

Anacott Acquisition Corporation
(A Capital Pool Company)

Condensed Interim Financial Statements
(Unaudited)

September 30, 2021

Anacott Acquisition Corporation

(A Capital Pool Company)

Condensed Interim Statements of Financial Position

(Unaudited)

	September 30 2021	December 31 2020
ASSETS		
Current		
Cash	\$ 197,890	\$ 119,735
Accounts receivable	3,441	-
Prepaid expenses	-	15,000
	\$ 201,331	\$ 134,735
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 2,000	\$ 16,000
SHAREHOLDERS' EQUITY		
Share capital (note 5)	232,803	138,000
Share-based payment reserve (note 5)	27,597	12,810
Deficit	(61,069)	(32,075)
	199,331	118,735
	\$ 201,331	\$ 134,735

Nature and continuance of operations (note 1)

The accompanying Notes to the Condensed Interim Financial Statements are an integral part of these financial statements

Anacott Acquisition Corporation

(A Capital Pool Company)

Condensed Interim Statements of Loss and Comprehensive Loss

(Unaudited)

	Three Month Period Ended September 30 2021	Period from Incorporation on September 24, 2020 to September 30 2020	Nine Month Period Ended September 30 2021	Period from Incorporation on September 24, 2020 to September 30 2020
Expenses				
Bank charges	\$ 40	\$ -	\$ 92	\$ -
Office	-	-	824	-
Professional fees (note 6)	548	-	10,039	-
Regulatory authorities	-	-	11,001	-
Transfer agent	1,549	-	7,038	-
Loss and comprehensive loss	\$ (2,137)	\$ -	\$ (28,994)	\$ -
Loss per share - basic and diluted	\$ (0.00)	\$ -	\$ (0.01)	\$ -
Weighted average number of shares outstanding	4,400,536	100	3,645,602	100

The accompanying Notes to the Condensed Interim Financial Statements are an integral part of these financial statements

Anacott Acquisition Corporation

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Condensed Interim Statements of Changes in Shareholders' Equity

(Unaudited)

	Issued Share Number	Capital Amount	Share-based Payment Reserve	Deficit	Total
Incorporation, September 24, 2020	100	\$ 5	\$ -	\$ -	5
Loss	-	-	-	-	-
Balances, September 30, 2020	100	5	-	-	5
Shares issued	2,399,900	139,995	-	-	139,995
Share issuance costs	-	(2,000)	-	-	(2,000)
Share-based compensation	-	-	12,810	-	12,810
Loss	-	-	-	(32,075)	(32,075)
Balances, December 31, 2020	2,400,000	138,000	12,810	(32,075)	118,735
Shares issued	2,000,896	200,157	(67)	-	200,090
Share issuance costs	-	(105,354)	14,854	-	(90,500)
Loss	-	-	-	(28,994)	(28,994)
Balances, September 30, 2021	4,400,896	\$ 232,803	\$ 27,597	\$ (61,069)	\$ 199,331

The accompanying Notes to the Condensed Interim Financial Statements are an integral part of these financial statements

Anacott Acquisition Corporation

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Condensed Interim Statements of Cash Flows

(Unaudited)

	Nine Month Period Ended September 30 2021	Period from Incorporation on September 24, 2020 to September 30 2020
Operating activities		
Net loss	\$ (28,994)	\$ -
Changes in non-cash working capital:		
Accounts receivable	(3,441)	(5)
Prepaid expenses	15,000	-
Accounts payable and accrued liabilities	(14,000)	-
	<u>(31,435)</u>	<u>(5)</u>
Financing activities		
Proceeds from issuance of shares	200,090	5
Share issuance costs	(90,500)	-
	<u>109,590</u>	<u>5</u>
Net change in cash	78,155	-
Cash, beginning of period	119,735	-
Cash, end of period	\$ 197,890	\$ -

Non-cash transaction (note 7)

The accompanying Notes to the Condensed Interim Financial Statements are an integral part of these financial statements

Anacott Acquisition Corporation

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Notes to the Condensed Interim Financial Statements

(Unaudited)

September 30, 2021 and 2020

1. Nature and Continuance of Operations

The Company was incorporated on September 24, 2020 under the laws of Canada. The Company's head office is 360 Main Street, Winnipeg, Manitoba, R3C 4G1, Canada.

The Company is a capital pool company ("CPC") as defined in TSX Venture Exchange Policy 2.4, and accordingly its planned principal activity is to use its capital to investigate and acquire a business or group of assets (the "Qualifying Transaction"). The Company has not commenced commercial operations and has no significant assets other than cash. The Company's continuing operations, as intended, are dependent on its ability to secure equity financing with which it intends to identify and evaluate potential Qualifying Transactions, and once identified and evaluated, to negotiate an acquisition thereof or participation therein subject to receipt of regulatory and, if required, shareholder approval.

