



**BILLY GOAT**  
BRANDS

**Billy Goat Brands Ltd.**

**Financial Statements**

**For the year ended December 31, 2021 and the period from  
incorporation on September 22, 2020 to December 31, 2020**

**(Expressed in Canadian Dollars)**

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## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF BILLY GOAT BRANDS LTD.

#### *Opinion*

We have audited the financial statements of Billy Goat Brands Ltd. (the "Company"), which comprise:

- ♦ the statements of financial position as at December 31, 2021 and 2020;
- ♦ the statements of loss and comprehensive loss for the year ended December 31, 2021 and for the period from incorporation on September 22, 2020 to December 31, 2020;
- ♦ the statements of changes in shareholders' equity for the year ended December 31, 2021 and for the period from incorporation on September 22, 2020 to December 31, 2020;
- ♦ the statements of cash flows for the year ended December 31, 2021 for the period from incorporation on September 22, 2020 to December 31, 2020; and
- ♦ the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

#### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

#### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 in the financial statements, which indicates that the Company has an accumulated deficit of \$6,120,193 as at December 31, 2021. As stated in Note 1, this event or condition, along with other matters as set forth in Note 1, indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### *Other Information*

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audits of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Sukhjit Gill.

*Smythe LLP*

Chartered Professional Accountants  
Vancouver, British Columbia

April 25, 2022

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**Billy Goat Brands Ltd.**  
**Statement of Financial Position**  
**(Expressed in Canadian Dollars)**

	December 31, 2021	December 31, 2020
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 672,782	\$ 409,966
Loan receivable (Note 5)	205,000	-
Prepaid expenses (Note 6)	1,315,266	-
	2,193,048	409,966
Investments (Notes 4 and 8)	8,821,581	-
<b>TOTAL ASSETS</b>	<b>\$ 11,014,629</b>	<b>\$ 409,966</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 8)	\$ 130,019	\$ 33,483
	130,019	33,483
Derivative liability (Note 4)	74,000	-
<b>TOTAL LIABILITIES</b>	<b>204,019</b>	<b>33,483</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 7)	15,359,465	20,000
Reserves (Note 7)	1,571,338	393,500
Deficit	(6,120,193)	(37,017)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>10,810,610</b>	<b>376,483</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 11,014,629</b>	<b>\$ 409,966</b>

Nature of operations and going concern (Note 1)  
Subsequent events (Note 11)

Approved and authorized for issuance on behalf of the Board on April 25, 2022.

"Kris Dahl", Director

"Kerry Biggs", Director

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

**Billy Goat Brands Ltd.**  
**Statement of Loss and Comprehensive Loss**  
**(Expressed in Canadian Dollars)**

	For the year ended December 31, 2021	For the period from incorporation on September 22, 2020 to December 31, 2020
<b>Operating Expenses</b>		
Advertising and promotions	\$ 623,296	\$ -
Management fees (Note 8)	347,911	33,483
Office and miscellaneous	224,714	236
Professional fees	740,752	3,298
Share based compensation (Note 7)	2,481,834	-
Consulting fees (Note 8)	1,143,998	-
Transfer agent and filing fees	172,222	-
<b>Loss before other income (loss)</b>	<b>\$ (5,734,727)</b>	<b>(37,017)</b>
<b>Other income (loss)</b>		
Transaction costs (Note 4)	(425,000)	-
Interest income (Note 4)	103,083	-
Foreign exchange	53,506	-
Fair value gain on Sophie's Kitchen investment (Note 4)	1,228,016	-
Fair value loss on Funguys investment (Note 4)	(1,236,896)	-
Gain on settlement of debt (Note 7)	2,842	-
Loss on derivative liability (Note 4)	(74,000)	-
<b>Net Loss and Comprehensive Loss for the Period</b>	<b>\$ 6,083,176</b>	<b>\$ (37,017)</b>
<b>Net Loss per Share, Basic and Diluted</b>	<b>\$ (0.09)</b>	<b>\$ (0.00)</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>66,192,764</b>	<b>3,120,002</b>

