

# **Wolf Acquisition Corp.**

## **FINANCIAL STATEMENTS**

**For the Period from January 25, 2018 (Date of Inception) to December 31, 2018**

**and the Year Ended December 31, 2019**

(Expressed in Canadian Dollars)

*Audit. Tax. Advisory.*

## **Independent Auditor's Report**

To the Shareholders of Wolf Acquisition Corp.

### **Opinion**

We have audited the financial statements of Wolf Acquisition Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of loss and comprehensive loss, statements of changes in shareholders' equity and statements of cash flows for the year ended December 31, 2019 and the period from January 25, 2018 (date of inception) to December 31, 2018, 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, 2019 and 2018, and its financial performance and its cash flows for the year ended December 31, 2019 and the period from January 25, 2018 (date of inception) to December 31, 2018 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. 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 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.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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, 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 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 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 judgement 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 risks 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 of the audit resulting in this independent auditor's report is Glen McFarland.

McGovern Hurley LLP



Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Ontario  
April 28, 2020

**WOLF ACQUISITION CORP.**  
**FINANCIAL STATEMENTS**

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**Wolf Acquisition Corp.**  
Statements of Financial Position  
(in Canadian dollars)

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	December 31, 2019	December 31, 2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$269,716	\$310,330
<b>Total assets</b>	<b>\$269,716</b>	<b>\$310,330</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$30,613	\$30,123
<b>Total liabilities</b>	<b>\$30,613</b>	<b>\$30,123</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 3)	\$364,462	\$364,462
Share-based payments reserve (note 4)	65,332	65,332
Deficit	(190,691)	(149,587)
<b>Total shareholders' equity</b>	<b>\$239,103</b>	<b>\$280,207</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$269,716</b>	<b>\$310,330</b>

Continuance of operations (note 1)

Subsequent event (note 8)

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

Approved by the Board

*Damian Lopez*

Director (Signed)

*Peter Simeon*

Director (Signed)

**Wolf Acquisition Corp.**

## Statements of Loss and Comprehensive Loss

(in Canadian dollars)

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	<b>For the Year Ended December 31, 2019</b>	<b>For the Period from January 25, 2018 (Date of Inception) to December 31, 2018</b>
<b>Expenses</b>		
Professional fees	\$25,614	\$74,498
Filing and listing fees	15,407	24,640
Share-based payments (note 4)	-	49,414
Other general and administrative	83	1,035
Net loss and comprehensive loss	\$(41,104)	\$(149,587)
Weighted average number of shares, basic and diluted (note 3)	3,000,000	3,000,000
Net loss per share, basic and diluted	\$0.01	\$0.05

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

**Wolf Acquisition Corp.**  
 Statements of Changes in Shareholders' Equity  
 (in Canadian dollars)

	<b>Number of Shares</b>	<b>Share Capital</b>	<b>Share-based Payments Reserve</b>	<b>Deficit</b>	<b>Shareholders' Equity</b>
Balance at inception (January 25, 2018)	-	\$ -	\$ -	\$ -	\$ -
Share subscription (note 3)	2,500,001	125,000	-	-	125,000
Initial public offering (note 3)	3,000,000	300,000	-	-	300,000
Share issue costs (note 3)	-	(60,538)	15,918	-	(44,620)
Share-based payments (note 4)	-	-	49,414	-	49,414
Net loss and comprehensive loss	-	-	-	(149,587)	(149,587)
<b>Balance December 31, 2018</b>	<b>5,500,001</b>	<b>\$364,462</b>	<b>\$65,332</b>	<b>\$(149,587)</b>	<b>\$280,207</b>
Net loss and comprehensive loss	-	-	-	(41,104)	(41,104)
<b>Balance December 31, 2019</b>	<b>5,500,001</b>	<b>\$364,462</b>	<b>\$65,332</b>	<b>\$(190,691)</b>	<b>\$239,103</b>

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

**Wolf Acquisition Corp.**

## Statements of Cash Flows

(in Canadian dollars)

