

**BEACON HILL INNOVATIONS LTD.**

CONDENSED INTERIM FINANCIAL STATEMENTS  
(Unaudited)

NINE MONTHS ENDED SEPTEMBER 30, 2021

# **BEACON HILL INNOVATIONS LTD.**

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## **NOTICE TO READER**

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

The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of the Company's management.

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

**BEACON HILL INNOVATIONS LTD.**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Presented in Canadian dollars)

	Note	September 30, 2021	December 31, 2020
		(Unaudited)	(Audited)
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 1,043,226	\$ 335,780
Inventory		1,031,404	14,410
Receivables		42,861	8,950
Prepaid expense	5	8,374	6,150
		2,125,865	365,290
<b>Non-current</b>			
Property and equipment, net	6	297,363	96,614
		297,363	96,614
		\$ 2,423,228	\$ 461,904
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		\$ 340,234	\$ 28,590
		340,234	28,590
<b>Non-current</b>			
Convertible loan	7	500,000	-
Promissory note	8	275,000	275,000
		775,000	275,000
<b>Shareholders' equity</b>			
Share capital	9	2,747,510	937,510
Deficit		(1,439,516)	(779,196)
		1,307,994	158,314
		\$ 2,423,228	\$ 461,904

**Nature of operations and going concern** (NOTE 1)

**Subsequent events** (NOTE 12)

These condensed interim financial statements are approved by the Board on November 29, 2021.

Approved by the Board of Directors:

“Craig Fraser”

Craig Fraser

“Mark T. Brown”

Mark T. Brown

See the notes to the condensed interim financial statements

**BEACON HILL INNOVATIONS LTD.**  
**CONDENSED INTERIM STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS**  
(Presented in Canadian dollars)

	<b>Nine months ended</b>		<b>For the Period from February 7 to</b>	
	<b>September 30, 2021</b>		<b>December 31, 2020</b>	
	<b>(Unaudited)</b>		<b>(Audited)</b>	
<b>Expenses</b>				
Advertising	\$	20,844	\$	4,264
Amortization		15,376		8,734
Consulting and marketing fees		146,970		92,252
Meals and entertainment		304		445
Office and miscellaneous		32,160		19,485
Professional fees		90,431		32,056
Prototype costs		12,333		29,923
Rent		23,588		25,037
Salaries and benefits	10	576,427		554,006
Supplies and other		10,536		12,235
Travel		1,811		759
Loss from operations		930,780		779,196
<b>Other items</b>				
SR&ED tax credit	3,11	(283,021)		-
Interest expense	8	8,250		-
Foreign exchange loss		4,311		-
		(270,460)		-
<b>Net loss and comprehensive loss for the period</b>	<b>\$</b>	<b>660,320</b>	<b>\$</b>	<b>779,196</b>
<b>Basic and diluted loss per share</b>	<b>\$</b>	<b>0.02</b>		<b>0.06</b>
<b>Weighted average number of common shares outstanding</b>		<b>29,273,729</b>		<b>12,937,405</b>

See the notes to the condensed interim financial statements

**BEACON HILL INNOVATIONS LTD.**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Presented in Canadian dollars)

	Note	Share Capital			Total Shareholders' Equity
		Number of shares	Amount	Deficit	
<b>Balance, February 7, 2020</b>		-	\$ -	\$ -	\$ -
Private placements		21,751,000	937,510	-	937,510
Loss for the period		-	-	(779,196)	(779,196)
<b>Balance, December 31, 2020 (audited)</b>		<b>21,751,000</b>	<b>\$ 937,510</b>	<b>\$ (779,196)</b>	<b>\$ 158,314</b>
Private placements		10,400,003	1,810,000	-	1,810,000
Loss for the period		-	-	(660,320)	(660,320)
<b>Balance, September 30, 2021 (unaudited)</b>		<b>32,151,003</b>	<b>\$ 2,747,510</b>	<b>\$ (1,439,516)</b>	<b>\$ 1,307,994</b>