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

**Billy Goat Brands Ltd.**  
**Statements of Changes in Equity**  
**(Expressed in Canadian Dollars)**

	Share Capital	Amount	Reserves	Deficit	Total
<b>Incorporation on September 22, 2020</b>	2	\$ -	\$ -	\$ -	-
Shares issued for cash	4,000,000	20,000	-	-	20,000
Special warrants issued	-	-	393,500	-	393,500
Net and comprehensive loss for the period	-	-	-	(37,017)	(37,017)
<b>Balance, December 31, 2020</b>	<b>4,000,002</b>	<b>\$ 20,000</b>	<b>\$ 393,500</b>	<b>\$ (37,017)</b>	<b>\$ 376,483</b>
<b>Balance, December 31, 2020</b>	<b>4,000,002</b>	<b>\$ 20,000</b>	<b>\$ 393,500</b>	<b>\$ (37,017)</b>	<b>\$ 376,483</b>
Shares issued for private placement, net of issue cost	35,658,500	5,292,698	9,071	-	5,301,769
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	500,000	50,000	-	-	50,000
Special warrants issued, net of issue cost	29,180,000	5,057,835	(382,788)	-	4,675,047
Shares issued to settle debt	2,059,433	559,320	-	-	559,320
Shares returned to treasury	(50,000)	(25,000)	-	-	(25,000)
Share based compensation	-	-	2,481,834	-	2,481,834
Net and comprehensive loss for the year	-	-	-	(6,083,176)	(6,083,176)
<b>Balance, December 31, 2021</b>	<b>102,160,339</b>	<b>\$ 15,359,465</b>	<b>\$ 1,571,338</b>	<b>\$ (6,120,193)</b>	<b>\$ 10,810,610</b>

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

**Billy Goat Brands Ltd.**  
**Statement of Cash Flows**  
**(Expressed in Canadian Dollars)**

	For the year ended December 31, 2021	For the period from incorporation on September 22, 2020 to December 31, 2020
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>		
Loss for the period	\$ (6,083,176)	\$ (37,017)
Items not affecting cash:		
Foreign exchange gain	(41,252)	-
Share based compensation	2,481,834	-
Fair value loss on Funguys investment	1,236,896	-
Interest income	(103,043)	-
Transaction costs	425,000	-
Fair value gain on Sophie's Kitchen investments	(1,228,016)	-
Gain on settlement of debt	(2,842)	-
Loss on derivative liability	74,000	-
Changes in non-cash working capital:		
Prepaid expenses	(1,315,266)	-
Accounts payable and accrued liabilities	385,573	33,483
	(4,170,292)	(3,534)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares	5,376,125	20,000
Equity issuance costs	(151,810)	-
Shares returned to treasury	(25,000)	-
Proceeds from the issuance of special warrants	4,752,500	393,500
Warrants exercised	50,000	-
Options exercised	110,000	-
	10,111,815	413,500
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Loans receivable	(205,000)	-
Investment in Sophie's Kitchen	(4,973,706)	-
Investment in Evanesce	(150,001)	-
Investment in Vegetarian Butcher	(350,000)	-
	(5,678,707)	-
<b>NET CHANGE IN CASH</b>	262,816	409,966
<b>CASH - beginning of period</b>	409,966	-
<b>CASH - end of period</b>	\$ 672,782	\$ 409,966
<b>Supplemental cash flow information</b>		
Common shares issued for Funguys investment	\$ 2,199,560	\$ -
Common shares issued to settle debt	286,195	-
Common shares issued for Sophie's Kitchen investment	677,326	-
Warrants issued for Funguys investment	335,572	-
Finders' warrants issued	19,784	-
Interest paid	-	-
Taxes paid	-	-

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



**Billy Goat Brands Ltd.**

**Notes to the Financial Statements**

**For the Year Ended December 31, 2021 and Period from Incorporation on September 22, 2020 to December 31, 2020  
(Expressed in Canadian Dollars)**

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**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 the 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 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 December 31, 2021, the Company had not achieved profitable operations, had an accumulated deficit of \$6,120,193 (December 31, 2020 - \$37,017), and expects to incur further losses in the development of its business. These material uncertainties cast significant doubt about the Company’s ability to continue as a going concern. These 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 financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

These financial statements have been prepared on a historical cost basis, except for certain financial instruments. In addition, these 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 financial statements are expressed in Canadian dollars, unless otherwise indicated.

c) Significant Accounting Judgments and Estimates

The preparation of these 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.