	<b>For the Year Ended December 31, 2019</b>	<b>For the Period from January 25, 2018 (Date of Inception) to December 31, 2018</b>
<b>Cash Flows used in operating activities</b>		
Net Loss	\$(41,104)	\$(149,587)
Share-based payments (note 4)	-	49,414
Change in working capital	490	30,123
Net cash used in operating activities	<b>\$(40,614)</b>	<b>\$(70,050)</b>
<b>Cash Flows from financing activities</b>		
Issue of common shares (note 3)	\$ -	\$425,000
Shares issue costs (note 3)	-	(44,620)
Net cash provided by financing activities	<b>\$ -</b>	<b>\$380,380</b>
Net change in cash	<b>\$(40,614)</b>	<b>\$310,330</b>
Cash, beginning of period	\$310,330	\$ -
Cash, end of period	<b>\$269,716</b>	<b>\$310,330</b>
<b>Supplemental Information</b>		
Agent's options	\$ -	\$15,918

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

## **Wolf Acquisition Corp.**

Notes to the Financial Statements

For the Period from January 25, 2018 (Date of Inception) to December 31, 2018 and the Year Ended

December 31, 2019

(in Canadian dollars)

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

Wolf Acquisition Corp. was incorporated under the *Business Corporations Act* (Ontario) on January 25, 2018 as 2617283 Ontario Corp. and was renamed on February 23, 2018. The Company is a Capital Pool Corporation, as defined in the Policy 2.4 of the TSX Venture Exchange (the “Exchange”). The principal business of the Company will be the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction (“QT”). The Company has not commenced operations and has no assets other than cash. The Company’s continuing operations as intended are dependent upon 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 disinterested shareholders.

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 the lesser of 30% of the gross proceeds realized by the Company, in respect of the sale of its securities, or \$210,000, may be used for purposes other than evaluating businesses or assets. These restrictions apply until completion of a QT by the Company, as defined under the policies of the Exchange. The Company is required to complete its QT on or before two years from the date the Company receives regulatory approval and its common shares are listed on the Exchange, being August 20, 2020. On October 5, 2018, the Company entered into a binding letter of intent with Abaxx Technologies Inc. (“Abaxx”) to effect a business combination of the two companies (the “Proposed Transaction”). The Proposed Transaction was terminated on October 31, 2019.

The Company’s ability to continue operations as intended is dependent upon its ability to identify, evaluate and negotiate an acquisition of a participation in or an interest in properties, assets or businesses. Such an acquisition will be subject to regulatory approval and may be subject to shareholder approval. In order to continue as a going concern and meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. However, management believes that the Company has sufficient working capital to meet its projected minimum financial obligations for the next fiscal year. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue its existence.

The head office and the registered head office of the Company is located at 84 Marion Street, Toronto, Ontario, M6R 1E7.

On April 28, 2020, the Board of Directors approved these financial statements.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **Statement of Compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) as at the reporting date.

## **Wolf Acquisition Corp.**

Notes to the Financial Statements

For the Period from January 25, 2018 (Date of Inception) to December 31, 2018 and the Year Ended

December 31, 2019

(in Canadian dollars)

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## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Basis of Measurement**

These financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These financial statements are presented in Canadian dollars, which is also the Company's functional currency.

### **Financial Assets**

#### *Initial recognition and measurement*

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either Fair Value through Profit or Loss ("FVPL") or Fair Value through Other Comprehensive Income ("FVOCI"), and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company has measured cash at amortized cost.

#### *Subsequent measurement – financial assets at amortized cost*

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in profit or loss.

#### *Subsequent measurement – financial assets at FVPL*

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statement of loss. The Company does not measure any financial assets at FVPL.

## **Wolf Acquisition Corp.**

Notes to the Financial Statements

For the Period from January 25, 2018 (Date of Inception) to December 31, 2018 and the Year Ended

December 31, 2019

(in Canadian dollars)

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## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Financial Assets (continued)**

#### *Subsequent measurement – financial assets at FVOCI*

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statement of comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss. Dividends from such investments are recognized in other income in the statements of loss when the right to receive payments is established.

#### *Derecognition*

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

#### *Impairment of financial assets*

The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized. The Company does not have financial assets subject to impairment.

### **Financial Liabilities**

#### *Initial recognition and measurement*

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, which are measured at amortized cost.

#### *Subsequent measurement – financial liabilities at amortized cost*

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in profit or loss.