See the notes to the condensed interim financial statements

**BEACON HILL INNOVATIONS LTD.**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
(Presented in Canadian dollars)

	Note	Nine months ended September 30, 2021 (Unaudited)	For the Period from February 7 to December 31, 2020 (Audited)
<b>Cash provided by (used in):</b>			
<b>Operating activities</b>			
Loss for the period		\$ (660,320)	\$ (779,196)
Item not affecting cash:			
Amortization		15,376	8,734
Changes in non-cash working capital items:			
Inventory		(1,016,994)	(14,410)
Receivables		(33,911)	(8,950)
Prepaid expense		(2,224)	(6,150)
Accounts payable and accrued liabilities		311,644	28,590
<b>Net cash used in operating activities</b>		<b>(1,386,429)</b>	<b>(771,382)</b>
<b>Investing activities</b>			
Property and equipment		(216,125)	(105,348)
<b>Net cash (used in) investing activities</b>		<b>(216,125)</b>	<b>(105,348)</b>
<b>Financing activities</b>			
Proceeds from issuance of common shares	9	1,810,000	937,510
Convertible loan	7	500,000	-
Promissory note	8	-	275,000
<b>Net cash provided by financing activities</b>		<b>2,310,000</b>	<b>1,212,510</b>
<b>Change in cash and cash equivalents</b>		<b>707,446</b>	<b>335,780</b>
<b>Cash and cash equivalents, beginning of the period</b>		<b>335,780</b>	<b>-</b>
<b>Cash and cash equivalents, end of the period</b>		<b>\$ 1,043,226</b>	<b>\$ 335,780</b>

See the notes to the condensed interim financial statements

# **BEACON HILL INNOVATIONS LTD.**

## **NOTES TO CONDENSED THE INTERIM FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021**

(Presented in Canadian Dollars; unaudited)

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### **1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS**

Beacon Hill Innovations Ltd. (the “Company” or “Beacon”) is incorporated and domiciled in Canada under the Business Corporations Act (British Columbia), and its registered office is Suite 410 - 325 Howe Street, Vancouver, BC, V6C 1Z7.

Beacon was founded in February 2020 to be a supplier of tech peripherals for Gamers, YouTubers, Podcasters and anyone creating content on the internet.

The Company is in the start-up phase and is focused on research and development.

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company incurred a net loss of \$660,320 for the nine months ended September 30, 2021. To date, the Company has not earned any revenue from operations. The continuation of the Company as a going concern is dependent upon the ability of the Company to obtain necessary equity or other financing to continue operations, and/or to attain sufficient profitable operations.

There are material uncertainties that may cast significant doubt about the appropriateness of the going concern assumption. The current market conditions and volatility increase the uncertainty of the Company’s ability to continue as a going concern given the need to continue research and development, purchase inventory, establish profitable sales and raise additional funds. The Company will continue to search for new or alternate sources of financing but anticipates that the current market conditions may impact the ability to source such funds. The outcome of these matters cannot be predicted at the present time. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

These condensed interim financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. If the going concern basis was not appropriate for these financial statements, adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the statements of financial position classifications used.

### **2. BASIS OF PREPARATION - STATEMENT OF COMPLIANCE**

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) on a basis consistent with those followed by the most recent annual financial statements.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) 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. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

**3. SIGNIFICANT ACCOUNTING POLICIES, (cont'd)**

(b) Basic loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The effect of potential issuances of shares from the exercise of outstanding options and warrants, if any, would be anti-dilutive for the period presented and accordingly, basic and diluted losses per share are the same.

(c) Significant accounting judgments and estimates

The preparation of these financial statements requires management to make 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. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

The determination that the Company will continue as a going concern for the next year is a critical judgement that management has made in the process of applying accounting policies and that has the most significant effect on the amounts recognized in the financial statements.

(d) Income taxes

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income nor loss. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**3. SIGNIFICANT ACCOUNTING POLICIES, (cont'd)**

(e) Foreign Currency

These interim financial statements are presented in Canadian dollars. The company has and expects to continue incurring expenditures denominated in US dollars and expects to generate revenue in US dollars. Revenue and expenses are translated at the average rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transaction are used. Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the reporting period date. Gains and losses on translation of monetary items are recognized in the statements of income (loss) and comprehensive income (loss).

(f) Inventories

Parts and finished goods are stated at the lower of cost and net realizable value. Inventory cost includes all expenses directly attributable to the manufacture including shipping and handling. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or slow moving. Actual net realizable value can vary from the estimated provision.

(g) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying cost of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statements of loss and comprehensive loss during the period in which they are incurred.

Depreciation is calculated at 55% declining balance for computer equipment and 20% declining balance for moulds used in manufacturing. Residual values, method of depreciation and useful lives of the assets are reviewed annual and adjusted, if required.

(h) Research and development expenditures

The Company anticipates it will qualify for certain investment tax credits related to its research and development activities in Canada. Research costs are expensed as incurred and are reduced by related investment tax credits, which are recognized when there is reasonable assurance that the ITCs will be received and all attached conditions will be complied with. The investment tax credits, if any, that may result from the research and development costs presented in these interim financial statements for the nine months ended September 30, 2021 are not determinable as at the statement date.

(i) Financial instruments

*Financial Assets - Classification*

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through Other Comprehensive Income ("OCI"), or through profit or loss ("FVTPL"), and
- Those to be measured at amortized cost.

**3. SIGNIFICANT ACCOUNTING POLICIES, (cont'd)**

(i) Financial instruments (*Continued*)

The classification depends on the Company's business model for managing the financial assets and contractual terms of the cash flows. For assets measured at fair value, gains or losses are recorded in profit or loss or OCI.

