

**ALPHA PEAK CAPITAL INC.
(FORMERLY ALPHA PEAK LEISURE INC.)**

Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

ALPHA PEAK CAPITAL INC. (FORMERLY ALPHA PEAK LEISURE INC.)
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021, AND 2020

<u>CONTENTS</u>	<u>PAGE(S)</u>
INDEPENDENT AUDITOR’S REPORT	1
STATEMENTS OF FINANCIAL POSITION	4
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)	5
STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)	6
STATEMENTS OF CASH FLOWS	7
NOTES TO THE FINANCIAL STATEMENTS	8 - 14



Crowe MacKay LLP

1100 - 1177 West Hastings St.
Vancouver, BC V6E 4T5

Main +1 (604) 687-4511

Fax +1 (604) 687-5805

www.crowemackay.ca

Independent Auditor's Report

To the Shareholders of Alpha Peak Capital Inc. (formerly Alpha Peak Leisure Inc.)

Opinion

We have audited the financial statements of Alpha Peak Capital Inc. (formerly Alpha Peak Leisure Inc.) ("the Company"), which comprise the statements of financial position as at December 31, 2021 and December 31, 2020 and the statements of comprehensive income (loss), changes in equity (deficiency) and cash flows for the years then ended, and 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 December 31, 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements which describes the material uncertainty 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 audit 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 the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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 International Financial Reporting Standards, 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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.

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 auditor's report is Diana Huang.

Crowe Mackay LLP

**Chartered Professional Accountants
Vancouver, Canada
January 17, 2022**

ALPHA PEAK CAPITAL INC. (FORMERLY ALPHA PEAK LEISURE INC.)
 STATEMENTS OF FINANCIAL POSITION
 AT DECEMBER 31, 2021 AND 2020
 (Expressed in Canadian Dollars)

	Notes	December 31, 2021	December 31, 2020
		\$	\$
ASSETS			
CURRENT			
Cash		56,054	50,005
Trade and other receivables		7,915	33,892
Total current assets		63,969	83,897
Total assets		63,969	83,897
LIABILITIES			
CURRENT			
Accounts payables and accrued liabilities		14,783	13,887
Promissory notes payable	5	-	80,000
Total current liabilities		14,783	93,887
Total liabilities		14,783	93,887
EQUITY (DEFICIENCY)			
Share capital	7	64,132,017	63,992,017
Reserves		581,585	544,013
Deficit		(64,664,416)	(64,546,020)
Total equity (deficiency)		49,186	(9,990)
TOTAL LIABILITIES AND EQUITY (DEFICIENCY)		63,969	83,897

Going concern (Note 1)

Subsequent events (Note 11)

Approved on January 17, 2022, on behalf of the Board:

"Zachary Goldenberg"

Zachary Goldenberg, Director

"Carlo Rigillo"

Carlo Rigillo, Director

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

ALPHA PEAK CAPITAL INC. (FORMERLY ALPHA PEAK LEISURE INC.)
 STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
 (Expressed in Canadian Dollars)

	Notes	2021	2020
		\$	\$
Professional fees	6	59,588	39,646
Share-based payments	6,7	37,572	-
Administrative expenses		21,236	15,294
Interest income		-	(309)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		118,396	54,631
Weighted average number of common shares			
Outstanding - Basic and diluted		8,171,111	7,207,707
Basic and diluted loss per common share		\$ 0.01	\$ 0.01

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

ALPHA PEAK CAPITAL INC. (FORMERLY ALPHA PEAK LEISURE INC.)
 STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
 (Expressed in Canadian Dollars)

	Share Capital	Share Capital	Share option reserve	Accumulated losses	Total
	# of shares	\$	\$	\$	\$
At December 31, 2019	7,207,707	63,992,017	544,013	(64,491,389)	44,641
Net loss and comprehensive loss for the year	-	-	-	(54,631)	(54,631)
At December 31, 2020	7,207,707	63,992,017	544,013	(64,546,020)	(9,990)
At December 31, 2020	7,207,707	63,992,017	544,013	(64,546,020)	(9,990)
Issuance of shares for debt settlement	1,285,713	90,000	-	-	90,000
Issuance of shares for cash	500,000	50,000	-	-	50,000
Share-based payments - vesting of options	-	-	37,572	-	37,572
Net loss and comprehensive loss for the year	-	-	-	(118,396)	(118,396)
At December 31, 2021	8,993,420	64,132,017	581,585	(64,664,416)	49,186

