
Buzbuz Capital Corp
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN CANADIAN DOLLARS)



Independent Auditor's Report

To the Shareholders of Buzbuz Capital Corp.

Opinion

We have audited the financial statements of Buzbuz Capital Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2019 and December 31, 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 incorporation on February 26, 2018 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 December 31, 2018, and its financial performance and its cash flows for the year ended December 31, 2019 and the period from incorporation on February 26, 2018 to December 31, 2018 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in 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 identified above 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 on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 Gordon Cummings.

Vancouver, B.C.
June 12, 2020

Chartered Professional Accountants

Buzbuz Capital Corp.
STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)

As at December 31,	2019	2018
Assets		
Current assets		
Cash	\$ 472,336	\$ 336,500
Deferred financing costs	-	13,500
Total assets	\$ 472,336	\$ 350,000
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 39,278	\$ -
Total liabilities	39,278	-
Shareholders' Equity		
Common shares (Note 7)	509,434	350,000
Contributed surplus (Note 7 and 8)	79,965	-
Deficit	(156,341)	-
Total equity	433,058	350,000
Total liabilities and equity	\$ 472,336	\$ 350,000

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

These financial statements were approved for issue by the Board of Directors on June 12, 2020 and are signed on its behalf by:

Approved by the Board “Richard Buzbuzian”, Director “Robert Suttie”, Director

Buzbuz Capital Corp.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)

For the years ended December 31	2019	2018
Expenses		
Professional fees	\$ 65,002	\$ -
Public company costs	24,199	-
Share-based compensation	67,140	-
Net and comprehensive loss	\$ (156,341)	\$ -
Basic and diluted loss per share	\$ (0.02)	\$ -
Weighted average number of common shares outstanding	8,194,444	6,022,000

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

Buzbuz Capital Corp.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total
Common shares issued February 23, 2018	4,800,000	\$ 240,000	\$ -	\$ -	\$ 240,000
Issued on private placement	2,200,000	110,000	-	-	110,000
Balance, December 31, 2018	7,000,000	\$ 350,000	\$ -	\$ -	\$ 350,000
Issued on private placement	2,500,000	250,000	-	-	250,000
Costs of issue	-	(77,741)	-	-	(77,741)
Issuance of broker warrants	-	(12,825)	12,825	-	-
Stock-based compensation	-	-	67,140	-	67,140
Net loss and comprehensive loss for the period	-	-	-	(156,341)	(156,341)
Balance, December 31, 2019	9,500,000	\$ 509,434	\$ 79,965	\$ (156,341)	\$ 433,058

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

Buzbuz Capital Corp.
STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)

For the years ended December 31,	2019	2018
Cash (used in) provided by:		
Operating Activities		
Net loss for the period	\$ (156,341)	\$ -
Adjustment for:		
Stock-based compensation	67,140	-
Non-cash working capital items:		
Deferred transaction costs	13,500	-
Accounts payable and accrued liabilities	39,278	-
	(36,423)	-
Financing Activities		
Issuance of share capital	250,000	350,000
Costs of issue	(77,741)	(13,500)
	172,259	336,500
Net change in cash	135,836	336,500
Cash, beginning of period	336,500	-
Cash, end of period	\$ 472,336	\$ 336,500

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

Buzbuz Capital Corp.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(EXPRESSED IN CANADIAN DOLLARS)

1. NATURE OF OPERATIONS

Buzbuz Capital Corp. (the "Company") was incorporated under the *Business Corporations Act* (Ontario) on February 26, 2018. On May 24, 2019, the company completed its initial public offering. (See Note 7) On May 28, 2019, the Company's common shares commenced trading on the TSX Venture Exchange ("TSX-V" or "the Exchange") under the symbol "BZBZ.P".

As at December 31, 2019, the Company had no business operations. As a CPC, the Company's business objective will be to identify and evaluate assets or businesses with a view to potential acquisition or participation by completing a Qualifying Transaction (as defined in Exchange Policy 2.4) subject, in certain cases, to shareholder approval and acceptance by the Exchange. The Company has neither a history of earnings nor has it paid any dividends and it is unlikely to pay dividends or enjoy earnings in the immediate or foreseeable future. There is no assurance that the Company will identify and successfully acquire businesses or assets that will produce a profit. Moreover, if a potential business or asset is identified which warrants acquisition or participation, additional funds may be required to complete the acquisition or participation and the Company may not be able to obtain such financing on terms which are satisfactory to the Company.