**2. Basis of Presentation (continued)**

c) Significant Accounting Judgments and Estimates (continued)

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the 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, twelve 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 judgment in determining whether the Company meets the criteria required under IFRS 10, in order to be classified as an investment entity. Management has applied the following typical characteristics of an investment entity: a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services; b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

iii. Investments

Where the fair values of investments in private companies recorded on the 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.

v. Income taxes

Deferred tax assets, including those arising from tax loss carry-forwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

**2. Basis of Presentation (continued)**

c) Significant Accounting Judgment and Estimates (continued)

vi. Share-based compensation

The Company uses the Black-Scholes option pricing model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

vii. Derivative liability

Certain of the Company's liabilities such as the derivative liability are measured at fair value. The estimated fair value of financial liabilities, by their very nature, are subject to measurement uncertainty. The Company estimates fair value using valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

viii. Non-monetary transaction

Shares and warrants issued for consideration other than cash are valued at the fair value of assets received or services rendered. If the fair value of assets received or services rendered cannot be reliably measured, shares and warrants issued for consideration will be valued at the quoted market price or estimated using the Black-Scholes option pricing model at the date of issuance.

**3. Significant Accounting Policies**

a) Investment in associates and subsidiaries

The Company meets the criteria required to be considered an investment entity under IFRS 10 and as such, in the cases where the Company has control or significant influence over a company through equity ownership in its investment portfolio, the Company valued such investments as financial assets at FVTPL.

b) Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income (loss) except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or recoverable on taxable income or loss for the current period. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit nor loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be realized.

**Billy Goat Brands Ltd.**

**Notes to the Financial Statements**

**For the Year Ended December 31, 2021 and Period from Incorporation on September 22, 2020 to December 31, 2020  
(Expressed in Canadian Dollars)**

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**3. Significant Accounting Policies (continued)**

c) Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Where share capital is issued or received as non-monetary consideration and the fair value of the asset received or given up is not readily determinable, the fair market value of the shares is used to record the transaction.

d) Share-Based Payment Transactions

A share option plan allows Company employees and consultants to acquire shares of the Company. Upon completing a share option plan, the fair value of any options granted will be recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Where share options are awarded to employees, the fair value is measured at grant date, and each tranche would be recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Where share options are granted to non-employees, fair value would be measured at grant date at the fair value of the goods or services received, unless they are related to the issuance of shares. All share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

e) Accounting for Equity Units

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the fair value of the common shares, and any excess is allocated to warrants. Share issue costs (if any) are deducted against share proceeds.

f) Loss Per Share

The Company presents basic and diluted loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

g) Financial Instruments

*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 loss ("FVTOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition.

**3. Significant Accounting Policies (continued)**

g) Financial instruments (continued)

*Classification (continued)*

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 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 if the Company has opted to measure them at FVTPL.

The following table shows the classifications under IFRS 9:

<b>Financial assets</b>	<b>Classification</b>
Cash	FVTPL
Loan receivable	Amortized Cost
Accounts payable and accrued liabilities	Amortized Cost
Investments	FVTPL
Derivative liability	FVTLP

**Measurement**

*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.

*Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

*Equity instruments designated as FVTOCI*

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income.

The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument. The Company does not currently hold any equity instruments designated as FVTOCI.

**3. Significant Accounting Policies (continued)**

g) Financial instruments (continued)

**Measurement (continued)**

*Impairment of financial assets at amortized cost*

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 loss. 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.

**Derecognition**

*Financial assets*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss and comprehensive 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 profit or loss.

h) Foreign Exchange

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 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.