The Company has classified cash and cash equivalents and receivables (excluding sales taxes) as subsequently measured at amortized cost.

*Financial Assets - Measurement*

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. These are the measurement categories under which the Company classifies its financial assets:

- Subsequently measured at amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through OCI ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included as finance income using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented in the statement of net loss and comprehensive loss in the period in which it arises.

*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 of 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 the statement of net loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

**3. SIGNIFICANT ACCOUNTING POLICIES, (cont'd)**

(i) Financial instruments *(Continued)*

*Financial Liabilities*

The Company classifies its financial liabilities into the following categories: financial liabilities at FVTPL and amortized cost.

A financial liability is classified as FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are presented as follows: the amount of change in fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of the change in the fair value is presented in profit or loss. The Company does not designate any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest rate method. The Company classifies its accounts payable and accrued liabilities as financial liabilities held at amortized cost.

**4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The fair values of the Company’s cash and accounts payable and accrued liabilities approximate their carrying values.

The Company’s financial instruments are exposed to certain financial risks, including credit risk, interest rate risk and liquidity risk.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company’s primary exposure to credit risk is on its bank account. The Company’s bank account is held with a major bank in Canada; accordingly, the Company believes it is not exposed to significant credit risk.

b) Interest rate risk

Interest rate risk is the risk of losses that arise as a result of changes in contracted interest rates. The Company is not exposed to significant interest rate risk.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company controls liquidity risk by ensuring that it has sufficient cash resources to pay for its financial obligations. As at September 30, 2021, the Company had a cash balance of \$1,043,226 to settle current liabilities of \$340,234.

**5. PREPAID EXPENSES**

	<b>September 30</b>	
	<b>2021</b>	
Office and lease deposit	\$	6,150
Marketing video deposit		2,150
Other		74
	<u>\$</u>	<u>8,374</u>

**BEACON HILL INNOVATIONS LTD.**  
**NOTES TO CONDENSED THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021**  
(Presented in Canadian Dollars; unaudited)

**6. PROPERTY AND EQUIPMENT**

		<b>Computer equipment and software</b>	<b>Moulds for Products</b>	<b>Total</b>
Balance, February 7, 2020	\$	-	\$ -	\$ -
Additions		31,760	73,588	105,348
Amortization		(8,734)	-	(8,734)
Balance, December 31, 2020	\$	23,026	\$ 73,588	\$ 96,614
Additions		38,831	177,293	216,124
Amortization		(15,376)	-	(15,376)
Balance, September 30, 2021	\$	46,481	\$ 250,881	\$ 297,362

Included in property and equipment are computer equipment, software and moulds for products with net book value of \$297,362 as at September 30, 2021.

**7. CONVERTIBLE LOAN**

On September 14, 2021, the Company and Germinate Capital Ltd. (“Germinate”), together, entered into a \$500,000 convertible loan agreement (“Loan”) with two parties (“Lenders”). The Loan is convertible, at the option of the lenders, into the units of Germinate. Each unit is convertible into one common share of Germinate and one-half of one share purchase warrant (“Warrant”) of Germinate at a rate of \$0.30 per unit. Each Warrant is exercisable into a common share of Germinate at \$0.60 for a period of 2 years. Should the Qualifying Transaction (the “QT”) between the Company and Germinate not close for any reason before March 14, 2023, the Loan, at the option of the lenders, will be convertible into shares of the Company at a price equal to the Company's most recent financing, or be repaid in full. The Loan is subject to an interest rate of 5% per annum and a one-time setup fee of \$1,250 (see Note 13 and 14).

**8. PROMISSORY NOTE**

During the year ended December 31, 2020, the Company entered into a promissory note (the “Note”) with a maturity date of December 31, 2024. The Note is without interest until December 31, 2020, and thereafter incurs interest at a rate of 4% per annum, and payable quarterly. The Company can repay all or part of the Note at any time without penalty. During the six months ended June 30, 2021, the Company paid \$8,250 (2020 - \$Nil) in interest expense.

**9. SHARE CAPITAL**

(a) Authorized:

At September 30, 2021, the authorized share capital was comprised of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

(b) Share issuances:

**Fiscal 2021**

On February 8, 2021, the Company closed a non-brokered private placement of 5,400,003 common shares at a price of \$0.15 per share for gross proceeds of \$810,000.

On June 25, 2021, the Company closed a non-brokered private placement of 5,000,000 common shares at a price of \$0.20 per share for gross proceeds of \$1,000,000.

**BEACON HILL INNOVATIONS LTD.**  
**NOTES TO CONDENSED THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021**  
(Presented in Canadian Dollars; unaudited)

**9. SHARE CAPITAL (cont'd)**

(b) Share issuances (cont'd):

**Fiscal 2020**

On May 27, 2020, the Company closed a non-brokered private placement of 13,751,000 common shares at a price of \$0.01 per share for gross proceeds of \$137,510.

