

MJ Innovation Capital Corp.

(A Capital Pool Company)

Audited Financial Statements

For the financial years ended June 30, 2021 and June 30, 2020

Independent Auditor's Report

To the Shareholders of MJ Innovation Capital Corp.:

Opinion

We have audited the financial statements of MJ Innovation Capital Corp. (the "Corporation"), which comprise the statements of financial position as at June 30, 2021 and June 30, 2020, and the statements of loss and comprehensive loss, changes in shareholders' equity 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 Corporation as at June 30, 2021 and June 30, 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 audits 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 Corporation in accordance with the ethical requirements that are relevant to our audits 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.

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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis 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. 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation'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 Corporation'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 Corporation'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 Corporation 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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 Pierrette Dosanjh.

MNP LLP

Toronto, Ontario
October 28, 2021

Chartered Professional Accountants
Licensed Public Accountants

MNP

MJ Innovation Capital Corp.

(A Capital Pool Company)

For the financial years ended June 30, 2021 and June 30, 2020

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MJ Innovation Capital Corp.
(A Capital Pool Company)
Audited Statements of Financial Position
(Expressed - Canadian Dollars)

	June 30, 2021	June 30, 2020
Assets		
Current Assets		
Cash	\$ 237,206	314,416
Total assets	\$ 237,206	314,416
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 44,067	37,190
Total Liabilities	\$ 44,067	37,190
Shareholders' Equity		
Share capital (Note 3)	\$ 405,915	405,915
Contributed surplus (Note 3)	66,507	66,507
Accumulated deficit	(279,283)	(195,196)
Total shareholders' equity	\$ 193,139	277,226
Total liabilities and shareholders' equity	\$ 237,206	314,416

Nature of operations (Note 1)

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

Approved by the Board

"Richard Kimel"

Director

"Bryan Van Engelen"

Director

MJ Innovation Capital Corp.

(A Capital Pool Company)

Audited Statements of Loss and Comprehensive Loss

For the financial years ended June 30, 2021 and June 30, 2020

(Expressed - Canadian Dollars)

		Year Ended June 30, 2021	Year Ended June 30, 2020
Expenses			
Office and administrative expenses	\$	20,309	35,534
Legal & professional fees (Note 5)		63,778	44,768
Stock-based compensation (Note 3)		-	45,424
Total Expenses	\$	84,087	125,726
Net Loss & Comprehensive Loss	\$	(84,087)	(125,726)
Net loss per share			
Basic and Diluted	\$	(0.04)	(0.07)
Weighted average of shares outstanding		2,000,000	1,781,421
Basic and Diluted			

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

MJ Innovation Capital Corp.

(A Capital Pool Company)

Audited Statements of Changes in Shareholders' Equity

For the financial years ended June 30, 2021 and June 30, 2020

(Expressed - Canadian Dollars)

	Number of Shares	Share Capital	Accumulated Deficit	Contributed surplus	Shareholders' Equity
Balance as at July 1, 2020	3,050,000	\$ 405,915	\$ (195,196)	\$ 66,507	\$ 277,226
Net loss for the year		-	(84,087)	-	(84,087)
Balance as at June 30, 2021	3,050,000	\$ 405,915	\$ (279,283)	\$ 66,507	\$ 193,139

Balance as at July 1, 2019	1,000,000	\$ 95,298	\$ (69,470)	\$ -	\$ 25,828
Shares issued during the year (Note 3)	2,050,000	405,000	-	-	405,000
Shares issuance costs		(94,383)	-	-	(94,383)
Warrants issued to Agent (Note 3)		-	-	21,083	21,083
Stock based compensation (Note 3)		-	-	45,424	45,424
Net loss for the year		-	(125,726)	-	(125,726)
Balance as at June 30, 2020	3,050,000	\$ 405,915	\$ (195,196)	\$ 66,507	\$ 277,226

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

MJ Innovation Capital Corp.
(A Capital Pool Company)
Audited Statements of Cash flows
For the financial years ended June 30, 2021 and June 30, 2020
(Expressed - Canadian Dollars)

	Year ended June 30, 2021	Year ended June 30, 2020
Operating activities		
Net loss	\$ (84,087)	(125,726)
Adjustments for:		
Stock based compensation (Note 3)	-	45,424
Change in operating assets and liabilities		
Accounts payable	6,877	(21,892)
Net cash used by operating activities	\$ (77,210)	(102,194)
Financing Activities		
Shares issued (Note 3)	\$ -	405,000
Issuance costs	-	(73,300)
Change in deferred offering costs	-	15,000
Net cash provided by financing activities	\$ -	346,700
Net change in cash flows	\$ (77,210)	244,506
Cash and cash equivalents		
Cash at beginning of year	\$ 314,416	69,910
Change in cash during the year	(77,210)	244,506
Cash at end of year	\$ 237,206	314,416

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

MJ Innovation Capital Corp.