## **Wolf Acquisition Corp.**

Notes to the Financial Statements

For the Period from January 25, 2018 (Date of Inception) to December 31, 2018 and the Year Ended

December 31, 2019

(in Canadian dollars)

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## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Financial Liabilities (continued)**

#### *Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of loss.

#### **Equity Instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### **Classification of Financial Instruments**

The following is a summary of significant categories of financial instruments:

Cash	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Carrying value and fair value of financial assets and liabilities are approximately equal.

#### **Fair Value Hierarchy**

The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to valuation technique used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

#### **Share-based Payments**

The Company may grant stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

## **Wolf Acquisition Corp.**

Notes to the Financial Statements

For the Period from January 25, 2018 (Date of Inception) to December 31, 2018 and the Year Ended

December 31, 2019

(in Canadian dollars)

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## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Share-based Payments (continued)**

Stock options granted to directors, officers and employees are measured at their fair values determined on their grant date, using the Black-Scholes option pricing model, and are recognized as an expense over the vesting periods of the options on a graded basis. Options granted to consultants or other non-insiders are measured at the fair value of goods or services received from these parties, or at their Black-Scholes fair values if the fair value of goods or services received cannot be measured. A corresponding increase is recorded to share-based payments reserve.

When stock options are exercised, the cash proceeds along with the amount previously recorded as share-based payments reserves are recorded as share capital. When the right to receive options is forfeited before the options have vested, any expense previously recorded is reversed. For those options and warrants that expire after vesting, the recorded value is transferred to deficit.

### **Financing Costs**

Costs incurred to obtain equity financing are deducted from the value assigned to shares issued. When costs are incurred prior to the closing of a financing arrangement, these amounts are presented as a deferred asset until the financing has closed. When an expected financing arrangement does not occur, any deferred costs are recorded as an expense.

### **Income Taxes**

Tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, a provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in income in the period in which the change occurs. Deferred tax assets or liabilities, arising from temporary differences between the tax and accounting values of assets and liabilities, are recorded based on tax rates expected to be enacted when these differences are reversed.

Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recovered. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as in the amounts recognized in income in the period in which the change occurs.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in income both in the period of change, which would include any impact on cumulative provisions, and in future periods.

## **Wolf Acquisition Corp.**

Notes to the Financial Statements

For the Period from January 25, 2018 (Date of Inception) to December 31, 2018 and the Year Ended December 31, 2019

(in Canadian dollars)

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### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Loss per Share**

Basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period which excludes shares held in escrow. All of the escrow shares are considered contingently returnable until the Company completes a Qualifying Transaction and, accordingly, are not considered to be outstanding shares for the purposes of the loss per share calculation.

Diluted loss per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of “in-the-money” stock options and common share purchase warrants are used to purchase common shares of the Company at their average market price for the period.

In periods that the Company reports a net loss, any stock options or warrants outstanding are excluded from the calculation of diluted loss per share as their inclusion would be anti-dilutive.

#### **Summary of Accounting Estimates and Assumptions**

The preparation of these financial statements under IFRS requires management to make certain estimates, judgments and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgements, estimates and assumptions in determining carrying values include, but are not limited to:

#### *Income, value added, withholding and other taxes*

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company’s provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company’s income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company’s interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

## Wolf Acquisition Corp.

Notes to the Financial Statements

For the Period from January 25, 2018 (Date of Inception) to December 31, 2018 and the Year Ended

December 31, 2019

(in Canadian dollars)

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## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Summary of Accounting Estimates and Assumptions (continued)

#### *Share-based payments*

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards is determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and Company performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

#### Accounting Standards Issued but not yet Applied

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2020. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

## 3. SHARE CAPITAL

### Authorized Share Capital

The Company is authorized to issue an unlimited number of common shares without par value. Changes to the number of common shares outstanding are as follows:

	Number of Shares	Assigned Value
Inception on January 25, 2018	-	\$ -
Shares issued	2,500,001	125,000
Initial Public Offering shares issued	3,000,000	300,000
Share issue costs	-	(60,538)
<b>Outstanding December 31, 2018</b>	<b>5,500,001</b>	<b>\$ 364,462</b>
<b>Outstanding December 31, 2019</b>	<b>5,500,001</b>	<b>\$ 364,462</b>

## Wolf Acquisition Corp.

Notes to the Financial Statements

For the Period from January 25, 2018 (Date of Inception) to December 31, 2018 and the Year Ended

December 31, 2019

(in Canadian dollars)

### 3. SHARE CAPITAL (continued)

#### Authorized Share Capital (continued)

On June 11, 2018, the Company issued 2,500,001 common shares at \$0.05 per share for total proceeds of \$125,000. All common shares were issued to directors and officers of the Company and corporations with common directors or officers as the Company. The loss per share calculations exclude these 2,500,001 common shares held in escrow.