Under the policies of the Exchange, the Company must identify and complete a Qualifying Transaction within 24 months from the date the Company's shares are listed for trading on the Exchange. There is no assurance that the Company will be able to complete a Qualifying Transaction within 24 months of being listed or that it will be able to secure the necessary financing to complete a Qualifying Transaction. The Exchange may suspend or de-list the Company's shares from trading should it not meet these requirements.

On May 24, 2019, the Company completed an initial public offering in British Columbia, Alberta and Ontario of 2,500,000 common shares in the capital of the Company at a price of \$0.10 per common share for gross proceeds of \$250,000.

The head office of the Company is located at 82 Richmond Street East, Toronto, Ontario, Canada, M5C 1P1.

Effective June 28, 2019, the Company entered into a non-binding letter of intent with iLLuma-Drive Inc., a private digital electric company based in Ontario, Canada. On October 1, 2019, the proposed transaction was terminated.

2. SUMMARY OF 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. These financial statements are prepared on a going concern basis. The preparation of financial statements requires the use of estimates and the exercise of judgment in applying the Company's accounting policies.

These financial statements were approved by the Board of Directors on June 12, 2020.

Income Taxes

Deferred income taxes are provided in full, using the liability method, on temporary differences arising between the income tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income taxes is determined using income tax rates and income tax laws that have been enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized.

Cash and Cash Equivalents

Cash includes cash on hand. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company is not exposed to significant credit or interest rate risk. As at December 31, 2019 and 2018 the Company did not have any cash equivalents.

Buzbuz Capital Corp.
NOTES TO THE FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-Based Payments

The fair value, at the grant date, of equity-settled share awards is charged to comprehensive loss over the period from which the benefits of employees and others providing similar services are expected to be received. The corresponding accrued entitlement is recorded in the share award reserve. The fair value of awards is calculated using the Black-Scholes option pricing model which considers the following factors:

Exercise price	Expected life of the award
Expected volatility	Current market price of the underlying shares
Risk-free interest rate	Expected forfeitures

Deferred Financing Costs

Costs relating to the Company's planned initial public offering have been recorded as deferred financing costs. On completion of the initial public offering, these costs will be accounted for as share issue costs.

Financial Instruments

Financial Assets

All financial assets are initially measured at fair value and subsequently re-measured either at amortized cost or fair value either through profit and loss or through other comprehensive income based on the classification of the financial asset. The classification of financial assets within each measurement category is based on the Company's business model and the cash flow characteristics of the instrument. Cash is classified as fair value through profit or loss.

Financial Liabilities

All financial liabilities are initially measured at fair value and subsequently re-measured either at amortized cost or fair value through profit and loss.

Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

Loss Per Share

Basic and diluted loss per share is determined by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is not separately presented, as the effect of securities exercisable into common shares would reduce the amount presented as loss per share.

3. CAPITAL AND RESERVES

The Company's authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of special shares, issuable in series, without par value. Pursuant to an escrow agreement, the 7,000,000 issued common shares will be held in escrow to be released over a thirty-six month period commencing upon completion of a Qualifying Transaction. The escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the securities regulatory authorities. Stock options may be awarded to directors, officers, employees, and consultants at the discretion of the Board of Directors. The maximum number of stock options that may be issued may not exceed 10% of the issued and outstanding common shares of the Company on the date of grant. Stock options awarded may be exercisable for up to ten years at exercise prices determined by the Board of Directors at the time of award. The exercise prices shall not be less than market value.

Buzbuz Capital Corp.
NOTES TO THE FINANCIAL STATEMENTS
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4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of Financial Assets and Financial Liabilities

Financial Instrument	Category	2019	2018
Cash	FVTPL	\$ 472,336	\$ 336,500
Accounts payable and accrued liabilities	Amortized cost	\$ (39,278)	\$ -

Cash is measured at fair value through profit and loss.

Fair value IFRS 7 establishes a fair value hierarchy for financial instruments measured at fair value that reflects the significance of inputs in making fair value measurements as follows:

- Level 1 - applied to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 - applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
- Level 3 - applies to assets or liabilities for which there are unobservable market data.

Pursuant to IFRS 7, the fair value of cash is measured on a recurring basis based on Level 1 inputs.

