,275,000 shares at \$0.25 per share with a fair value of \$318,750 to settle \$265,004 in payables to various consultants. Pursuant to the settlement of payables, the Company recorded loss on settlement of debt of \$53,746.

On September 22, 2021, the Company issued 404,200 shares at \$0.36 per share with a fair value of \$145,512 to settle \$202,100 in payables to various consultants. Pursuant to the settlement of payables, the Company recorded gain on settlement of debt of \$56,588.

During the nine months ended September 30, 2021, the Company issued 5,500,000 shares for \$110,000 upon the exercise of options.

During the nine months ended September 30, 2021, the Company issued 330,000 shares for \$33,000 upon the exercise of warrants.

During the year ended December 31, 2020, the Company had the following transactions that resulted in the issuance of its common shares:

On incorporation, the Company issued 2 incorporation shares at \$0.005 per share.

On October 9, 2020, the Company issued 4,000,000 common shares for gross proceeds of \$20,000 pursuant to a non-brokered private placement.

Stock options – Directors, Officers, Employees and Consultants

The Company adopted a stock option plan and may from time-to-time grant to directors, officers, employees and consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares, exercisable for a period of up to five years from the date of grant.

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Period from Incorporation on September 22, 2020 to December 31, 2020
(Unaudited, expressed in Canadian Dollars)

7. Share Capital (continued)

The continuity for stock options granted to directors, officers, employees and consultants of the Company for the period ended September 30, 2021 is as follows:

Grant Date	Expiry date	Number of options	Exercise price
May 7, 2021	May 7, 2026	5,350,000	\$ 0.25
May 7, 2021	May 7, 2026	275,000	0.50
Balance at September 30, 2021		5,625,000	\$ 0.14

	Number of options	Weighted average exercise price
		\$
Balance at December 31, 2020	-	-
Options granted	11,125,000	0.14
Options exercised	(5,500,000)	0.02
Balance at September 30, 2021	5,625,000	0.26
Vested and Exercisable	1,875,000	0.26
Unvested	3,764,583	0.26

As at September 30, 2021, the stock options have a weighted average remaining contractual life of 4.60 years (December 31, 2020 – Nil years). For the period ended September 30, 2021, the weighted average share price for options exercised was \$0.25 per share (December 31, 2020 – Nil).

On February 19, 2021, the Company granted 5,000,000 stock options to an arms-length consultant for business development and advisory services which vested immediately with an exercise price of \$0.02 per share expiring on February 19, 2022. The fair value of the stock options was estimated to be \$1,150,805 using the Black-Scholes option pricing model with the following assumptions: term - 1 years; expected volatility - 100%; risk-free rate - 0.22%; and expected dividends - zero.

On February 23, 2021, the Company granted 500,000 stock options to an arms-length consultant for business development and advisory services which vested immediately with an exercise price of \$0.02 per share expiring on December 31, 2021. The fair value of the stock options was estimated to be \$115,047 using the Black-Scholes option pricing model with the following assumptions: term – 0.85 years; expected volatility - 100%; risk-free rate - 0.22%; and expected dividends - zero.

On May 7, 2021, the Company granted 5,350,000 stock options with an exercise price of \$0.25 per share and 275,000 stock options with an exercise price of \$0.50 expiring on May 7, 2026. One third of the stock options vest on the grant, one third vesting six months after the date of grant and the remaining one third to vest twelve months after the date of grant. The fair value of the stock options was estimated to be \$1,037,052 for the full vesting period of the options, with a current period charge of \$345,684. The Black-Scholes option pricing model was used with the following assumptions: term – 5 years, expected volatility – 100%, risk free rate 0.87% and expected dividends – zero.

Special Warrants

On December 4, 2020, the Company issued 19,675,000 special warrants of the Company at a price of \$0.02 per special warrant for gross proceeds of \$393,500. Each special warrant is convertible into units for no additional consideration with each unit consisting of one common share of the Company and one common share purchase warrant with each warrant entitling the holder thereof to purchase one additional share of the Company at a price of \$0.10 per share for a period of twenty-four months from the date of issuance of the warrants. During the period ended September 30, 2021, all outstanding special warrants have been converted into Units of the Company.

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7. Share Capital (continued)

On May 18, 2021, the Company issued 9,505,000 special warrants of the Company at a price of \$0.50 per special warrant for gross proceeds of \$4,752,500. On the Automatic Exercise Date, each \$0.50 special warrant shall be automatically exercised for one unit of the Company without payment of any additional consideration and without further action on the part of the holder. Each unit related to the \$0.50 special warrants will consist of one common share and one half of one (1/2) warrant entitling the holder thereof to purchase one additional warrant share at a price of \$1.00 per warrant share until May 18, 2023. The Company issued 137,830 finders warrants with the same terms and 38,500 finders warrants with an exercise price of \$0.50 per share and the same expiry date. The Company paid cash finders' fees of \$63,642 in connection with the issuance of the special warrants. During the period ended September 30, 2021, all outstanding special warrants have been converted into Units of the Company.

