
Condensed Interim Consolidated Financial Statements

Victory Capital Corp.

For the Three and Nine Months Ended September 30, 2021 and 2020

(Stated in Canadian Dollars)

Unaudited

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Victory Capital Corp.

Condensed Interim Consolidated Statements of Financial Position

As at September 30, 2021 and December 31, 2020

Unaudited

Stated in Canadian Dollars

	September 30, 2021	December 31, 2020
Assets		
Current Assets		
Cash	\$ 180,801	\$ 426,284
Loan receivables (note 10)	101,782	15,045
	<u>\$ 282,583</u>	<u>\$ 441,329</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	<u>\$ 87,372</u>	<u>\$ 33,631</u>
Shareholders' Equity		
Issued Capital (note 5)	767,579	767,579
Contributed Surplus (note 5 and 6)	80,877	80,877
Deficit	<u>(653,245)</u>	<u>(440,758)</u>
	<u>195,211</u>	<u>407,698</u>
	<u>\$ 282,583</u>	<u>\$ 441,329</u>

Nature of Operations (note 1)

Proposed Qualifying Transaction and Subsequent Event (note 10)

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

Approved on Behalf of the Board

Signed "Roger (Zelong) He", Director

Signed "Raj Dewan", Director

Victory Capital Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the Three and Nine Months Ended September 30, 2021 and 2020

Unaudited

Stated in Canadian Dollars

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Expenses				
Bank charges	\$ 151	\$ -	\$ 420	\$ 126
Filing fees	2,611	3,300	24,392	13,797
Professional fees	28,106	36,890	189,412	53,533
	<u>30,868</u>	<u>40,190</u>	<u>214,224</u>	<u>67,456</u>
Other Expense (Income)				
Interest income	<u>(1,011)</u>	<u>-</u>	<u>(1,737)</u>	<u>-</u>
Net Loss and Comprehensive Loss for the Period				
	<u>\$ (29,857)</u>	<u>\$ (40,190)</u>	<u>\$ (212,487)</u>	<u>\$ (67,456)</u>
Loss per Share - basic and diluted				
	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.04)</u>	<u>\$ (0.01)</u>
Weighted Average Number of Common Shares Outstanding – basic and diluted				
	<u>5,088,750</u>	<u>5,088,750</u>	<u>5,088,750</u>	<u>5,088,750</u>

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

Victory Capital Corp.

Condensed Interim Consolidated Statements of Changes in Equity
For the Three and Nine Months Ended September 30, 2021 and 2020

Unaudited

Stated in Canadian Dollars

	<u>Issued Capital</u>		Contributed Surplus	Deficit	Total Equity
	Shares	Amount			
Balance - January 1, 2020	5,088,750	\$ 767,579	\$ 80,877	\$ (340,266)	\$ 508,190
Net loss for the period	-	-	-	(67,456)	(67,456)
Balance - September 30, 2020	5,088,750	\$ 767,579	\$ 80,877	\$ (407,722)	\$ 440,734
Balance – January 1, 2021	5,088,750	\$ 767,579	\$ 80,877	\$ (440,758)	\$ 407,698
Net loss for the period	-	-	-	(212,487)	(212,487)
Balance - September 30, 2021	5,088,750	\$ 767,579	\$ 80,877	\$ (653,245)	\$ 195,211

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

Victory Capital Corp.

Condensed Interim Consolidated Statements of Cash Flow

For the Three and Nine Months Ended September 30, 2021 and 2020

Unaudited

Stated in Canadian Dollars

	Nine Months Ended	
	September 30, 2021	September 30, 2020
Operating Activities		
Net loss for the period	\$ (212,487)	\$ (67,456)
Changes in non-cash operating working capital:		
Accounts payable and accrued liabilities	53,741	20,549
Non-cash interest income	(1,737)	-
	<u>(160,483)</u>	<u>(46,907)</u>
Investing Activities		
Loan receivables	(85,000)	-
	<u>(85,000)</u>	<u>-</u>
Change in Cash	(245,483)	(46,907)
Cash - beginning of period	<u>426,284</u>	<u>524,218</u>
Cash - end of period	<u>\$ 180,801</u>	<u>\$ 477,311</u>