**Billy Goat Brands Ltd.****Notes to the Financial Statements**

**For the Year Ended December 31, 2021 and Period from Incorporation on September 22, 2020 to December 31, 2020  
(Expressed in Canadian Dollars)**

**4. Investments**

At December 31, 2021, the Company held the following investments:

	Number of Shares		Cost		Fair Value
<b>Private Companies</b>					
Vegetarian Butcher Inc.	1,842,105	\$	350,000	\$	350,000
Funguys Beverage Inc.	100		2,535,132		1,298,236
Sophie's Kitchen, Inc.	1,531,751		1,889,850		2,022,866
Evanescence Packaging Solutions Inc.	41,667		150,001		119,001
<b>Credit Facility</b>					
Sophie's Kitchen, Inc.		\$	3,761,182	\$	5,000,478
<b>Warrants</b>					
Evanescence Packaging Solutions Inc.			-		31,000
		\$	<b>8,686,165</b>	\$	<b>8,821,581</b>

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

The fair value of the warrants held at acquisition were 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, Inc.	55%	1.52%	9.46	0%	US\$1.20
Evanescence Packaging Solutions Inc.	100%	0.40%	1	0%	\$3.90

As at December 31, 2021, the fair value of the warrants held at year-end were revalued 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, Inc.	55%	1.50%	9.21	0%	US\$1.04
Evanescence Packaging Solutions Inc.	100%	0.91%	0.64	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.

**Billy Goat Brands Ltd.**

**Notes to the Financial Statements**

**For the Year Ended December 31, 2021 and Period from Incorporation on September 22, 2020 to December 31, 2020  
(Expressed in Canadian Dollars)**

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**4. Investments (continued)**

*Funguys Beverage Inc. (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. As at December 31, 2021, the fair value of the investment in Funguys was determined to be to be \$1,298,236 resulting in a fair value loss of \$1,236,896.

*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). As at December 31, 2021, there were no changes related to the fair value of the investment.

*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 US\$3,000,000 (the "SF Credit Facility") at the rate of 6% interest per annum with a maturity date twelve 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 US\$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 US\$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. In connection to the warrants, the Company originally recognized the value of the warrants for \$1,250,000. As at December 31, 2021, the Company revalued the warrants and recognized a loss on change of fair value of \$155,000, lowering the value of the warrants to be \$1,095,000 as at December 31, 2021.

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 US\$2,400,000, less the accrued interest and an in-kind investment in the amount of US\$218,500. Where the US\$218,500 represents an outstanding liability of Sophie's Kitchen that would be settled through the issuance of the Company's common shares. The Company acquired shares in Sophie's Kitchen on the share subscription option on July 7, 2021 (described below).

Sophie's Kitchen has the option to cause the Company to acquire additional Sophie's Kitchen shares valued at US\$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 originally recognized a derivative liability for \$976,000. As at December 31, 2021, the Company revalued the derivative liability at \$74,000 (December 31, 2020 - \$Nil) resulting in an overall loss on derivative liability of \$74,000 for the year ended December 31, 2021.



**Billy Goat Brands Ltd.****Notes to the Financial Statements****For the Year Ended December 31, 2021 and Period from Incorporation on September 22, 2020 to December 31, 2020  
(Expressed in Canadian Dollars)****4. Investments (continued)***Sophie's Kitchen, Inc. (continued)*

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. Of the 2,709,304 common shares, 1,092,500 common shares were issued in connection to the in-kind investment for the settlement of US\$218,500 (described above). The cost of the investment in Sophie's Kitchen was valued at \$1,889,850. At December 31, 2021, the Company recognized a gain on change of fair value of \$133,016 resulting in an investment in Sophie's Kitchen to \$2,022,866 at year end.

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 year ended December 31, 2021, drawdowns of \$3,802,435 (December 31, 2020 - \$Nil) were made as per the SF Credit Facility. As at December 31, 2021, \$3,905,478 (December 31, 2020 - \$Nil) was outstanding, which includes interest accrual of \$103,043 (December 31, 2020 - \$Nil). This has been classified as an investment.

*Evanescence 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. At December 31, 2021, the fair value of the investment including warrants was \$150,001 (December 31, 2020 - \$Nil).