(A Capital Pool Company)

Notes to the Audited Financial Statements

For the financial years ended June 30, 2021 and June 30, 2020

(Expressed - Canadian Dollars)

1. Nature of Operations

MJ Innovation Capital Corp. (the "**Corporation**") was incorporated under the *Business Corporations Act* (Ontario) on November 13, 2018 and is a Capital Pool Company as defined in Policy 2.4 – Capital Pool Companies ("**Policy 2.4**") of the TSX Venture Exchange (the "**Exchange**"). The Corporation has no assets other than cash. The principal business of the Corporation is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction (as defined in Policy 2.4). The Corporation's continuing operations as intended are dependent on its ability to identify, evaluate and negotiate an acquisition, or business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm's length transaction, of the majority of the minority shareholders.

On August 4, 2021, the Corporation held a special meeting of shareholders where disinterested shareholders approved, among other things, the removal of the consequences of the Corporation failing to complete a Qualifying Transaction within 24 months of its initial public offering, in accordance with certain amendments to Policy 2.4.

The proceeds raised from the issuance of common shares in the capital of the Corporation ("**Common Shares**") may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to \$3,000 per month may be used for reasonable general and administrative expenses of the Corporation. These restrictions apply until the completion of a Qualifying Transaction.

The head office and the registered head office of the Corporation is located at 181 Bay Street, Suite 1800, Toronto, ON M5J 2T9.

The global outbreak of the COVID-19 pandemic has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact of the COVID-19 outbreak may have on the Corporation 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 may be put, in place by Canada and other countries to fight the virus.

These financial statements were approved and authorized for issuance by the board of directors (the "**Board**") of the Corporation on October 28, 2021

2. Significant accounting policies

Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee.

Accounting standards issued but not yet applied

The Corporation has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. In the current circumstances, management of the Corporation does not expect any of these to have a material impact on the financial statements.

Basis of Presentation

The financial statements are presented in Canadian dollars, which is the Corporation's functional and presentation currency. The financial statements are prepared on a historical cost basis except for certain financial instruments classified as fair value through profit or loss ("**FVTPL**"), which are stated at their fair value. The accounting policies have been applied consistently throughout the entire period presented in these financial statements.

Share Capital

Common Shares are classified as equity. Incremental costs directly attributable to the issuance of Common Shares are recognized as a deduction from equity.

Basic and Diluted Loss per Share

Basic loss per share is computed by dividing the net loss applicable to Common Shares by the weighted average number of Common Shares outstanding for the relevant period. Common Shares escrowed pursuant to the requirements of the Exchange are excluded from the number of outstanding Common Shares.

Diluted loss per share is computed by dividing the net loss applicable to Common Shares by the sum of the weighted average number of Common Shares issued and outstanding and all additional Common Shares that would have been outstanding if potentially dilutive instruments were converted.

Share-based Compensation

Equity-settled share-based payments for directors, officers, employees, and consultants are measured at fair value at the date of grant and recorded as compensation expense in the financial statements. Options are measured at fair value of each tranche on the grant date and are recognized in their respective vesting period using the Corporation's expected forfeiture rate. Any consideration paid by directors, officers, employees and consultants on exercise of equity-settled share-based payments is credited to share capital. Common shares are issued from treasury upon the exercise of equity-settled share-based instruments.

Financial Instruments

Recognition

The Corporation recognizes financial assets and financial liabilities on the date the Corporation becomes a party to the contractual provisions of the instruments.

Classification

The Corporation classifies its financial assets and financial liabilities in the following measurement categories: (i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and (ii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Corporation only reclassifies financial assets when its business model for managing those assets changes. Financial liabilities are not reclassified.

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The Corporation has implemented the following classifications:

- cash is classified as fair value and any period change in fair value is recorded in profit or loss; and
- accounts payable and accrued liabilities are classified as other financial liabilities and measured at amortized cost using the effective interest rate method.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments or principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition).

Additional fair value measurement disclosure includes classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements which are as follows:

- Level 1: valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than level 1 prices, such as quoted interest or currency exchange rates; and
- Level 3: valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

Cash is a level 1 financial instrument measured at fair value on the statements of financial position.

Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Corporation intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expensed to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

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Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Estimates

The preparation of financial statements in conformity with IFRS accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates used in the financial statements.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provision in the period in which such determination is made.

3. Share capital*Authorized Unlimited Common Shares*

Issued	#	\$
Balance, June 30, 2019	1,000,000	\$ 95,298
50,000 Common Shares (i)	50,000	5,000
5,000,000 Common Shares (ii)	2,000,000	400,000
Issuance cost (cash)	-	(73,300)
Issuance cost (warrants)	-	(21,083)
Balance, June 30, 2020 and 2021	3,050,000	\$ 405,915

(i) Escrow Shares

During the period ended June 30, 2019, the Corporation issued 1,000,000 Common Shares at a price of \$0.10 per share for total cash consideration of \$100,000. Share issuance costs of \$4,702 were associated with this offering. On July 3, 2019, the Corporation issued 50,000 Common Shares at a price of \$0.10 per share for total cash consideration of \$5,000.

All of the 1,050,000 Common Shares issued prior to the Corporation's initial public offering (the "**IPO**") at a price of \$0.10 per Common Share, all Common Shares that may be acquired by Non Arm's Length Parties of the Corporation (as defined by the policies of the Exchange) either under the IPO or otherwise prior to completion of the Qualifying Transaction, and all Common Shares acquired by members of the Aggregate Pro Group (as defined by the policies of the Exchange) prior to the IPO, will be deposited with the Corporation's escrow agent under the CPC Escrow Agreement (as defined by the policies of the Exchange).

All Common Shares acquired upon the exercise of stock options ("**Options**") prior to the completion of a Qualifying Transaction must also be deposited in escrow until the final exchange bulletin is issued, following which the Common Shares will be released from escrow in accordance with the terms of the escrow agreement.

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Notes to the Audited Financial Statements

For the financial years ended June 30, 2021 and June 30, 2020

(Expressed - Canadian Dollars)

All Common Shares acquired in the secondary market prior to the completion of a Qualifying Transaction by a control person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer following the completion of Qualifying Transaction will also be escrowed.

(ii) IPO

On August 9, 2019, the Corporation completed its IPO of 2,000,000 Common Shares at a price of \$0.20 per share for aggregate gross proceeds of \$400,000. Share issuance costs of \$94,383 were associated with the IPO.

(iii) Options

Options may be granted for a maximum term of 10 years from the date of the grant. They are non-transferable and are exercisable as determined by the Board when the option is granted. Options may be exercised until the greater of 12 months after the completion of the Qualifying Transaction and 90 days following the date the optionee ceases to be a director, officer or employee of the Corporation or its affiliates or a consultant or a management company employee, provided that if the cessation of such position or arrangement was by reason of death, the Option may be exercised within a maximum period of one year after such death, subject to the expiry date of such Option.

The following table reflects the continuity of Options and Agent's Warrants:

	Number of Options and Agent's Warrants	Weighted Average Exercise Price (\$)
Balance, January 1, 2019	-	-
Granted (i)	200,000	\$0.20
Granted to directors and officers (ii)	305,000	\$0.20
Balance, June 30, 2020 and 2021	505,000	\$0.20

On August 9, 2019, in connection with the IPO, the Corporation issued Canaccord Genuity Corp. (the "**Agent**"), warrants (the "**Agent's Warrants**") to purchase 200,000 Common Shares at a price of \$0.20 per share. The Agent's Warrants expired 24 months from the date of closing the IPO. The Agent's Warrants issued were allocated an estimated fair value using the Black-Scholes option pricing model to estimate the fair value using the weighted average assumptions of an expected forfeiture rate of 0%, a risk-free interest rate of 1.38%, an expected dividend yield of 0%, an expected stock price volatility of 100%, and an expected life of two years. This resulted in a calculated fair value per warrant of \$0.105.

During the financial year ended June 30, 2021, the Corporation recognized nil in share issuance costs (June 30, 2020 - \$21,083).

On August 9, 2019, in connection with the IPO, the Corporation granted Options to directors and officers to acquire an aggregate of 305,000 Common Shares at an exercise price of \$0.20 per share for a period of 10 years from the date of grant.

Options issued were allocated an estimated fair value using the Black-Scholes option pricing model to estimate the fair value using the weighted average assumptions of an expected forfeiture rate of 0%, a risk-free interest rate of 1.26%, an expected dividend yield of 0%, an expected stock price volatility of 100%, and an expected life of five years. This resulted in a calculated fair value per option of \$0.149. During the year ended June 30, 2021, the Corporation recognized \$NIL in stock-based compensation costs that were recorded as contributed surplus (June 30, 2020 - \$45,424).

