

Anacott Acquisition Corporation

(A Capital Pool Company)

Financial Statements

(Expressed in Canadian Dollars)

December 31, 2022 and 2021

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CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Anacott Acquisition Corporation:

Opinion

We have audited the financial statements of Anacott Acquisition Corporation (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021 and the statements of loss and comprehensive loss, statements of changes in shareholders' equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021 and its financial performance and its cash flows for the year ended December 31, 2022 and December 31, 2021 in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that the Company incurred a net loss of \$76,873 during the year ended December 31, 2022 (2021 - \$85,343) and an accumulated deficit of \$194,291 (2021 - \$117,418). As stated in Note 1, certain events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Other than the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined there are no key audit matters to be communicated in our report.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion & Analysis

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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 IFRS's, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is K. Dean Austin.

Scarrow & Donald LLP

Chartered Professional Accountants
February 13, 2023
Winnipeg, Canada

Anacott Acquisition Corporation

(A Capital Pool Company)

Statements of Financial Position

(Expressed in Canadian Dollars)

	December 31 2022	December 31 2021
ASSETS		
Current		
Cash	\$ 94,688	\$ 185,974
Prepaid expenses	910	-
	\$ 95,598	\$ 185,974
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 35,242	\$ 48,745
SHAREHOLDERS' EQUITY		
Share capital (note 5)	227,050	227,050
Share-based payment reserve (note 5)	27,597	27,597
Deficit	(194,291)	(117,418)
	60,356	137,229
	\$ 95,598	\$ 185,974

Nature and continuance of operations (note 1)

Approved on behalf of the board on February 13, 2023

"Michael Romanik"
Michael Romanik

"Jeff Smulders"
Jeff Smulders

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

Anacott Acquisition Corporation

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Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

Years ended December 31, 2022 and 2021

	2022	2021
Expenses		
Bank charges	\$ 92	\$ 114
Office	561	3,010
Professional fees (note 6)	61,180	61,166
Regulatory authorities	7,160	11,500
Transfer agent	7,880	9,553
Loss and comprehensive loss	\$ (76,873)	\$ (85,343)
Loss per share - basic and diluted	\$ (0.02)	\$ (0.02)
Weighted average number of shares outstanding	4,400,896	3,835,977

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

Anacott Acquisition Corporation

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Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

Years ended December 31, 2022 and 2021

	Issued Share	Capital	Share-based	Deficit	Total
	Number	Amount	Payment Reserve		
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	-	(111,107)	14,854	-	(96,253)
Loss	-	-	-	(85,343)	(85,343)
Balances, December 31, 2021	4,400,896	227,050	27,597	(117,418)	137,229
Loss	-	-	-	(76,873)	(76,873)
Balances, December 31, 2022	4,400,896	\$ 227,050	\$ 27,597	\$ (194,291)	\$ 60,356

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

Anacott Acquisition Corporation

(A Capital Pool Company)

Statements of Cash Flows

(Expressed in Canadian Dollars)

Years ended December 31, 2022 and 2021

	2022	2021
Operating activities		
Loss	\$ (76,873)	\$ (85,343)
Changes in non-cash working capital:		
Prepaid expenses	(910)	15,000
Accounts payable and accrued liabilities	(13,503)	32,745
	(91,286)	(37,598)
Financing activities		
Proceeds from issuance of shares	-	200,090
Share issuance costs	-	(96,253)
	-	103,837
Net change in cash	(91,286)	66,239
Cash, beginning of year	185,974	119,735
Cash, end of year	\$ 94,688	\$ 185,974
Supplemental cash flow information		
Interest received	\$ -	\$ -
Income taxes paid	-	-

Non-cash transaction (note 8)

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

Anacott Acquisition Corporation

(A Capital Pool Company)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

December 31, 2022 and 2021

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 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 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 December 31, 2022, the Company had working capital of \$60,356 (2021 – \$137,229) and an accumulated deficit of \$194,291 (2021 – \$117,418). 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 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 financial statements should the Company be unable to continue as a going concern.

The Company's business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events, including the outbreaks of the coronavirus (COVID-19) pandemic, relations between NATO and the Russian Federation regarding the conflict in Ukraine and potential economic global challenges, such as the risk of higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company's business. There can be no assurance that the Company will not be impacted by adverse consequences from these events and financial liquidity may severely limit the financing capital available. Should such financing not be available, the Company will not be able to complete a Qualifying Transaction.

Anacott Acquisition Corporation

(A Capital Pool Company)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

December 31, 2022 and 2021

2. Significant Accounting Policies

Basis of Presentation

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the interpretations of the IFRS Interpretations Committee. The policies applied in these financial statements are based on IFRS issued and outstanding as of the date the Board of Directors approved these financial statements.

These 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 financial statements.

Financial Instruments

The Company recognizes a financial asset or financial liability in the 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.

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.