**5. Loan Receivable**

During the year ended December 31, 2021, the Company loaned Funguys an aggregate of \$205,000 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. The loan constitutes a related party transaction (see note 8).

**6. Prepaids**

At December 31, 2021, the Company had the following prepaid expenses:

<b>Types of services</b>	<b>Amount</b>
Marketing	\$ 472,949
Corporate services	6,615
Consulting	709,789
Computer software	4,663
Legal	15,000
Insurance	106,250
	<b>\$ 1,315,266</b>

During the year ended December 31, 2021, the Company entered into the following significant contracts for marketing and consulting services:

On May 1, 2021, the Company entered into a twelve-month consulting agreement with Wallace Hill Partners Ltd. ("Wallace Hill") for \$500,000. Wallace Hill participated in the Company's special warrant offering completed on May 18, 2021 (note 7) for 800,000 special warrants at a price of \$0.50 per special warrant for total proceeds of \$400,000. On October 13, 2021, the Company granted 2,000,000 Restricted Share Units ("RSU") to Wallace Hill with an exercise price of \$0.25 per option expiring October 13, 2026 (note 7).

**Billy Goat Brands Ltd.**

**Notes to the Financial Statements**

**For the Year Ended December 31, 2021 and Period from Incorporation on September 22, 2020 to December 31, 2020  
(Expressed in Canadian Dollars)**

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**6. Prepays (continued)**

On September 13, 2021, the Company entered into a twelve-month marketing agreement with Future Money Trends, LLC for CAD\$637,440 (US\$500,000).

On October 1, 2021, the Company entered into a fifteen-month consulting agreement with Pro Return AG for CAD\$582,836 (EUR€400,000).

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

**7. Share Capital**

**Authorized**

Unlimited common shares without par value.

**Escrow Shares**

At December 31, 2021, there were 15,148,294 (2020 - Nil) shares held in escrow and will be released as follows: one fourth of the securities at listing date, one third of remaining released after six months of listing date, one half of remaining released after 12 months of the listing date, and any other remaining released after 18 months of listing date.

**Share Capital**

During the year ended December 31, 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.

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.

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 entitles 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 a non-brokered private placement. Each unit was 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 \$74,356 cash was paid in connection to the 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 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.

**Billy Goat Brands Ltd.**

**Notes to the Financial Statements**

**For the Year Ended December 31, 2021 and Period from Incorporation on September 22, 2020 to December 31, 2020  
(Expressed in Canadian Dollars)**

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**7. Share Capital (continued)**

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's Kitchen 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 Sophie's Kitchen and Vegetarian investments.

On July 7, 2021, the Company issued 1,275,000 common shares at \$0.25 per share with a fair value of \$318,750 to settle \$265,004 in payables to various consultants. Included in the 1,275,000 common shares was 1,092,500 common shares issued for the Sophie's Kitchen in-kind investment (note 4). 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 common 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 year ended December 31, 2021, the Company issued 5,500,000 common shares for \$110,000 upon the exercise of options.

During the year ended December 31, 2021, the Company issued 500,000 shares for \$50,000 upon the exercise of warrants.

During the year ended December 31, 2021, the Company returned an aggregate of 50,000 of common shares for \$25,000 to treasury and returned \$25,000 cash to the subscribers.

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 two 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.

**Billy Goat Brands Ltd.****Notes to the Financial Statements****For the Year Ended December 31, 2021 and Period from Incorporation on September 22, 2020 to December 31, 2020  
(Expressed in Canadian Dollars)****7. Share Capital (continued)****Stock options – Directors, Officers, Employees and Consultants (continued)**

The continuity for stock options granted to directors, officers, employees and consultants of the Company for the period ended December 31, 2021 is as follows:

<b>Grant Date</b>	<b>Expiry date</b>	<b>Number of options</b>	<b>Exercise price</b>
May 7, 2021	May 7, 2026	4,150,000	\$ 0.25
May 7, 2021	May 7, 2026	275,000	0.50
October 13, 2021	October 13, 2026	387,500	0.25
<b>Balance at December 31, 2021</b>		<b>4,812,500</b>	<b>\$ 0.26</b>

  

