

**NAVION CAPITAL INC.**

Financial Statements  
November 30, 2020 and 2019

(Expressed in Canadian Dollars)

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Navion Capital Inc.

### *Opinion*

We have audited the accompanying financial statements of Navion Capital Inc. (the "Company"), which comprise the statements of financial position as at November 30, 2019 and 2018, and the statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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 in our audits 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 has incurred a loss during the year of \$41,359, and has accumulated a deficit of \$121,609 as of November 30, 2019. As stated in Note 1, these events and circumstances 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.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes 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 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 Glenn Parchomchuk.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

March 30, 2020

**NAVION CAPITAL INC.**

## Statement of Financial Position

For the years ended November 30, 2020 and 2019

(Expressed in Canadian Dollars)

	Note	November 30, 2020	November 30, 2019
<b>Assets</b>			
<b>Current</b>			
Cash		\$ 83,253	\$ 130,389
<b>Total assets</b>			
		\$ 83,253	\$ 130,389
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	4	\$ 8,823	\$ 8,445
<b>Total current liabilities</b>			
		8,823	8,445
<b>Shareholders' equity</b>			
Share capital	3	202,961	202,961
Reserves		40,592	40,592
Deficit		(169,123)	(121,609)
<b>Total shareholders' equity</b>			
		74,430	121,944
<b>Total liabilities and shareholders' equity</b>			
		\$ 83,253	\$ 130,389

Nature and continuance of operations (Note 1)

On behalf of the Board on March 30, 2021:

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"Peter Hughes" Director

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"Livio Susin" Director

The accompanying notes are an integral part of these financial statements

**NAVION CAPITAL INC.**

Statement of Loss and Comprehensive Loss  
For the years ended November 30, 2020 and 2019  
(Expressed in Canadian Dollars)

	For the year ended November 30, 2020	For the year ended November 30, 2019
<b>Expenses</b>		
Office expenses	\$ 68	\$ 667
Regulatory and listing expenses	14,964	9,043
Professional fees	32,482	31,649
<b>Net loss and comprehensive loss</b>	<b>\$ (47,514)</b>	<b>\$ (41,359)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>	<b>2,000,000</b>	<b>2,000,000</b>

The accompanying notes are an integral part of these financial statements

**NAVION CAPITAL INC.**

Statement of Changes in Shareholders' Equity  
For the years ended November 30, 2020 and 2019  
(Expressed in Canadian Dollars)

	<b>Number of Common Shares</b>	<b>Amount</b>	<b>Reserve</b>	<b>Deficit</b>	<b>Total</b>
<b>Balance, November 30, 2018</b>	<b>4,000,000</b>	<b>\$ 202,961</b>	<b>\$ 40,592</b>	<b>\$ 80,250)</b>	<b>\$ 163,303</b>
Net loss for the year	-	-	-	(41,359)	(41,359)
<b>Balance, November 30, 2019</b>	<b>4,000,000</b>	<b>\$ 202,961</b>	<b>\$ 40,592</b>	<b>\$ (121,609)</b>	<b>\$ 121,944</b>
Net loss for the year	-	-	-	(47,514)	(47,514)
<b>Balance, November 30, 2020</b>	<b>4,000,000</b>	<b>\$ 202,961</b>	<b>\$ 40,592</b>	<b>\$ (169,123)</b>	<b>\$ 74,430</b>

The accompanying notes are an integral part of these financial statements

**NAVION CAPITAL INC.**

## Statement of Cash Flows

For the years ended November 30, 2020 and 2019

(Expressed in Canadian Dollars)

	November 30, 2020	November 30, 2019
<b>Cash flows from operating activities</b>		
Net loss for the year	\$ (47,514)	\$ (41,359)
<b>Changes in non-cash working capital balances:</b>		
Increase in accounts payable	378	2,712
Net cash used in operating activities	(47,136)	(38,647)
<b>Decrease in cash during the year</b>	<b>(47,136)</b>	<b>(38,647)</b>
Cash, beginning of year	130,389	169,036
<b>Cash, end of year</b>	<b>\$ 83,253</b>	<b>\$ 130,389</b>

There were no non-cash financing or investing activities for the year ended November 30, 2020.