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

ALPHA PEAK CAPITAL INC. (FORMERLY ALPHA PEAK LEISURE INC.)
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
 (Expressed in Canadian Dollars)

	Notes	2021	2020
		\$	\$
OPERATING ACTIVITIES			
Net Loss		(118,396)	(54,631)
Items not affecting cash:			
Stock based compensation		37,572	-
Bank interest income		-	(309)
Changes in non-cash working capital balances			
Accounts receivable		25,977	(24,526)
Accounts payable and accrued liabilities		10,896	(56,994)
Cash flow provided by (used in) operating activities		(43,951)	(136,460)
INVESTING ACTIVITIES			
Interest received		-	309
FINANCING ACTIVITIES			
Proceeds from promissory notes payable		-	80,000
Shares issued for cash		50,000	-
Cash flow provided by (used in) financing activities		50,000	80,000
Change in cash during the year		6,049	(56,151)
Cash, beginning of the year		50,005	106,156
Cash, End of the year		56,054	50,005
SUPPLEMENTAL CASH FLOW INFORMATION			
Issuance of shares for debt forgiveness		90,000	-

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

1. BACKGROUND AND NATURE OF OPERATIONS

Alpha Peak Capital Inc. (formerly, Alpha Peak Leisure Inc.) (the "Company") was incorporated on June 24, 2011, under the British Columbia Business Corporation Act and commenced trading on the TSX Venture Exchange (the "TSXV") as a Capital Pool Company pursuant to TSXV Policy 2.4. The address of the Company's registered office is 1200 - 750 West Pender Street, Vancouver, BC V6C 2T8, Canada.

During the year ended December 31, 2019, the Company sold all of the shares of its wholly owned subsidiary Total Wonder Enterprises Limited ("TWEL") to certain shareholders of the Company (the "TWEL Sale") and completed a distribution of \$0.075 per common share (the "Distribution") by way of return of capital. After the completion of the TWEL Sale and the Distribution, the Company became a shell company with no active business and was transferred to the NEX board of the TSXV. On April 19, 2021, the Company's common shares were voluntarily delisted from trading on the TSXV and remains a reporting issuer in good standing in the Provinces of British Columbia and Alberta.

The financial statements are presented in Canadian Dollar ("CAD" or "\$"), which is the Company's functional currency and presentation currency.

During the year, there was the continued closures and restrictions from the global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and specifically, the regional economies in which the Company operates. The pandemic could continue to have a negative impact on the stock market.

The Company has incurred losses since inception and has a deficit of \$64,664,416 at December 31, 2021. The continuing operations of the Company are dependent upon obtaining necessary financing. Failure to continue as a going concern would require that assets and liabilities be recorded at their liquidation values, which might differ significantly from their carrying values. These factors, among others, could have a significant impact on the Company's operations. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

On May 3, 2021, the Company completed a share consolidation on the basis of 10 old shares for 1 new share (the "Consolidation"). The Consolidation has been retroactively presented in these financial statements and all share amounts, including per share amounts, reflect the share consolidations.

2. BASIS OF PREPARATION

Statement of compliance

The financial statements of the Company have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretation issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of presentation

The financial statements have been prepared on the historical cost basis except for certain property, plant and equipment and certain financial instruments that were measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies set out below.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

ALPHA PEAK CAPITAL INC. (FORMERLY ALPHA PEAK LEISURE INC.)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
Expressed (in Canadian Dollars)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES

Critical accounting estimates and judgments

Significant accounting judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements include but are not limited to the going concern assumption (Note 1).