	<b>Number of options</b>	<b>Weighted average exercise price</b>
		<b>\$</b>
<b>Balance at December 31, 2020</b>	-	-
Options granted	11,512,500	0.14
Options exercised	(5,500,000)	0.02
Options cancelled	(1,200,000)	0.25
<b>Balance at December 31, 2021</b>	<b>4,812,500</b>	<b>0.26</b>
<b>Vested and Exercisable</b>	<b>2,477,076</b>	<b>0.27</b>
<b>Unvested</b>	<b>2,335,424</b>	<b>0.26</b>

As at December 31, 2021, the stock options have a weighted average remaining contractual life of 4.39 years (December 31, 2020 - Nil years). For the year ended December 31, 2021, the weighted average share price for options exercised was \$0.26 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 \$1,150,804 using the Black-Scholes option pricing model with the following assumptions: term - 1 year, 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 expiring on May 7, 2026 of which 5,300,000 stock options vesting equals 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, and 50,000 vesting equals one fourth of the stock options vest on grant, and remaining vests one fourth every six months after the date of grant. The Company also granted 275,000 stock options with an exercise price of \$0.50 expiring on May 7, 2026 of which 150,000 stock options vesting equals 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, and 125,000 vesting equals one fourth of the stock options vest on grant, and remaining vests one fourth every six 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 \$908,507. 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.

During the year ended December 31, 2021, the Company cancelled an aggregate of 1,200,000 stock options with a reversal of \$196,852 stock-based compensation being reversed as the services of certain optionee were not provided to the Company.

**Billy Goat Brands Ltd.****Notes to the Financial Statements****For the Year Ended December 31, 2021 and Period from Incorporation on September 22, 2020 to December 31, 2020  
(Expressed in Canadian Dollars)****7. Share Capital (continued)****Stock options – Directors, Officers, Employees and Consultants (continued)**

On October 13, 2021, the Company granted 387,500 stock options with an exercise price of \$0.25 per share expiring on October 13, 2026. Half of the stock options vest on February 13, 2022, and the other half vest on April 13, 2022. The fair value of the stock options was estimated to be \$72,141 for the full vesting period of the options, with a current period charge of \$38,824. The Black-Scholes option pricing model was used with the following assumptions: term - 5 years, expected volatility - 100%, risk free rate - 1.27 %, and expected dividends - zero.

**Restricted Share Units**

The Company has a restricted share unit plan that was approved by the shareholders on September 21, 2021 that allows it to grant restricted share units, subject to regulatory terms and approval, to its officers, directors, employees and service providers. The stock option and restricted share unit plan is based on the maximum number of eligible shares equaling a rolling percentage of up to 20% of the Company's outstanding common shares, calculated from time to time.

Pursuant to the restricted share unit plan, if outstanding RSUs are exercised, or expire, and/or the number of issued and outstanding common shares of the Company increases, then the options available to grant under the plan increase proportionately. RSUs can have a maximum term of ten (10) years and typically terminate 90 days following the termination of the optionee's employment or engagement, except in the case of retirement or death. Vesting of options is at the discretion of the Board of Directors at the time the options are granted. Participants in the RSU plan may elect to redeem their share units by the Company issuing the participant one common share for each whole vested share unit.

On October 13, 2021, the Company granted 2,800,000 Restricted Share Units ("RSU") to directors, officers and consultants of the Company with an exercise price of \$0.25 per RSU expiring October 13, 2026. The RSU's will vest on February 13, 2022. The fair value of the RSU is calculated to be \$700,000. The share-based payment expense related to the fair value of the RSU granted was \$449,594 during the year ended December 31, 2021, calculated based on the Company's share price on the grant date.

On November 30, 2021, the Company granted 345,000 RSU to directors, officers and consultants of the Company with an exercise price of \$0.21 per RSU expiring November 30, 2026. The RSU's will vest on March 31, 2022. The fair value of the RSU is \$62,100. The share-based payment expense related to the fair value of the RSU granted was \$15,910 during the year ended December 31, 2021, calculated based on the Company's share price on the grant date.