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Notes to the Audited Financial Statements

For the financial years ended June 30, 2021 and June 30, 2020

(Expressed - Canadian Dollars)

As at June 30, 2020 and 2021, there were 305,000 Options outstanding.

The following table reflects the actual Options and Agent's Warrants issued and outstanding as of June 30, 2021.

Expiry Date	Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number of Options and Agent's Warrants Outstanding	Number of Options and Agent's Warrants Vested (Exercisable)
August 9, 2021	\$0.20	0.11	200,000	200,000
August 9, 2029	\$0.20	8.12	305,000	305,000
	\$0.20	4.94	505,000	505,000

5,940 of the Agent's Warrants were exercised subsequent to year end, and the remaining expired unexercised.

4. Capital management

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Corporation includes equity, comprised of share capital and deficit, in the definition of capital. The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to \$3,000 per month may be used for reasonable general and administrative expenses of the Corporation. These restrictions apply until completion of a Qualifying Transaction.

5. Related party transactions

During the financial year ended June 30, 2021, the Corporation incurred \$38,963 (\$20,629 - June 30, 2020) in legal fees in respect of general corporate matters for services provided by a law firm which has two partners that are directors of the Corporation. At the end of the period, \$17,762 (\$12,167 - June 30, 2020) in legal fees were contained in the Corporation's accounts payable and accrued liabilities.

During the financial year ended June 30, 2021, the Corporation did not issue Options to the directors and officers of the Corporation (305,000 - June 30, 2020). The previously granted Options had a value of \$45,424 (Note 3). No remuneration was paid to key management personnel during the financial year ended June 30, 2021 (\$NIL aside from the aforementioned Options - June 30, 2020).

6. Risk Disclosures and Fair Values

The Corporation's financial instruments, consisting of cash, and accrued liabilities approximate fair value due to the relatively short-term maturity of the instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

7. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2020 - 26.5%) to the effective tax rate is as follows:

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For the financial years ended June 30, 2021 and June 30, 2020

(Expressed - Canadian Dollars)

	2020	2021
Net (Loss) before recovery of income taxes	\$ (125,726)	\$ (84,087)
Expected income tax (recovery) expense	(33,320)	(22,280)
Non-deductible expenses	12,040	-
Share issuance cost booked directly to equity	(25,010)	-
Change in tax benefits not recognized	46,290	22,280
Income tax (recovery)	\$ -	\$ -

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2020	2021
Capitalized legal fees	-	13,520
Share issuance costs	75,330	55,510
Operating tax losses carried forward	173,530	263,910
	248,860	332,940

The Canadian operating tax loss carry forwards expire as noted in the table below. The remaining deductible temporary differences may be carried forward indefinitely. Share issue and financing costs will be fully amortized in 2024. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Corporation can utilize the benefits therefrom.

The Corporation's Canadian operating tax losses expire as follows:

2039	73,410
2040	100,120
2041	90,380
	\$ 263,910

8. Subsequent Events

The Corporation entered into a definitive agreement dated June 10, 2021 (as amended on September 14, 2021) with SPARQ Systems Inc. ("**SPARQ**"), pursuant to which the Corporation, on an arm's length basis, agreed to acquire all of the issued and outstanding common shares in the capital of SPARQ (the "**SPARQ Transaction**"). The SPARQ Transaction, when completed, would result in a reverse takeover of the Corporation by SPARQ. Following the completion of the SPARQ Transaction, the Corporation is expected to carry on the business of SPARQ, which designs and manufactures next generation single-phase microinverters for residential and commercial solar electric applications.

On August 4, 2021, the Corporation held a special meeting of its shareholders (the "**MJ Shareholders**") where the MJ Shareholders approved resolutions in respect of the following matters in connection with, and subject to the completion of, the SPARQ Transaction: (i) the election of the proposed directors of the Corporation following completion of the SPARQ Transaction (the "**Resulting Issuer**"); (ii) the adoption of articles of amendment to: (A) effect a consolidation on the basis of 1 post-consolidation Common Share for every 1.25 pre-consolidation Common Shares, and (B) change the name of the Corporation from "MJ Innovation Capital Corp." to "SPARQ Corp."; (iii) amendments to the

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Notes to the Audited Financial Statements

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Corporation's stock option plan, which will govern the stock options of the Resulting Issuer; (iv) an amendment to the CPC Escrow Agreement to reduce the length of the term of the escrow in accordance with the policies of the TSXV; and (v) the removal of consequences of the Corporation failing to complete a Qualifying Transaction within 24 months of listing on the Exchange.