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

Victory Capital Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2021 and 2020
Unaudited
Stated in Canadian Dollars

1. Nature of Operations

Victory Capital Corp. (the "Company") was incorporated on November 6, 2009, pursuant to the Business Corporation Act (Ontario) and is classified as a Capital Pool Corporation ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange Inc. ("the Exchange") Corporate Finance Manual. The Company was inactive from the date of incorporation until May 2016. The Company has no significant assets other than cash and proposes to identify and evaluate potential acquisitions or businesses with a view to completing a Qualifying Transaction, as defined in Exchange Policy 2.4. The Company will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction.

On November 24, 2020, the Company entered a letter of intent (the "LOI") with Acapulco Gold Corporation ("Acapulco"). Pursuant to the LOI, the Company and Acapulco will negotiate and enter into a definitive agreement (the "Definitive Agreement"), pursuant to which it is anticipated that the Company will acquire all of the issued and outstanding securities of Acapulco at an exchange ratio to be determined in accordance with the Definitive Agreement, resulting in the reverse takeover of the Company by Acapulco (the "Proposed Transaction").

On February 5, 2021, the Company and 1287878 B.C. Ltd., a wholly-owned subsidiary of Victory, which was incorporated on February 5, 2021, entered into a binding merger agreement with Acapulco, in respect of the completion of an arm's length reverse-takeover transaction of Acapulco by Victory, which will constitute the completion of Victory's Qualifying Transaction. (See Note 10)

There is no assurance that the Company will complete a Qualifying Transaction within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or delist the Company's shares from trading.

Subsequent to 2019 year-end and currently, there is a global outbreak of COVID-19 (coronavirus), which has a significant impact on businesses through restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations, and isolations/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or maybe put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate that this outbreak may negatively impact the Company's business and financial condition.

The Company's principal place of business is 333 Bay Street, Suite 1700, Toronto, Ontario, M5H 2R2.

Victory Capital Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2021 and 2020
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2. Significant Accounting Policies

Statement of Compliance

The Company's condensed interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting". These condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2020, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These condensed interim consolidated financial statements have been prepared following the same accounting policies used in the preparation of the Company's audited financial statements for the year ended December 31, 2020, and were approved by the Company's Board of Directors on November 26, 2021.

Basis of Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary, 1287878 B.C. Ltd. All intercompany transactions and balances have been eliminated upon consolidation.

3. Significant Accounting Judgements, Estimates and Assumptions

The preparation of these condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. These condensed consolidated interim financial statements include estimates, that, by their nature, are uncertain. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The most significant judgments, estimates and assumptions include those related to the fair value of stock-based compensation and warrants and the recognition of deferred tax assets.

Victory Capital Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended September 30, 2021 and 2020

Unaudited

Stated in Canadian Dollars

4. Cash Restriction

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions apply until completion of a Qualifying Transaction by the Corporation as defined under the Exchange Policy 2.4.

5. Issued Capital

Capital Stock

The Company is authorized to issue an unlimited number of common shares. As of September 30, 2021, and December 31, 2020, there were 5,088,750 common shares outstanding. There were no share capital transactions during the three and nine months ended September 30, 2021 and 2020.

6. Stock Options

As of September 30, 2021 and December 31, 2020, there were 407,100 outstanding and exercisable stock options on the balance, exercisable at the exercise price of \$0.20 with an expiry date being December 13, 2022.

Victory Capital Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended September 30, 2021 and 2020

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7. Financial Instruments and Other Risks

IFRS 7 establishes a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

- Level 1 quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs other than quoted prices included in Level 1 that are observable for the asset or liability, directly (i.e., as prices) or indirectly (i.e., from derived prices); and
- Level 3 inputs for the asset or liability that are not based upon observable market data.