On August 20, 2018, the Company completed its initial public offering (“IPO”) of 3,000,000 common shares at \$0.10 per common share for gross proceeds of \$300,000. The Company paid a cash commission of 10% of the gross proceeds, paid a corporate finance fee of \$15,000 and issued to the IPO agent 300,000 non-transferable agent’s options (the “Agent’s Options”) to purchase an aggregate of 300,000 common shares of the Company at an exercise price of \$0.10 per share. The Agent’s Options expire on August 22, 2020. The Company recognized \$15,918 for share-based payments related to the Agent’s Options (note 4).

#### Escrowed Shares

Pursuant to an escrow agreement dated August 2, 2018 (the “Escrow Agreement”) between the Company and certain shareholders of the Company, 2,500,001 common shares (the “Escrowed Shares”), being all of the issued and outstanding common shares prior to the completion of the initial public offering, were deposited in escrow. Pursuant to the Escrow Agreement, the Escrowed Shares shall be released pro-rata to the shareholders as to 10% upon issuance of notice of final acceptance of a Qualifying Transaction by the Exchange and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These Escrowed Shares may not be transferred, assigned or otherwise dealt without the consent of the regulatory authorities.

All common shares granted to directors and officers prior to the completion of a QT, must also be deposited in escrow until the final exchange bulletin is issued by the Exchange. All common shares of the Company acquired in the secondary market prior to the completion of a QT 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 Company held by principals of the resulting issuer following the completion of a QT will also be subject to escrow.

### 4. SHARE-BASED PAYMENTS

	Stock Options			Agent’s options			Total
	Number of stock options	Weighted average exercise price	Estimated fair value of stock options	Number of agent’s options	Weighted average exercise price	Estimated fair value of agent options	
Inception on January 25, 2018	-	\$ -	\$ -	-	\$ -	\$ -	\$ -
Granted	550,000	0.10	49,414	300,000	0.10	15,918	65,332
<b>Balance, December 31, 2018</b>	<b>550,000</b>	<b>\$ 0.10</b>	<b>\$ 49,414</b>	<b>300,000</b>	<b>\$ 0.10</b>	<b>\$ 15,918</b>	<b>\$ 65,332</b>
<b>Balance, December 31, 2019</b>	<b>550,000</b>	<b>\$ 0.10</b>	<b>\$ 49,414</b>	<b>300,000</b>	<b>\$ 0.10</b>	<b>\$ 15,918</b>	<b>\$ 65,332</b>

## Wolf Acquisition Corp.

Notes to the Financial Statements

For the Period from January 25, 2018 (Date of Inception) to December 31, 2018 and the Year Ended

December 31, 2019

(in Canadian dollars)

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### 4. SHARE-BASED PAYMENTS (continued)

#### Stock Options

The Company has adopted an incentive stock option plan in accordance with the policies of the Exchange (the “Stock Option Plan”) which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares. The options will be exercisable for a period of up to ten (10) years. In addition, the number of common shares reserved for issuance to any one person shall not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed two percent (2%) of the issued and outstanding common shares. The Board of Directors will determine the price per common share and the number of common shares which may be allocated to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of the Exchange.

On August 20, 2018, the Company granted 550,000 stock options to directors and officers with an exercise price of \$0.10. The stock options will be exercisable for a period of ten years expiring on August 20, 2028. The Company recognized \$49,414 for share-based payments. The fair value of the stock options was estimated using the Black-Scholes option pricing model assuming a risk-free interest rate of 2.25%, an expected dividend yield of nil, an expected annual volatility of the Company’s share price of 100%, a weighted average expected life of 10 years, and a forfeiture rate of 0%. The fair value of the stock options was approximately \$0.09 per option. The expected volatility assumption is based on the estimated volatility of early stage companies trading on the Exchange. The risk-free interest rate is based on yield curves on the Canadian government zero-coupon bonds or Canadian government treasury bills with a remaining term equal to the stock options’ expected life.