Cash and cash equivalents

Cash includes amounts held in banks and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Foreign currencies

These financial statements are presented in Canadian dollars, which is the Company's functional currency. Transactions in currencies other than the functional currency are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are recognised in the statement of profit or loss in the period in which they arise.

Share-based payment arrangements

The Company grants share options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date using the Black-Scholes option pricing model and is recognized over the vesting period for employees using the graded method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

For both employees and non-employees, the fair value of share-based payments is recognized as an expense with a corresponding increase in share-based payments reserve. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in capital stock and the related share-based payment in option reserves is transferred to capital stock. For those options that expire or are forfeited after vesting, the recorded value is transferred to deficit.

Income taxes

ALPHA PEAK CAPITAL INC. (FORMERLY ALPHA PEAK LEISURE INC.)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
Expressed (in Canadian Dollars)

Income tax expense consisting of current and deferred tax expense is recognized in the statement of comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

All financial assets not classified at amortized cost or fair value through other comprehensive income ("FVTOCI") are measured at fair value through profit or loss ("FVTPL"). On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss; and
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in net income (loss) for the period. Financial assets and financial liabilities classified at amortized cost are subsequently measured at amortized cost using the effective interest method. Financial assets classified at FVTOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income (loss). When the financial instrument is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Earnings (loss) per share

The Company presents basic earnings (loss) per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

4. ACCOUNTING STANDARDS AND INTERPRETATIONS

The following accounting standards and amendments are effective for future periods:

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date.

These amendments are effective for reporting periods beginning on or after January 1, 2023.

5. PROMISSORY NOTES PAYABLE

On December 31, 2020, the Company entered into a promissory note agreement with a third party in the amount of \$80,000. The terms of the promissory note are non-interest bearing and payable on June 30, 2021. The funds are to be used for working capital purposes. On May 10, 2021, the Company entered into certain debt settlement agreements pursuant to which an aggregate of \$90,000 owing by the Company to five creditors was converted into an aggregate of 1,285,713 common shares of the Company at a price of \$0.07 per common share.

6. RELATED PARTY TRANSACTION

The Company's key management includes directors (executive and non-executive), the Chairman, the Chief Executive Officer and the Chief Financial Officer. The remuneration of the key management of the Company during the years ended December 31, 2021, and 2020 are as follows:

	For the year ended December 31,	
	2021	2020
	\$	\$
Directors fees included in professional fees	22,600	-
Share based payments	37,572	-
	<u>60,172</u>	<u>-</u>

During the year ended December 31, 2021, the Company settled \$10,000 in liabilities with the Chief Executive Officer for shares at \$0.07 per share.

7. SHARE CAPITAL

(a) Authorised

Unlimited number of common shares without par value.

(b) Issued common shares

During the year ended December 31, 2021, as part of certain debt settlements as disclosed in Note (5), the Company issued an aggregate of 1,285,713 of common shares at a price of \$0.07. On September 23, 2021, the Company issued 500,000 common shares at \$0.10 per common share for \$50,000.

On May 3, 2021, the Company completed the Consolidation. The Consolidation has been retroactively presented in these financial statements and all share amounts, including per share amounts, reflect the share consolidations.

(c) Share options

ALPHA PEAK CAPITAL INC. (FORMERLY ALPHA PEAK LEISURE INC.)
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
 Expressed (in Canadian Dollars)

The Company adopted a share option plan on July 13, 2017, under which it can grant options to directors, officers, employees, and consultants for up to 10% of the issued and outstanding common shares.

As at December 31, 2021, 760,000 share options (December 31, 2020 - 32,000) of the Company were outstanding at an average exercise price of \$0.07 (2020 - \$1) per underlying common share. Each share option will vest May 10, 2022, subject to accelerated vesting and will expire 5 years from grant date. Upon the Company entering into binding, definitive agreement for the consummation of a reverse takeover, the stock options vest immediately. The fair value of the options has been estimated at the date of issue using the Black-Scholes option pricing model with the following assumptions: (i) dividend yield of 0%; (ii) expected volatility of 100.00%; (iii) risk-free interest rate of 0.48%; (iv) expected life of 5 years; (v) share price of \$0.07; forfeiture rate of nil. Volatility was estimated based on historical volatility of comparable companies.