The following table summarizes information on RSU outstanding and exercisable at December 31, 2021:

<b>Grant Date</b>	<b>Expiry date</b>	<b>Number of RSUs</b>	<b>Exercise price</b>
October 13, 2021	October 13, 2026	2,800,000	\$ 0.25
November 30, 2021	November 30, 2026	345,000	0.21
<b>Balance at December 31, 2021</b>		<b>3,145,000</b>	<b>\$ 0.24</b>

  

	<b>Number of RSU</b>	<b>Weighted average exercise price</b>
		\$
<b>Balance at December 31, 2020</b>	-	-
RSU granted	3,145,000	0.25
<b>Balance at December 31, 2021</b>	<b>3,145,000</b>	<b>0.25</b>
<b>Vested and Exercisable</b>	-	-
<b>Unvested</b>	<b>3,145,000</b>	<b>0.25</b>

**Billy Goat Brands Ltd.****Notes to the Financial Statements**

**For the Year Ended December 31, 2021 and Period from Incorporation on September 22, 2020 to December 31, 2020**  
**(Expressed in Canadian Dollars)**

**7. Share Capital (continued)****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 year ended December 31, 2021, all outstanding special warrants have been converted into units of the Company.

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 \$77,454 in connection with the issuance of the special warrants. During the year ended December 31, 2021, all outstanding special warrants have been converted into units of the Company.

**Finders' Warrants**

The continuity for finders' warrants for the period ended December 31, 2021 is as follows:

	Number of warrants	Weighted average exercise price
		\$
<b>Balance at December 31, 2020</b>	-	-
Finders' warrants issued	278,330	0.75
<b>Balance at December 31, 2021</b>	<b>278,330</b>	<b>0.75</b>

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 finders' warrants with an exercise price of \$1.00 per share and 38,500 finders' 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 finders' 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 - 0.31%, and expected dividends - zero.

**Warrants**

The continuity for warrants for the period ended December 31, 2021 is as follows:

	Number of warrants	Weighted average exercise price
		\$
<b>Balance at December 31, 2020</b>	-	-
Warrants issued	41,649,666	0.30
Warrants exercised	(500,000)	0.10
Warrants cancelled	(25,000)	1.00
<b>Balance at December 31, 2021</b>	<b>41,124,666</b>	<b>0.30</b>

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 \$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.

**Billy Goat Brands Ltd.****Notes to the Financial Statements****For the Year Ended December 31, 2021 and Period from Incorporation on September 22, 2020 to December 31, 2020  
(Expressed in Canadian Dollars)****7. Share Capital (continued)****Warrants (continued)**

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.

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 May 18, 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.

	Year ended December 31, 2021	Period from incorporation on September 22, 2020 to December 31, 2020
	\$	\$
Management fees paid/accrued to companies controlled by directors of the Company	235,411	33,483
Consulting fees paid/accrued to companies controlled by directors of the Company	112,500	-
Listing bonus paid/accrued to companies controlled by directors of the Company	10,000	-
Share-based compensation	334,019	-
	691,930	33,483

As at December 31, 2021, \$46,750 is due to related parties (2020 - \$33,483). All balances are unsecured, non-interest bearing, and are due on demand

During the year ended December 31, 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 year ended December 31, 2021, the Company completed the acquisition of Funguys and loaned Funguys \$205,000 for general working capital purposes (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 currently settles most of its financial obligations with cash. 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 December 31, 2021, the Company had a cash balance of \$672,782 (2020 - \$409,966) to settle current liabilities of \$130,019 (2020 - \$33,483), 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.
- 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:
- i. 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
  - ii. 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.

- d) Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange. The Company has foreign currency exposure on the investments in Sophie's Kitchen due to the differences in currencies.

As at December 31, 2021, the Company had cash of US\$184,777 or \$234,261 (2020 - \$Nil) at CAD equivalent and an investment in Sophie's Kitchen of US\$5,541,451 or \$7,023,344 (2020 - \$Nil) at CAD equivalent. The Company's sensitivity analysis suggests that a change in the absolute rate of exchange in US\$ by 10% will increase or decrease foreign exchange gain or loss by approximately \$728,194 (2020 - \$Nil).