On August 12, 2020, the Company closed a non-brokered private placement of 8,000,000 common shares at a price of \$0.10 per share for gross proceeds of \$800,000.

**10. RELATED PARTY TRANSACTIONS**

**Related Party Balances**

As at September 30, 2021, \$Nil was due to officers of the Company or to companies controlled by officers of the Company and recorded in trade payables and accrued liabilities (see table below). These amounts are unsecured and non-interest bearing with no fixed terms of repayment.

**Key Management Compensation**

The Company's related parties include key management. Key management includes executive directors and non-executive directors. The remuneration to key management of the Company and the payments to companies controlled by officers of the Company as defined above were as follows:

Amounts due to:	Service	Nine months ended September 30, 2021 (Unaudited)	For the Period from February 7 to December 31, 2020 (Audited)	Balance due	
				As at September 30, 2021	As at December 31, 2020
Craig Fraser, officer and director	Salaries and benefits	\$ 72,942	\$ 80,385	\$ -	\$ -
Daniel Davies, officer and director	Salaries and benefits	72,942	80,385	-	-
<b>TOTAL:</b>		<b>\$ 145,884</b>	<b>\$ 160,770</b>	<b>\$ -</b>	<b>\$ -</b>

**10. SR&ED TAX CREDIT**

The Company recorded a SR&ED tax refund in the amount of \$283,021 (2020: \$Nil) related to research and development expenditures incurred during the period from February 7, 2020 to December 31, 2020.

**12. CAPITAL MANAGEMENT**

The Company's capital consists of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing and incurring debt. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

**BEACON HILL INNOVATIONS LTD.****NOTES TO CONDENSED THE INTERIM FINANCIAL STATEMENTS****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021**(Presented in Canadian Dollars; unaudited)

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**13. QUALIFYING TRANSACTION**

On September 17, 2021, the Company announced that it had entered into a definitive share exchange agreement with Germinate Capital Ltd. ("Germinate") in which Germinate will acquire all of the issued and outstanding shares of the Company. Germinate is a capital pool company and trades on TSX Venture Exchange (the "Exchange") under the trading symbol "GCAP.P". This transaction will constitute a Qualifying Transaction ("QT") for Germinate. The QT will be an arm's-length transaction pursuant to which the shareholders of the Company will become the largest shareholders of Germinate upon completion of the QT.

On September 23, 2021, Germinate completed its non-brokered private placement of subscription receipts of the Company (the "Subscription Receipts") at a price of \$0.30 per Subscription Receipt for gross proceeds of \$1,500,000 (the "Private Placement"). Each Subscription Receipt issued pursuant to the Private Placement is automatically convertible for no additional consideration into one unit of the Company (a "Unit") upon satisfaction of the Escrow Release Conditions (as defined below). Each Unit will be comprised of one common share in the capital of the Company (a "Share") and one-half of one Share purchase warrant (each full warrant, a "Warrant"). Each Warrant will be exercisable to acquire one Share at a price of \$0.60 for a period of two years from the date of issuance.

The Subscription Receipts will convert automatically for no additional consideration into Units upon the occurrence of the following events (collectively, the "Escrow Release Conditions"): (i) all conditions to the Exchange's conditional approval of the Transaction having been satisfied or waived; (ii) all conditions to the Exchange's conditional approval for the listing of the Shares to be issued pursuant to the Private Placement and the Shares underlying the Warrants having been satisfied or waived; and (iii) the closing of the transactions contemplated by the Share Exchange Agreement.

Germinate expects to pay to certain arm's length finders an aggregate cash finder's fee in connection with the Private Placement of \$23,242.52 and 77,475 non-transferrable warrants ("Finder Warrants") at the time of closing of the Transaction. Each Finder Warrant will entitle the holder to acquire one Share at a price of \$0.30 for a period of two years from closing of the Transaction.

**14. SUBSEQUENT EVENTS**

On October 28, 2021, In connection with the QT, Germinate changed its name to "BEACN Wizardry & Magic Inc." and the trading symbol from "GCAP.P" to "BECN" on the TSX Venture Exchange.

On October 29, 2021, BEACN Wizardry & Magic Inc. (formerly Germinate Capital Ltd.) and the Company completed their previously announced the QT. The QT was completed by way of share exchange pursuant to which BEACN acquired all of the issued and outstanding shares in the capital of the Company in exchange for the issuance of 32,151,003 common shares in the capital of BEACN to the former shareholders of the Company. BEACN also issued 3,150,000 stock options to directors, officers, employees and consultants of BEACN, which can be exercised at a price of \$0.30 per share until October 29, 2026.