These condensed interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and meet its obligations in the ordinary course of business. As of September 30, 2021, the Company had working capital of \$199,331 (December 31, 2020 – \$118,735) and an accumulated deficit of \$61,069 (December 31, 2020 – \$32,075). The Company's ability to continue its operations is dependent upon finding and completing a Qualifying Transaction, obtaining additional financing or maintaining continued support from shareholders and creditors and generating profitable operations in the future. The material uncertainty raised by these events and conditions may cast significant doubt about its ability to continue as a going concern. These condensed interim financial statements do not reflect adjustments for the possible future effect on the recoverability and classification of the assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty. Realization values may be substantially different from carrying values as shown in these condensed interim financial statements should the Company be unable to continue as a going concern.

In early 2020, there was a global outbreak of a novel coronavirus identified as COVID-19. In March 2020, the World Health Organization declared a global pandemic. In order to combat the spread of COVID-19, governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. Central banks and governments, including Canadian federal and provincial governments, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

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Notes to the Condensed Interim Financial Statements

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1. Nature and Continuance of Operations (continued)

There can be no assurance that the Company will not be impacted by adverse consequences from the pandemic on global financial markets, share prices and financial liquidity that may severely limit the financing capital available. Should such financing not be available, the Company will not be able to complete a Qualifying Transaction.

2. Significant Accounting Policies

Basis of Presentation

These condensed interim financial statements, including comparatives, comply with IAS 34 – Interim Financial Reporting. The policies applied in these condensed interim financial statements are based on International Financial Reporting Standards issued and outstanding as of December 7, 2021, the date the Board of Directors approved these condensed interim financial statements.

These condensed interim financial statements are presented in the Company's functional and presentation currency – the Canadian dollar – on a historical cost basis except for certain items that are measured at fair value. The accounting policies described herein have been applied consistently to all periods presented in these condensed interim financial statements.

Financial Instruments

The Company recognizes a financial asset or financial liability in the Condensed Interim Statements of Financial Position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

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Notes to the Condensed Interim Financial Statements

(Unaudited)

September 30, 2021 and 2020

2. Significant Accounting Policies (continued)

Financial Instruments (continued)

Classification and Measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- a) those to be measured subsequently at fair value, either through profit or loss (“FVTPL”) or through other comprehensive income (“FVTOCI”); and
- b) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. 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 of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

- a) amortized cost;
- b) FVTPL if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or
- c) FVTOCI when the change in fair value is attributable to changes in the Company’s credit risk.

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

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at FVTOCI or amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed in profit or loss.

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Notes to the Condensed Interim Financial Statements

(Unaudited)

September 30, 2021 and 2020

2. Significant Accounting Policies (continued)

Financial Instruments (continued)

Classification and Measurement (continued)

The Company's financial assets consist of cash which is classified and measured at amortized cost. The Company's financial liabilities consist of accounts payable and accrued liabilities which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

Impairment

The Company assesses all information available including, on a forward-looking basis, the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available and reasonable and supportive forward-looking information.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers cash and cash equivalents to include amounts held in banks and cashable highly liquid investments with limited interest and credit risk. The Company places its cash and cash investments with institutions of high creditworthiness.

Loss per Share

The Company uses the treasury stock method of calculating diluted per share amounts whereby any proceeds from the exercise of stock options, warrants or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. The assumed conversion of outstanding common share options and warrants had an anti-dilutive impact in 2021 and 2020. There were 599,104 outstanding options and warrants as of September 30, 2021 (December 31, 2020 – 400,000) that were not included in the calculation of diluted per share amounts.

Basic loss per share is calculated using the weighted-average number of shares outstanding during the period.

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(Unaudited)

September 30, 2021 and 2020

2. Significant Accounting Policies (continued)

Share Capital

The proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company.

Commissions and finders' fees paid to underwriters, agents and finders and other related share issue costs, such as legal, auditing and printing, on the issue of the Company's shares are charged directly to share capital.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements is determined to be the more easily measurable component and are valued at their fair value, as determined by the closing trade price on the announcement date. The balance, if any, is allocated to attached warrants. Any fair value attributed to the warrants is recorded as share-based payment reserve.

Income Taxes

The Company uses the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they 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.

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Notes to the Condensed Interim Financial Statements

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September 30, 2021 and 2020

2. Significant Accounting Policies (continued)

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets requiring a substantial period to get ready for their intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense.