Finders' Warrants

The continuity for finders' warrants for the period ended September 30, 2021 is as follows:

	Number of warrants	Weighted average exercise price
		\$
Balance at December 31, 2020	-	-
Finders' warrants issued	278,330	0.75
Balance at September 30, 2021	278,330	0.75

On March 29, 2021, the Company issued 102,000 finders' warrants with an exercise price of \$0.50 per share expiring on March 29, 2023 to various parties in connection with the completed private placement. The fair value of the finders' warrants was estimated to be \$9,071 using the Black-Scholes option pricing model with the following assumptions: term - 2 years; expected volatility - 100%; risk-free rate - 0.23%; and expected dividends - zero.

On May 18, 2021, the Company issued 137,830 finder's warrants with an exercise price of \$1.00 per share and 38,500 finder's warrants with an exercise price of \$0.50 per share expiring on May 18, 2023 in connection to the special warrants issued. The fair value of the finder's warrants was estimated to be \$10,713 using the Black-Scholes option pricing model with the following assumptions: term - 2 years; expected volatility - 100%; risk-free rate - 0.51%; and expected dividends - zero.

Warrants

The continuity for warrants for the period ended September 30, 2021 is as follows:

	Number of warrants	Weighted average exercise price
		\$
Balance at December 31, 2020	-	-
Warrants issued	41,649,666	0.30
Warrants exercised	(330,000)	0.10
Balance at September 30, 2021	41,597,996	0.30

On February 8, 2021, the Company issued 10,997,800 warrants at an exercise price of \$0.25, exercisable for a period of twenty-four months following the closing date pursuant to the Funguys Beverage Inc. share purchase agreement. The fair value of the warrants was estimated to be \$94,198 using the Black-Scholes option pricing model with the following assumptions: term - 2 years; expected volatility - 100%; risk-free rate - 0.18%; and expected dividends - zero.

On March 29, 2021, the Company issued 1,300,000 warrants with an exercise price of \$0.50 per share expiring on March 29, 2023 pursuant to the completed private placement. Pursuant to issuance of warrants, \$Nil value was assigned using residual value method.

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7. Share Capital (continued)

On April 26, 2021, the Company issued 4,924,366 warrants with an exercise price of \$0.50 per share expiring on April 26, 2023 pursuant to the completed private placement. Pursuant to issuance of warrants, \$Nil value was assigned using residual value method.

On December 4, 2021, the Company issued 19,675,000 warrants with an exercise price of \$0.10 per share expiring on December 4, 2022 pursuant to the special warrant issuances. Pursuant to issuance of warrants, \$Nil value was assigned using residual value method.

On May 18, 2021, the Company issued 4,752,500 warrants with an exercise price of \$1.00 per share expiring on May 18, 2023 pursuant to the special warrant issuances. Pursuant to issuance of warrants, \$Nil value was assigned using residual value method.

8. Related Party Disclosures

The Company's related parties consist of its key management personnel, including its directors and officers.

During the normal course of business, the Company enters into transactions with its related parties at normal market prices and on normal commercial terms.

	September 30, 2021	September 30, 2020
	\$	\$
Management fees paid/accrued to companies controlled by directors of the Company	126,661	-
Consulting fees paid/accrued to companies controlled by directors of the Company	160,000	-
	286,661	-

As at September 30, 2021, \$10,500 is due to related parties (December 31, 2020 - \$33,483). All balances are unsecured, non-interest bearing, and are due on demand

During the period ended September 30, 2021, the Company issued 380,233 Units at \$0.25 per share with a fair value of \$95,058 to settle \$95,058 of accounts payable owed to related parties for consulting and management fees.

During the period ended September 30, 2021, the Company completed the acquisition of Funguys (see Note 4). The Company's CEO was common management of Funguys and a shareholder of Funguys prior to the closing of the transaction.

9. Financial Instruments and Risk Management

- a) Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining sufficient cash balances to meet liabilities when due and equity financing. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company is exposed to liquidity risk.

As at September 30, 2021, the Company had a cash balance of \$3,166,555 to settle current liabilities of \$62,987, which are due within 12 months.

- b) Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. Cash is held with major financial institutions in Canada and, accordingly, credit risk is nominal.

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9. Financial Instruments and Risk Management (continued)

- c) Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk consists of two components:
- a. To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and
 - b. To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and financial liabilities are generally not exposed to interest rate cash flow risk due to their short-term nature and maturity. The loan receivable is not exposed to interest rate cash flow risk as the rate is fixed.

- d) The Company's financial instruments consist of cash and accounts payable and accrued liabilities. Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of hierarchy are:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Financial instruments classified as level 1 – Unadjusted quoted prices in active markets include cash with the exception of investments. The fair value of investments are determined using Level 2 and 3 inputs.

10. Subsequent Events

On October 13, 2021, the Company granted 387,500 stock options to an arms-length consultant for business development and advisory services which is 50% vested on 4 months from issuance date and another 50% vested 6 months from issuance date with an exercise price of \$0.25 per share expiring on October 13, 2026. The Company also granted 2,800,000 restricted stock units to an arms-length consultant for business development and advisory services which is fully vested on February 13, 2022 with an exercise price of \$0.25 per share expiring on October 13, 2026.

Subsequent to September 30, 2021, the Company issued 15,000 common shares with an exercise price of \$0.10 per share pursuant to the warrants exercised.

Subsequent to September 30, 2021, Sophie's Kitchen has drawn two additional US\$500,000 loans for the SF Credit Facility for general working capital purposes.