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As of September 30, 2021, the Company's cash was classified as Level 1 measurement. As of September 30, 2021, the Company had no financial instruments classified at Level 2 and Level 3.

Fair Values

Except as disclosed elsewhere in these financial statements, the carrying amounts for the Company's financial instruments approximate their fair values because of the short-term nature of these items.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Market Risk

Market risk refers to the risk that a change in the level of one or more of market prices, interest rates, foreign exchange rates, indices, volatilities, correlations, or other market factors, such as liquidity, will result in a change in the fair value of a financial instrument. The Company's financial instruments are designated as held for trading, fair value through profit or loss, available for sale, amortized cost or loans and receivables. Therefore, changes in fair value or permanent impairment, if any, affect reported earnings as they occur, except for amortized cost.

The Company separates market risk into two categories: interest rate risk and foreign exchange risk.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Company does not hedge its exposure to interest rate risk as such risk is minimal. None of the Company's cash balances are subject to variable interest rates.

Foreign Exchange Risk

Foreign exchange risk arises from the possibility that changes in the price of foreign currencies will result in changes in carrying value. The Company does not hold any assets denominated in currencies other than the Canadian dollar and is not subject to foreign currency risk.

Victory Capital Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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7. Financial Instruments and Other Risks (continued)

Credit Risk

As of September 30, 2021, the Company's maximum exposure to credit risk was the book value of cash and loan receivables. The Company limits its credit exposure on cash and cash equivalents by holding its deposits mainly with high credit quality financial institutions as determined by credit rating agencies. Credit risk arising on loan receivables is not significant given the counterparty is the entity that Victory is going to acquire through a reverse-takeover transaction.

Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due. The Company's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they come due, as well as ensuring adequate funds exist to support business strategies and operations growth. The majority of current assets reflected on the statements of financial position are highly liquid. As of September 30, 2021, the Company had current assets of \$282,583 (December 31, 2020 - \$441,329) to settle current liabilities of \$87,372 (December 31, 2020 - \$33,631).

8. Capital Disclosures

As of September 30, 2021, the Company was not subject to any regulatory capital requirements. The Company's capital is composed of equity, including shareholder's equity and deficit.

The Company's objectives when managing capital include:

- (a) ensuring that the Company meets relevant regulatory capital requirements when applicable,
- (b) ensuring that the Company is able to meet its financial obligations as they become due; and
- (c) ensuring that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There has been no change with respect to the overall capital risk management strategy for the nine months ended September 30, 2021.

9. Related Party Transactions

During the three and nine months ended September 30, 2021, the Company incurred consulting fees totaling \$9,450 and \$28,350, respectively (2020 - \$Nil and \$Nil) payable to Pan-Pacific Supreme Enterprises Ltd., a company related to one of the Company's directors. As of September 30, 2021 and December 31, 2020, \$37,800 and \$9,450 were outstanding and included in accounts payable and accrued liabilities, respectively.

Victory Capital Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended September 30, 2021 and 2020

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10. Proposed Qualifying Transaction and Subsequent Events

On November 24, 2020, the Company entered into a letter of intent (the “LOI”) with Acapulco Gold Corporation (“Acapulco”). Pursuant to the LOI, the Company will provide Acapulco with a bridge loan in the amount of up to \$100,000 (the “Loan”) for working capital purposes, of which \$25,000 may be immediately advanced to Acapulco pursuant section 8.5(b) of Policy 2.4 of the policies of the TSXV.

On February 5, 2021, the Company and 1287878 B.C. Ltd., a wholly-owned subsidiary of the Company, which was incorporated on February 5, 2021, entered into a binding merger agreement with Acapulco, in respect of the completion of an arm’s length reverse-takeover transaction of Acapulco by the Company (the “Proposed Transaction”), which will constitute the completion of the Company’s Qualifying Transaction. The Proposed Transaction will result in the Company acquiring all of the issued and outstanding securities of Acapulco in exchange for the issuance of securities of the Company, which will result in Acapulco becoming a wholly-owned subsidiary of the Company.