Share-based Compensation

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Performance vesting conditions are considered by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

All equity-settled share-based payments are reflected in share-based payment reserve until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

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Notes to the Condensed Interim Financial Statements

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2. Significant Accounting Policies (continued)

Significant Accounting Estimates and Judgments

The preparation of these condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the financial statement date and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

These condensed interim financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the condensed interim 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 future periods if the revision affects both current and future years.

These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Accounting Estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to:

Share-based payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for the share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield, and making assumptions about them. The assumptions and models used for estimating fair value of share-based payment transactions are described in note 5.

Critical Accounting Judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. The Company made the following critical accounting judgment:

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2. Significant Accounting Policies (continued)

Significant Accounting Estimates and Judgments (continued)

Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Going concern

The preparation of these financial statements requires management to make judgements regarding the ability of the Company to continue as a going concern as discussed in Note 1.

New Accounting Standards and Interpretations Not Yet Adopted

Amendment to IAS 1: Presentation of Financial Statements

In January 2020, the IASB issued amendments to IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions which exist at the end of a reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective January 1, 2023, with early adoption permitted. The amendments are to be applied retrospectively. The Company is currently assessing the impact of this amendment.

3. Capital Management

The Company manages its capital to continue as a going concern largely through issuances of shares. These share issues depend on several factors, including a positive business environment, positive stock market conditions, a company's track record and the experience of management. The capital structure of the Company consists of shareholders' equity, comprising share capital, share-based payment reserve and deficit. The Company is not subject to any external capital requirements. There were no changes to the Company's approach to capital management during the period ended September 30, 2021.

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4. Financial Instruments

The fair value of the Company's cash and accounts payable and accrued liabilities approximate their carrying value due to the short-term nature of these instruments unless otherwise noted. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The Company monitors and manages the risks relating to its financial instruments through analysis of exposures by degree and magnitude of risks. These risks include credit risk, market risk and liquidity risk.

Credit risk

Credit risk refers to the risk that another entity will default on its contractual obligations resulting in financial loss to the Company. As of September 30, 2021, such contractual obligations comprised cash held with high creditworthy financial institutions in the amount of \$197,890 (December 31, 2020 – \$119,735). Management considers this risk to be negligible.

Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. Management considers this risk to be negligible.

Liquidity risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due or can only do so at excessive cost. As of September 30, 2021, the Company had working capital of \$199,331 (December 31, 2020 – \$118,735). Management anticipates that the Company will be able to meet its obligations as they become due.

Fair Value Hierarchy

Financial instruments recorded at fair value in the Condensed Interim Statements of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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Notes to the Condensed Interim Financial Statements

(Unaudited)

September 30, 2021 and 2020

4. Financial Instruments (continued)

Fair Value Hierarchy (continued)

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The carrying value of financial instruments measured at amortized cost approximates the fair values of these financial instruments.

5. Share Capital

Authorized

An unlimited number of common shares without par value.

Escrow Shares

The Company is party to an escrow agreement with three directors and officers pursuant to which as of September 30, 2021 2,000,000 common shares and 400,000 stock options were held in escrow (December 31, 2020 – nil). The common shares, other than common shares issued pursuant to the exercise of stock options, will be released in four equal instalments over a period of 18 months commencing on the date the Company completes a Qualifying Transaction. The stock options and common shares issued pursuant to the exercise of those stock options will be released on the date the Company completes a Qualifying Transaction.

Common Shares

The Company issued 100 founder's shares upon its incorporation on September 24, 2020 at a price of \$0.05 per share.

In October 2020, the Company issued 1,999,900 founders' shares at a price of \$0.05 per share.

In December 2020, the Company completed a private placement of 400,000 common shares at a price of \$0.10 per share.

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Notes to the Condensed Interim Financial Statements

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5. Share Capital (continued)

Common Shares (continued)

In April 2021, the Company completed an initial public offering of 2,000,000 common shares at a price of \$0.10 per share for gross proceeds of \$200,000. The Company paid a cash commission of \$20,000, issued agent's warrants to purchase up to 200,000 common shares of the Company at a price of \$0.10 per share until April 13, 2026 and with a fair value of \$14,854, paid an agent's administration fee of \$15,000, paid agent's legal fees and direct costs of \$17,500, and paid legal fees and filing fees of \$40,000 in respect of the offering.

In August 2021, the Company issued 896 common shares at a price of \$0.10 per share upon the exercise of agent's warrants.