The accompanying notes are an integral part of these financial statements

## **NAVION CAPITAL INC.**

Notes to the Financial Statements

For the years ended November 30, 2020 and 2019

(Expressed in Canadian Dollars)

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

Navion Capital Inc. (the "Company") was incorporated under the Business Corporations Act (Alberta) on October 18, 2017. The principal business of the Company is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT").

On May 18, 2018, the Company announced the completion of its initial public offering (the "IPO") of 2,000,000 common shares at a price of \$0.10 per common share and filed for listing as a Capital Pool Company on the TSX Venture Exchange (the "TSX-V"). The common shares of the Company commenced trading on May 23, 2018 under the trading symbol NAVN.P.

On August 17, 2018 the Company signed a letter of intent ("LOI") with Hollyweed North Cannabis Inc. ("Hollyweed") and on April 1, 2020, the Company announced that it had terminated its agreement with Hollyweed.

On April 23, 2020, the Company announced that it has signed a LOI with Daizee Diapers Corp. ("Daizee"), a private Canadian company incorporated in British Columbia. Established in 2018, Daizee was formed to design and market a premium baby-care diaper product line for affluent, environmentally aware parents and their babies. The LOI is intended to constitute the "qualifying transaction" of the Company under Policy 2.4 – Capital Pool Companies of the TSX-V. On January 5, 2021, an LOI extension agreement was signed to extend the exclusivity period to March 31, 2021 for the purposes of completing due diligence and entering into a definitive agreement.

The Transaction is expected to result in the security holders of Daizee exchanging all securities for a number of common shares, options and warrants to be determined. The Transaction is conditional upon the parties completing successful due diligence reviews of each other, the completion by Daizee (with the assistance of Navion) of a financing yielding \$3,000,000 in gross proceeds, requisite regulatory approvals, including the approval of the TSX-V, and standard closing conditions. Subject to a successful completion of the planned financing, Daizee will have issued approximately 42,710,169 common shares 4,271,017 options exercisable at \$0.10 per share, 15,989,750 warrants with an average price of \$0.25 per share, 190,000 special warrants, priced at \$0.05 per warrant, exercisable into common shares on completion of the listing, for a total deemed consideration which is to be determined.

The Company's ability to continue as a going concern is dependent upon its ability to complete its QT, to continue raising equity financing, to identify, evaluate and negotiate an acquisition of, a participation in, or an investment of interest. 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. These financial statements do not reflect the adjustments to the carrying value of assets and liabilities, or the impact on the statement of loss and comprehensive loss and financial position classifications that would be necessary were the going concern assumption not appropriate.

During the year ended November 30, 2020, the Company incurred a loss of \$47,514 (2019 - \$41,359) and as of that date, has accumulated a deficit of \$169,123 (2019 - \$121,609). There can be no assurance that a viable business opportunity that can be adequately financed will be identified and available to the Company. Additional equity and/or debt financing is subject to the global financial markets and prevailing economic conditions, which have recently been volatile and distressed. These factors will likely make it more challenging to obtain financing for the Company going forward. These matters and conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

## **NAVION CAPITAL INC.**

Notes to the Financial Statements

For the years ended November 30, 2020 and 2019

(Expressed in Canadian Dollars)

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### **Global Pandemic**

In early March 2020, there was a global outbreak of coronavirus (COVID-19) that has resulted in changes to global supply and demand across many different industries. These changes, including a potential economic downturn and any potential resulting direct and indirect negative impact to the Company cannot be determined, but they could have a prospective material impact to the Company's operational activities, cash flows and liquidity.

The registered office of the Company is located at 639 – 5<sup>th</sup> Avenue S.W., Suite 1250, Calgary, Alberta, Canada T2P 0M9. The Company does not have any subsidiaries.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of presentation**

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

These financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The financial statements of Navion Capital Inc. for the year ended November 30, 2020 were approved and authorized for issue by the Board of Directors on March 30, 2021.

### **Critical Accounting Estimates, Judgments and Assumptions**

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below. Significant judgments used in the preparation of these financial statements include, but are not limited to those relating to the assessment of the Company's ability to continue as a going concern.