The Company has not entered into any foreign currency contracts to mitigate this risk.

- e) Price risk is the risk of potential losses to the Company's earnings due to movements in individual equity movements. As at December 31, 2021, the Company's investments of \$8,821,581 are subject to fair value fluctuations. If the fair value of the Company's investments had a decrease or increase of 10% with all other variances held constant, the net loss and comprehensive loss for the year ended December 31, 2021 would be approximately \$880,000 higher or lower.



**Billy Goat Brands Ltd.****Notes to the Financial Statements**

**For the Year Ended December 31, 2021 and Period from Incorporation on September 22, 2020 to December 31, 2020**  
**(Expressed in Canadian Dollars)**

**9. Financial Instruments and Risk Management (continued)**

- f) The Company's financial instruments consist of cash, loan receivable, investments, accounts payable and accrued liabilities and derivative liability. 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.

The estimated fair value of cash and accounts payable and accrued liabilities are equal to their carrying values due to the short-term nature of these instruments. Loan receivables are measured at fair value using Level 2 inputs. Investments and the derivative liability are measured at fair value through profit and loss measured using Level 2 inputs.

**10. Income Taxes**

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27% to income before income taxes.

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	<b>Year ended December 31, 2021</b>	<b>Period from incorporation on September 22, 2020 to December 31, 2020</b>
Loss before income taxes	\$ (6,083,176)	\$ (37,017)
Statutory income tax rate	27%	27%
Expected income tax recovery	\$ (1,642,458)	\$ (9,995)
Temporary differences attributed to:		
Under (over) provided in prior years	(27,735)	
Non-deductible items	670,095	
Unused tax losses and tax offsets not recognized	1,000,098	9,995
Income tax expense	\$ -	\$ -

Deferred income tax assets are only recognized to the extent that the realization of tax benefits is determined to be probable. As at December 31, 2021, the Company has not recognized the benefit of the following deductible temporary differences:

	<b>2021</b>	<b>2020</b>
Non-capital loss carry forward	\$ 3,584,854	\$ 37,017
Share issuance costs	77,789	-
Derivative liability	74,000	-
	\$ 3,736,643	\$ 37,017

**Billy Goat Brands Ltd.**

**Notes to the Financial Statements**

**For the Year Ended December 31, 2021 and Period from Incorporation on September 22, 2020 to December 31, 2020  
(Expressed in Canadian Dollars)**

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**10. Income Taxes (continued)**

As at December 31, 2021, the Company has approximately \$3,585,000 in estimated non-capital losses, which may be applied against future income for Canadian income tax purposes. The potential future tax benefits of these losses have not been recorded in the financial statements.

The losses expire as follows:

2040	\$	37,000
2041		3,548,000
	\$	<u>3,585,000</u>

**11. Subsequent Events**

Subsequent to the year end, the Company acquired of 31,251 common shares in Evanesce Packaging Solutions Inc. through the exercise of 20,834 warrants at an exercise price of \$3.90 for cash consideration of \$121,879. In connection with the early exercise, the Company received an additional 10,417 incentive warrants in Evanesce Packaging Solutions Inc.

On February 13, 2022 and March 31, 2022, 2,800,000 RSUs and 345,000 RSUs vested. A total of 745,000 RSUs were exercised subsequent to year-end.

On March 1, 2022, the Company granted 1,111,111 stock options to an arms-length consultant for business development and advisory services which vested immediately with an exercise price of \$0.09 per share expiring March 1, 2027.

On March 1, 2022, the Company entered into a single advance credit facility agreement with a related party. The credit facility has a limit of \$121,879 and carries an interest rate of 1% per month, compounded monthly. The credit facility is due on the earlier of (1) July 1, 2022; and (2) the Company completing a financing.

On March 15, 2022, the principal and accrued interest on the credit facility automatically converted into 3,217,674 common shares of Sophie's Kitchen.

On April 7, 2022, the Company granted 118,500 RSUs to an arms-length consultant for investor relations services with an exercise price of \$0.13 per RSU expiring April 7, 2027. The RSUs will vest on August 8, 2022.