On November 27, 2020, as part of the Loan, the Company issued a promissory note of \$25,000 to Acapulco. The promissory note bears interest of 6% per annum, and the outstanding principal plus accrued interest shall be repaid the earlier of (i) receipt of final approval of the TSXV for the Proposed Transaction; and (ii) June 30, 2021. As of December 31, 2020, the Company advanced \$15,000 to Acapulco, and made additional advance of \$10,000 during January 2021. On August 16, 2021, the note payback date was amended to the earlier of (i) receipt of final approval of the TSXV for the Proposed Transaction; and (ii) November 30, 2021.

In August 2021, the Company made two more advances of total \$75,000 to Acapulco as part of the Loan. These loans bear interest of 6% per annum, and shall be repaid the earlier of (i) receipt of final approval of the TSXV for the Proposed Transaction; and (ii) November 30, 2021.

For the three and nine months ended September 30, 2021, the Company recorded interest income of \$1,011 and \$1,737 (2020 – \$Nil and \$Nil) in connection with these loans. As of September 30, 2021 and December 31, 2020, the Company had loan receivable balance of \$101,782 and \$15,045, respectively.

The completion of the Proposed Transaction is subject to the satisfaction of various conditions that are customary for a transaction of this nature, including but not limited to: (i) the completion a concurrent financing for gross proceeds from a minimum of \$2,500,000 and up to a maximum of \$3,500,000 (the “Private Placement”) through the issuance of subscription receipts of Acapulco (the “Subscription Receipts”); (ii) the approval by the directors of Victory and Acapulco of the Proposed Transaction and the matters related therein; and (iii) the receipt of all requisite regulatory, stock exchange, or governmental authorizations and consents, including the Exchange.

In October and November, 2021, Acapulco closed a private placement of subscription receipts (the “Acapulco Subscription Receipts”) for aggregate gross proceeds of approximately \$4.043 million through the issuance of 20,215,000 Acapulco Subscription Receipts at a price of \$0.20 per Acapulco Subscription Receipt (the “Acapulco Private Placement”). The Acapulco Private Placement took place concurrently with the private placement of subscription receipts by the Company (the “Victory Subscription Receipts”) for aggregate gross proceeds of approximately \$289,000 through the issuance of 1,445,000 Victory Subscription Receipts at a price of \$0.20 per Victory Subscription Receipt (the “Victory Private Placement”).

Victory Capital Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended September 30, 2021 and 2020

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10. Proposed Qualifying Transaction and Subsequent Events (Continued)

In connection with the Acapulco Private Placement, Acapulco paid aggregate fees of \$323,440 and issued finders' warrants to purchase 1,617,200 Resulting Issuer Shares at a price of \$0.20 per Resulting Issuer Share exercisable for a period of 24 months from the date of closing of the Acapulco Private Placement to certain qualified finders.

In connection with the Victory Private Placement, Victory paid aggregate fees of \$23,120 and issued finders' warrants to purchase 115,600 Resulting Issuer Shares at a price of \$0.20 per Resulting Issuer Share exercisable for a period of 24 months from the date of closing of the Victory Private Placement to certain qualified finders.

The fair value of the total 1,732,800 finders' warrants is estimated on the grant date using the Black-Scholes option model valued at \$181,115, with the following weighted average variables: risk-free interest rate of 0.44%, expected life of 2 years, expected stock price volatility of 100% and expected dividend rate of 0%.

Upon the closing of the Proposed Transaction, the Acapulco Subscription Receipts will be automatically exchanged for one common share of Acapulco (a "Acapulco Common Share"), and subsequently each Acapulco Common Share will be automatically exchanged for one common share in the capital of the Resulting Issuer (a "Resulting Issuer Share"). Upon the closing of the Proposed Transaction, each Victory Subscription Receipt will be automatically exchanged for one Resulting Issue Share.