Anacott Acquisition Corporation

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Notes to the Financial Statements

(Expressed in Canadian Dollars)

December 31, 2022 and 2021

2. Significant Accounting Policies (continued)

Financial Instruments (continued)

Classification and Measurement (continued)

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.

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.

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Notes to the Financial Statements

(Expressed in Canadian Dollars)

December 31, 2022 and 2021

2. Significant Accounting Policies (continued)

Financial Instruments (continued)

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 year. The assumed conversion of outstanding common share options and warrants had an anti-dilutive impact in 2022 and 2021. There were 599,104 outstanding options and warrants as of December 31, 2022 (2021 – 599,104) 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 year.

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.

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(Expressed in Canadian Dollars)

December 31, 2022 and 2021

2. Significant Accounting Policies (continued)

Share Capital (continued)

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.

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.

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(Expressed in Canadian Dollars)

December 31, 2022 and 2021

2. Significant Accounting Policies (continued)

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 in profit or loss at the fair value of the goods or services received, 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 Financial Statements

(Expressed in Canadian Dollars)

December 31, 2022 and 2021

2. Significant Accounting Policies (continued)

Significant Accounting Estimates and Judgments

The preparation of these 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 financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the year 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, which 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.

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Notes to the Financial Statements

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2. Significant Accounting Policies (continued)

Significant Accounting Estimates and Judgments (continued)

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:

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 year ended December 31, 2022.

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Notes to the Financial Statements

(Expressed in Canadian Dollars)

December 31, 2022 and 2021

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 December 31, 2022, such contractual obligations comprised cash held with a high creditworthy financial institution in the amount of \$94,688 (2021 – \$185,974). 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 December 31, 2022, the Company had working capital of \$60,356 (2021 – \$137,229). 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 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

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December 31, 2022 and 2021

4. Financial Instruments (continued)

Fair Value Hierarchy (continued)

Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 December 31, 2022 2,000,000 common shares (2021 – 2,000,000) and 400,000 stock options (2021 – 400,000) were held in escrow. 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

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, accounting and filing fees of \$43,753 in respect of the offering.

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Notes to the Financial Statements

(Expressed in Canadian Dollars)

December 31, 2022 and 2021

5. Share Capital (continued)

Common Shares (continued)

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 December 31, 2022, the Company had outstanding warrants to purchase 199,104 common shares at a price of \$0.10 per share until April 13, 2026 (2021 – 199,104). A summary of the warrants as of December 31, 2022 and 2021, and the changes for the periods ending on those dates is as follows:

	Number Outstanding and Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
Balances, December 31, 2020	-	\$ -	-
Warrants issued	200,000	0.10	
Warrants exercised	(896)	0.10	
Balances, December 31, 2021	199,104	0.10	4.3
Warrants issued	-	-	
Balances, December 31, 2022	199,104	\$ 0.10	3.3

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 2022	2021
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

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Notes to the Financial Statements

(Expressed in Canadian Dollars)

December 31, 2022 and 2021

5. Share Capital (continued)

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 years ended December 31, 2022 or 2021. As of December 31, 2022, 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 (2021 – 400,000). A summary of the Company's stock options as of December 31, 2022 and 2021, and the changes for the periods ending on those dates is as follows:

	Number Outstanding and Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
Balances, December 31, 2020	400,000	\$ 0.10	4.9
Options granted	-	-	-
Balances, December 31, 2021	400,000	0.10	3.9
Options granted	-	-	-
Balances, December 31, 2022	400,000	\$ 0.10	2.9

6. Related Party Transactions

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

Key Management Compensation

During the year ended December 31, 2022, the Company paid and accrued professional fees of \$11,376 (2021 – \$11,455) in respect of services provided by a corporation controlled by a director.

Anacott Acquisition Corporation

(A Capital Pool Company)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

December 31, 2022 and 2021

7. Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2022	2021
Net loss	\$ (76,873)	\$ (85,343)
Income tax recovery at statutory rates of 27% (2021 – 27%)	(20,756)	(23,043)
Adjustments to benefit resulting from:		
Share issue costs and professional fees	3,919	3,715
Tax benefits not recognized	16,837	19,328
Deferred income tax recovery	\$ -	\$ -

The components of the deferred income tax assets are as follows:

	2022	2021
Deferred income tax assets:		
Non-capital loss carryforwards	\$ 41,396	\$ 24,559
Share issue costs and professional fees	34,132	30,213
	75,528	54,772
Unrecognized tax benefits	(75,528)	(54,772)
Net deferred income tax assets	\$ -	\$ -

The Company has non-capital losses of approximately \$153,320 available to reduce future years' income for tax purposes, the tax effect of which has not been recorded in the accounts. If unused, the losses will expire as follows:

2040	\$	19,373
2041		71,587
2042		62,360
	\$	153,320

8. Non-Cash Transaction

During the year ended December 31, 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.