As at December 31, 2019, the following stock options were issued and outstanding:

Number Outstanding	Number Exercisable	Exercise Price (\$)	Expiry Date	Weighted average Remaining Life (Years)
550,000	550,000	0.10	August 20, 2028	8.64

#### Agent’s Options

The fair value of the Agent’s Options is estimated using the Black-Scholes option pricing model assuming a risk-free interest rate of 2.11%, an expected dividend yield of nil, an expected annual volatility of the Company’s share price of 100%, a weighted average expected life of 2 years, and a forfeiture rate of 0%. The fair value of Agent’s Options was approximately \$0.05 per option. The expected volatility assumption is based on the estimated volatility of early stage companies trading on the Exchange. The risk-free interest rate is based on yield curves on the Canadian government zero-coupon bonds or Canadian government treasury bills with a remaining term equal to the stock options’ expected life.

## Wolf Acquisition Corp.

Notes to the Financial Statements

For the Period from January 25, 2018 (Date of Inception) to December 31, 2018 and the Year Ended December 31, 2019

(in Canadian dollars)

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### 4. SHARE-BASED PAYMENTS (continued)

#### Agent's Options (continued)

As at December 31, 2019, the following agent's options were issued and outstanding:

Number Outstanding	Number Exercisable	Exercise Price (\$)	Expiry Date	Weighted average Remaining Life (Years)
300,000	300,000	0.10	August 22, 2020	0.64

### 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### Capital Management

Capital is composed of the Company's shareholders' equity and any debt that it may issue. As at December 31, 2019, the Company's shareholders' equity was \$239,103 (December 31, 2018 - \$280,207). The Company's objectives when managing capital are to maintain financial viability and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The Company's current capital was received from the issuance of common shares. The net proceeds raised to date will only be sufficient to identify and evaluate a limited number of assets and businesses for the purpose of identifying and completing a QT. Additional funds may be required in the longer-term to finance the Company's QT.

The Company is not subject to any externally imposed capital requirements other than Exchange rules related to Capital Pool Corporations.

#### Risk Disclosures and Fair Values

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

### 6. RELATED PARTY TRANSACTIONS

Under IFRS, parties are considered to be related if one party has the ability to "control" (financially or by share capital) the other party or have significant influence (management) on the other party in making financial, commercial and operational decisions.

## Wolf Acquisition Corp.

Notes to the Financial Statements

For the Period from January 25, 2018 (Date of Inception) to December 31, 2018 and the Year Ended

December 31, 2019

(in Canadian dollars)

### 6. RELATED PARTY TRANSACTIONS (continued)

During the period from January 25, 2018 (date of inception) to December 31, 2018, 2,500,001 common shares were issued to and \$49,414 of share-based compensation were granted to officers and directors of the Company.

### 7. INCOME TAXES

#### Provision for Income Taxes

A reconciliation of actual income tax expense and the accounting loss multiplied by the Company's statutory tax rate of 26.5% (2018 – 26.5%) is as follows:

	2019	2018
	\$	\$
Loss before income taxes	(41,104)	(149,587)
Expected income tax recovery based on statutory rate	(11,000)	(40,000)
Adjustment to expected income tax benefit:		
Share-based payments	-	13,000
Change in unrecorded deferred tax assets	11,000	27,000
<b>Tax provision</b>	<b>-</b>	<b>-</b>

#### Deferred Income Tax

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences. Deferred income 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 Company can use the benefits.

	2019	2018
	\$	\$
Non-capital losses carry-forwards	165,000	112,000
Share issue costs	36,000	48,000
<b>Total</b>	<b>201,000</b>	<b>160,000</b>

As December 31, 2019, the Company had non-capital losses available to reduce future taxable income that expire as follows:

Year	Amount
	\$
2028	112,000
2029	53,000
	<u>165,000</u>

**Wolf Acquisition Corp.**

Notes to the Financial Statements

For the Period from January 25, 2018 (Date of Inception) to December 31, 2018 and the Year Ended December 31, 2019

(in Canadian dollars)

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**8. SUBSEQUENT EVENT**

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to complete the QT or finance its operations.