	Number of options	Weighted average exercise price
		\$
Balance December 31, 2020	32,000	1.00
Cancelled	(32,000)	(1.00)
Balance March 31, 2021	-	-
Granted	760,000	0.07
Balance December 31, 2021	760,000	0.07

8. **INCOME TAXES**

The income tax provision differs from the expected amounts calculated by applying the Canadian combined federal and provincial corporate income tax rates to the Company's loss before income taxes. The components of these differences are as follows:

	<u>2021</u>	<u>2020</u>
	\$	\$
Net loss	(118,396)	(54,631)
Statutory tax rate	27%	27%
Expected income tax recovery	(31,967)	(14,750)
Non-deductible items	10,144	-
Change in unrecognized deferred tax assets	21,823	14,750
Actual income tax recovery	-	-

Deferred income tax assets and liabilities are recognized for temporary differences between the carrying amount of the balances on the consolidated statements of financial position and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes to the extent that it is probable that future taxable profit will allow the deferred tax assets to be recovered.

ALPHA PEAK CAPITAL INC. (FORMERLY ALPHA PEAK LEISURE INC.)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
Expressed (in Canadian Dollars)

The significant components of the Company's unrecorded deferred tax assets are as follows:

	<u>2021</u>	<u>2020</u>
	\$	\$
Non-capital loss carry-forwards	814,000	790,000
Capital loss	5,787,000	5,787,000
Share issuance cost	-	2,000
	<u>6,601,000</u>	<u>6,579,000</u>
Total deferred tax assets	6,601,000	6,579,000
Change in unrecognized deferred tax assets	(6,601,000)	(6,579,000)
	<u>-</u>	<u>-</u>
Net deferred income tax assets	-	-

At December 31, 2021, the Company has non-capital losses of approximately \$3,015,000 (2020: \$2,927,000) available to reduce taxable income in Canada and expire in stages through 2041 as follows:

Year of expiry

2032	\$ 43,000
2033	69,000
2034	75,000
2035	314,000
2036	729,000
2037	856,000
2038	499,000
2039	280,000
2040	62,000
2041	88,000
	<u>\$ 3,015,000</u>

At December 31, 2021, the Company has capital losses of approximately \$42,870,000 (2020: \$42,870,000) in Canada that may be carried forwarded indefinitely to reduce future years' capital gains.

9. CAPITAL RISK MANAGEMENT

Management's objective is to manage its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of share capital and working capital.

In order to achieve this objective, management makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust capital structure, management may invest its excess cash in interest bearing accounts of Canadian chartered banks and/or raise additional funds externally as needed. The Company is not subject to externally imposed capital requirements. The Company's management of capital did not change during the year ended December 31, 2021.

10. FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash, receivables, accounts payable and accrued liabilities and promissory notes payable as amortized cost. The carrying values of these instruments approximate their fair values due to their short term to maturity.

The Company has exposure to the following risks from its use of financial instruments:

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing it at major Canadian financial institutions. The Company has minimal credit risk.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of December 31, 2021, equal \$14,783 (December 31, 2020 - \$93,887). All of the liabilities presented as accounts payable and accrued liabilities are due within 30 days of December 31, 2021.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return on capital.

i) Currency risk – Currency risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company does not hold substantial funds in a foreign currency and is not subject to significant currency risk.

ii) Interest rate risk – Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash is at nominal interest rates, and therefore, the Company does not consider interest rate risk to be significant. The Company has no interest-bearing financial liabilities.

iii) Other price risk – Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not exposed to significant other price risk.

11. SUBSEQUENT EVENTS

On January 10, 2022, the Company entered into a letter of intent with UniCrypt Group AG ("UniCrypt"), pursuant to which, the Company will acquire all of the issued and outstanding shares of UniCrypt by way of three-corner amalgamation or such other similarly structured transaction resulting in the reverse take-over of the Company by UniCrypt.