#### *Deferred tax liabilities and assets*

Deferred tax liabilities and assets are measured at tax rates expected in the period during which the asset is realized or the liability is settled, based on tax rates (and tax laws) that are enacted or substantively enacted at the end of the reporting period of the financial information. The measurement of liabilities and deferred tax assets reflects the tax consequences that result from the manner in which the Company expects, at the end of the reporting period of the financial information, to recover or settle the carrying amount of its assets and liabilities.

#### *Share-based payments*

The fair value of stock options issued are subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates in the assumptions. The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, and therefore changes in subjective input assumptions can materially affect the fair value estimate.

## **NAVION CAPITAL INC.**

Notes to the Financial Statements

For the years ended November 30, 2020 and 2019

(Expressed in Canadian Dollars)

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

#### **Share-based payments**

The Company accounts for stock options granted to directors, officers and employees at the fair value of the options granted. Accordingly, the fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model and share-based compensation is accrued and charged to operations, with an offsetting credit to share-based expense reserve, over the vesting periods. Stock options granted to non-employees are measured at the fair value of goods or services rendered, or at the fair value of the instruments issued, if it is determined that the fair value of the goods or services received cannot be readily measured. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

If and when the stock options are exercised, the applicable amounts of equity reserves are transferred to share capital. The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

#### **Loss per share**

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding because the effect is anti-dilutive. The Company has 2,000,000 common shares outstanding as of November 30, 2020 and 2019 which are contingently cancellable and are excluded from the calculation of the weighted average number of common shares outstanding.

#### **Impairment of tangible and intangible assets**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

## **NAVION CAPITAL INC.**

Notes to the Financial Statements

For the years ended November 30, 2020 and 2019

(Expressed in Canadian Dollars)

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

#### **Financial instruments**

The Company classifies its financial instruments in the following categories: as FVTPL, financial assets at amortized cost and other financial liabilities. The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of financial assets and liabilities at initial recognition.

#### **Financial assets**

The Company will classify financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, based on its business model for managing the financial asset and the financial asset's contractual cash flow characteristics. The three categories are defined as follows:

i) Amortized cost - a financial asset is measured at amortized cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii) Fair value through other comprehensive income - financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

iii) Fair value through profit or loss - any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss.

When, and only when, the Company changes its business model for managing financial assets it must reclassify all affected financial assets.

The Company's financial assets are comprised of cash which is measured at fair value.

#### **Financial liabilities**

The Company's liabilities include accounts payable and accrued liabilities which are measured at amortized cost. After initial recognition, an entity cannot reclassify any financial liability.

#### **Impairment**

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

## **NAVION CAPITAL INC.**

Notes to the Financial Statements

For the years ended November 30, 2020 and 2019

(Expressed in Canadian Dollars)

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

#### **Income taxes**

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences do not result in deferred tax assets or liabilities: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

Deferred tax assets are 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### **Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

#### **Standards issued but not yet effective**

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2021. The Company has reviewed these updates and determined that many of these updates are not applicable or consequential to the Company and have been excluded from discussion within these significant accounting policies.

### **3. SHARE CAPITAL**

#### **(a) Authorized share capital:**

As at November 30, 2020, the authorized share capital of the Company was as follows:

- an unlimited number of Class A common shares, of which there are 4,000,000 Class A common shares outstanding. Class A common shares are entitled to one vote per Class A common share, shall be entitled to receive and participate in any dividends declared, subject to the rights of the holders of the preferred shares.

## NAVION CAPITAL INC.

### Notes to the Financial Statements

For the years ended November 30, 2020 and 2019

(Expressed in Canadian Dollars)

### 3. SHARE CAPITAL (continued)

- An unlimited number of Class B common shares, of which none are issued and outstanding. Class B shares are not entitled to voting rights and may receive dividends after preferred shares and Class A common shares; and
- An unlimited number of preferred shares without par value, of which none are issued and outstanding. Preferred shares may be issued from time to time in one or more series having the rights, privileges, restrictions and conditions which the board of directors determines prior to the issue. Preferred shares rank prior to the common shares with respects to the payment of dividends.