Credit Risk

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations to the Company. The Company's credit risk is primarily attributable to cash, which is held on deposit with a major Canadian bank.

Capital Risk Management

The Company manages, as capital, the components of shareholders' equity and its cash. The Company's objectives, when managing capital, are to safeguard its ability to complete a qualifying transaction as discussed in Note 1. The Company intends to manage its capital structure, and make adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue common shares or borrow. The Company does not anticipate the payment of dividends in the foreseeable future.

5. CASH RESTRICTION

Under Exchange Policy 2.4, proceeds raised from the sale of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the sale of common shares and \$ 210,000 may be used to fund prescribed costs of selling the common shares and administrative and general expenses not related to the identification and evaluation of a Qualifying Transaction.

Buzbuz Capital Corp.
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6. CONTINGENCIES

COVID-19

Subsequent to December 31, 2019, the outbreak of a novel coronavirus, which causes a disease named COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation and its operating subsidiaries in future periods.

Due to the worldwide COVID-19 outbreak, material uncertainties may come into existence that could influence management's going concern assumption. Management cannot accurately predict the future impact COVID-19 may have on:

- Global oil prices;
- The severity and the length of potential measures taken by governments to manage the spread of the virus and their effect on labour availability and supply lines;
- Availability of essential supplies;
- Purchasing power of the Canadian dollar; and
- Ability to obtain funding

At the date of the approval of these financial statements, the Canadian government has not introduced measures which impede the activities of the Company. Management believes the business will continue and accordingly, the current situation bears no impact on management's going concern assumption. However, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

7. SHARE CAPITAL

On May 24, 2019, the Company completed an initial public offering in British Columbia, Alberta and Ontario of 2,500,000 common shares in the capital of the Company at a price of \$0.10 per common share for gross proceeds of \$250,000. Cash costs of issue amounted to \$77,741.

In connection with the initial public offering, the Company granted 250,000 stock broker options. The broker options are exercisable at \$0.10 per share and expire May 24, 2021. The resulting fair value of \$12,825 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility from 140%; a risk-free interest rate of 1.50% and an expected life of 2 years.

Buzbuz Capital Corp.
NOTES TO THE FINANCIAL STATEMENTS
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8. STOCK OPTIONS

The following table reflects the continuity of stock options for the year ended December 31, 2019 and 2018:

	Number of Stock Options	Weighted Average Exercise Price (\$)
Balance, February 26, 2018 and December 31, 2018	-	-
Granted (Notes 7 and 8(i))	900,000	0.10
Balance, December 31, 2019	900,000	0.10

As at December 31, 2019, outstanding options were exercisable

- (i) On May 24, 2019, the Company granted 900,000 stock options to officers and directors of the Company. The options are exercisable at \$0.10 per share, expire May 24, 2024. The resulting fair value of \$67,140 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility from 100%; a risk-free interest rate of 1.50% and an expected life of 5 years.

The following table reflects the actual stock options issued and outstanding as of December 31, 2019:

Expiry Date	Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding
May 24, 2024	0.10	4.40	900,000

9. INCOME TAXES

The statutory tax rate is 27%. The reconciliation of the combined Canadian federal and provincial statutory income tax rate on the net loss for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Expected income tax recovery	\$ 42,212	\$ -
Non-deductible share-based compensation	(18,128)	-
Unrecognized benefit from income tax losses	(24,084)	-
Income tax expense reflected in the statements of loss and comprehensive loss	\$ -	\$ -

As at December 31, 2019, the Company has non-capital losses of approximately \$24,084 (2018 - \$nil) carried forward for Canadian income tax purposes and are available to reduce taxable income in future years. The non-capital losses expire in 2039.

Buzbuz Capital Corp.
NOTES TO THE FINANCIAL STATEMENTS
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9. INCOME TAXES (Continued)

The significant components of the Company's deferred income taxes are as follows as at December 31:

	2019	2018
<u>Deferred income tax asset</u>		
Non-capital losses	\$ 24,084	\$ -
Valuation allowance	(24,084)	-
	<u>\$ -</u>	<u>\$ -</u>

10. RELATED PARTY TRANSACTIONS

On May 24, 2019, the Company granted 900,000 incentive stock options to officers and directors of the Company. The options are exercisable at \$0.10 per share and expire May 24, 2024. Each of the Company's four directors were issued 225,000 options of the 900,000 option grant.