Warrants

As of September 30, 2021, the Company had outstanding warrants to purchase 199,104 common shares at a price of \$0.10 per share until April 13, 2026 (December 31, 2020 – nil). A summary of the warrants as of September 30, 2021 and December 31, 2020, and the changes for the periods ending on those dates is as follows:

	September 30, 2021		December 31, 2020	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	-	\$ -	-	\$ -
Issued	200,000	0.10	-	-
Exercised	(896)	0.10	-	-
Balance, end of period	199,104	\$ 0.10	-	\$ -

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5. Share Capital (continued)

Warrants (continued)

In respect of its initial public offering of common shares in April 2021, the Company issued agent's warrants to purchase 200,000 shares of the Company at a price of \$0.10 per share until April 13, 2026. The fair value of the agent's warrants was estimated using the Black-Scholes option valuation model with the following assumptions:

	Total or Weighted Average 2021	2020
Number of agent's warrants	200,000	-
Estimated life	5 years	-
Share value at date of issuance	\$ 0.10	-
Agent's warrant exercise price	\$ 0.10	-
Risk-free interest rate	0.94%	-
Estimated annual volatility based on historical volatility	100%	-
Expected dividends	-	-
Agent's warrant fair value	\$ 0.07	-
Value of agent's warrants	\$ 14,854	-

Share-Based Compensation

The Company adopted a stock option plan whereby up to a maximum of 10% of the outstanding shares of the Company as of the date of grant are reserved for the grant and issuance of incentive stock options. Under the plan, the exercise price of an option may not be set at less than the minimum price permitted by the TSX Venture Exchange, and the options may be exercisable for up to 10 years. The aggregate number of options granted to any one individual during any twelve-month period may not exceed 5% of the issued shares of the Company, or 2% in the case of consultants and investor relations representatives. Stock options granted to investor relations representatives vest in four equal quarterly amounts on each three-month anniversary following the date of the grant.

The Company granted no stock options during the periods ended September 30, 2021 and 2020.

As of September 30, 2021, the Company had outstanding stock options, which may be exercised to purchase a total of 400,000 shares at \$0.10 until November 26, 2025 (December 31, 2020 – 400,000). A summary of the Company's stock options as of September 30, 2021 and December 31, 2020, and the changes for the periods ending on those dates is as follows:

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5. Share Capital (continued)

Share-Based Compensation (continued)

	Number Outstanding and Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
Balances, September 24, 2020	-	\$ -	-
Options granted	400,000	0.10	
Balances, December 31, 2020	400,000	0.10	4.9
Options granted	-	-	
Balances, September 30, 2021	400,000	\$ 0.10	4.2

During the period from incorporation on September 24, 2020 to December 31, 2020, the fair value of each stock option grant is estimated on the date of the grant using the Black-Scholes option valuation model with the following assumptions used for the grant: dividend yield of 0%, expected volatility of 100%, risk free interest rate of 0.44% and expected life of five years.

6. Related Party Transactions

The following transactions with related parties have been valued in these condensed interim financial statements at the exchange amount, which is the amount of consideration established and agreed to by the parties:

Key Management Compensation

During the nine-month period ended September 30, 2021, the Company paid and accrued professional fees of \$6,584 in respect of services provided by a corporation controlled by a director.

7. Non-Cash Transaction

During the nine-month period ended September 30, 2021, the Company issued a total of 200,000 agent's warrants exercisable at \$0.10 per share until April 13, 2026 and with a fair value of \$14,854 in respect of an initial public offering of common shares.

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8. Subsequent Events

Subsequent to September 30, 2021, the Company announced that it entered into a Letter of Intent with Botanical Holdings PLC (“Botanical Holdings”). The Company intends that the proposed arm’s length transaction will constitute its qualifying transaction under TSX Venture Exchange Policy 2.4: Capital Pool Companies.

For the purposes of the proposed transaction, the deemed value of the currently outstanding common shares of the Company will be \$800,000. Pursuant to the proposed transaction, the parties intend that: (i) the outstanding common shares of the Company will be consolidated on the basis of a ratio that results in the aggregate number of post-consolidation common shares of the Company multiplied by \$0.35, being the issue price of the subscription receipts offered in a concurrent offering, being equal to \$800,000, subject to rounding; and (ii) the holders of shares of Botanical Holdings will receive one post-consolidation common share of the Company in exchange for each outstanding Botanical Holdings share. Following the completion of the proposed transaction, the security holders of Botanical Holdings (including those investors under the concurrent offering) will hold a significant majority of the outstanding common shares of the Company.

In conjunction with, and prior to the closing of the proposed transaction, the Company intends to complete an offering of approximately \$7,000,000 of subscription receipts at an anticipated price of \$0.35 per subscription receipt. It is anticipated that each subscription receipt will be automatically exchanged for one common share of the Company upon the satisfaction of specified escrow release conditions, which will include, among other things, the completion or waiver of all conditions precedent to the proposed transaction and the conditional approval for listing of the common shares of the resulting issuer on the TSX Venture Exchange.

Completion of the proposed transaction is subject to a number of conditions typical of a transaction of this nature.