As at November 30, 2020 and 2019, 2,000,000 Class A common shares are held in escrow.

#### (b) Stock options

A summary of stock option activity for the years ended November 30, 2020 and 2019 is as follows:

	Year ended November 30, 2020		Year ended November 30, 2019	
	Number of options	Weighted avg. exercise price	Number of options	Weighted avg. exercise price
Outstanding, beginning of the year	600,000	\$ 0.10	600,000	\$ 0.10
Granted	-	\$ -	-	\$ -
Exercised	-	\$ -	-	\$ -
Expired	(200,000)	\$ 0.10	-	\$ -
Outstanding, end of year	400,000	\$ 0.10	600,000	\$ 0.10
Exercisable, end of year	400,000	\$ 0.10	600,000	\$ 0.10

During fiscal 2018, the Company granted 400,000 options to directors and officers of the Company. The options, which vested immediately, may be exercised at a price of \$0.10 per common share for a period of five years from the date of the agreement.

In addition to the above, pursuant to the closing of the IPO in 2018, the Company granted 200,000 non-transferable agent's options. The agents' options, which vested immediately, were exercisable at a price of \$0.10 per common share and expired during the year ended November 30, 2020.

At November 30, 2020, the weighted average remaining contractual life of the outstanding options is 2.46 years.

At November 30, 2020, there were 400,000 stock options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

Numbers of options outstanding	Exercise price	Expiry Date
400,000	\$ 0.10	May 18, 2023

## **NAVION CAPITAL INC.**

Notes to the Financial Statements

For the years ended November 30, 2020 and 2019

(Expressed in Canadian Dollars)

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### **4. RELATED PARTY TRANSACTIONS**

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and includes certain executive directors, and entities controlled by such persons.

For the year ended November 30, 2020, the Company incurred professional fees of \$23,313 (2019 - \$7,462) from a company of which a director is a partner.

At November 30, 2020 \$1,021 was due to related parties (2019 - \$nil).

### **5. CAPITAL MANAGEMENT**

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. The Company's objectives when managing capital are to maintain financial strength 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.

### **6. FINANCIAL INSTRUMENTS AND RISK**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

At November 30, 2020, the Company's financial instruments consist of cash. The fair value of cash is based on level 1 inputs of the fair value hierarchy. The fair value of accounts payable and accrued liabilities approximates its carrying value due to the relatively short-term to maturity.

The Company is exposed to a variety of financial instrument related risks. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

#### *Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places these instruments with a high credit quality financial institution.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. As at November 30, 2020, the Company had cash of \$83,253 (2019 - \$130,389) and accounts payable and accrued liabilities of \$8,823 (2019 - \$8,445).

#### *Interest rate risk*

The Company has cash balances and is not exposed to any significant interest rate risk.

**NAVION CAPITAL INC.**

Notes to the Financial Statements

For the years ended November 30, 2020 and 2019

(Expressed in Canadian Dollars)

**7. INCOME TAXES**

A reconciliation of income tax (recovery) at statutory rates with the reported taxes for the years ended November 30, 2020 and November 30, 2019 is as follows:

	2020	2019
Loss before income taxes	\$ (47,514)	\$ (41,359)
Expected income tax (recovery)	\$ (13,000)	\$ (11,000)
Change in unrecognized deductible temporary differences	13,000	11,000
Income tax recovery	\$ -	\$ -

The significant components of the Company's unrecorded deferred tax assets are as follows:

	<u>2020</u>	<u>2019</u>
Non-capital losses available for future periods	\$ 60,000	\$ 42,000
Share issuance costs	9,000	14,000
Unrecognized deferred tax assets	(69,000)	(56,000)
Net deferred tax assets	\$ -	\$ -

The significant components of the Company's temporary differences and unused tax losses that have not been included on the statement of financial position are as follows:

	2020	Expiry date range	2019	Expiry date range
Temporary differences:				
Share issue costs	\$ 35,000	2040-2043	\$ 52,000	2040-2043
Non-capital losses available for future periods	\$ 221,000	2037-2040	\$ 156,000	2037-2039