

KAPA CAPITAL INC.

Financial Statements

Years Ended April 30, 2021 and 2020

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Kapa Capital Inc.

Opinion

We have audited the accompanying financial statements of Kapa Capital Inc. (the "Company") which comprise the statements of financial position as at April 30, 2021 and 2020 and the statements of operations and comprehensive loss, changes in 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2021 and 2020, and its financial performance and its cash flows for the years then ended 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of \$82,964 and used cash of \$78,024 for operating activities during the year ended April 30, 2021 and had an accumulated deficit of \$250,009 as at April 30, 2021. As stated in Note 1 of the financial statements, these events or conditions, along with other matters, 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 comprises the information included in the Management's Discussion and Analysis, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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 these 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.

Auditors' Responsibility 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; and
- 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 auditors' report is Henry Chow.

A handwritten signature in black ink that reads "SATURNA GROUP LLP". The letters are stylized and cursive.

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

August 11, 2021

KAPA CAPITAL INC.
STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)

	Note	April 30, 2021	April 30, 2020
		- \$ -	- \$ -
ASSETS			
Current Assets			
Cash		168,984	235,681
Total assets		168,984	235,681
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		13,697	8,757
Total liabilities		13,697	8,757
SHAREHOLDERS' EQUITY			
Share capital	4	355,861	338,622
Share-based payment reserve	4	44,909	44,909
Warrant reserve	4	4,526	10,438
Deficit		(250,009)	(167,045)
Total shareholders' equity		155,287	226,924
Total liabilities and shareholders' equity		168,984	235,681

Nature of business and continuance of operations (Note 1)
Qualifying transaction (Note 6)

Approved and authorized for issuance by the Board of Directors on August 11, 2021:

"Charalambos Katevatis"
Charalambos Katevatis
Director

"Vivian Katsuris"
Vivian Katsuris
Director

(The accompanying notes are an integral part of these financial statements)

KAPA CAPITAL INC.

STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(EXPRESSED IN CANADIAN DOLLARS)

	Year ended	
	April 30, 2021 - \$ -	April 30, 2020 - \$ -
EXPENSES		
General and administrative	6,600	1,477
Professional fees	53,133	24,065
Transfer agent and filing fees	23,231	11,488
Net loss and comprehensive loss	(82,964)	(37,030)
Loss per share, basic and diluted	(0.02)	(0.01)
Weighted average number of shares outstanding	5,069,561	5,000,001

(The accompanying notes are an integral part of these financial statements)

KAPA CAPITAL INC.
STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN CANADIAN DOLLARS)

	<u>Common shares</u>		Share-based payment reserve	Warrant reserve	Deficit	Total
	Number of shares	Amount - \$ -	- \$ -	- \$ -	- \$ -	- \$ -
Balance, April 30, 2019	5,000,001	338,622	44,909	10,438	(130,015)	263,954
Net loss for the year	—	—	—	—	(37,030)	(37,030)
Balance, April 30, 2020	5,000,001	338,622	44,909	10,438	(167,045)	226,924
Shares issued for warrants exercised	113,270	17,239	—	(5,912)	—	11,327
Net loss for the year	—	—	—	—	(82,964)	(82,964)
Balance, April 30, 2021	5,113,271	355,861	44,909	4,526	(250,009)	155,287

(The accompanying notes are an integral part of these financial statements)

KAPA CAPITAL INC.
STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)

	Year ended	
	April 30, 2021	April 30, 2020
	- \$-	- \$-
Operating Activities		
Net loss	(82,964)	(37,030)
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	4,940	4,660
Net cash used in operating activities	(78,024)	(32,370)
Financing activities		
Proceeds received from exercise of warrants	11,327	-
Net cash provided by financing activities	11,327	-
Decrease in cash	(66,697)	(32,370)
Cash, beginning of year	235,681	268,051
Cash, end of year	168,984	235,681
Non-cash investing and financing activities:		
Transfer of fair value of share purchase warrants to share capital from warrant reserve upon exercise	5,912	-

(The accompanying notes are an integral part of these financial statements)

KAPA CAPITAL INC.

NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2021 AND 2020
(EXPRESSED IN CANADIAN DOLLARS)

1. NATURE OF BUSINESS AND CONTINUANCE OF OPERATIONS

Kapa Capital Inc. (the “Kapa” or “Company”) was incorporated under the British Columbia Business Corporations Act on January 29, 2018. The Company was formed for the primary purpose of completing an Initial Public Offering (“IPO”) on the TSX Venture Exchange (“Exchange”) as a Capital Pool Company (“CPC”) as defined in Policy 2.4 of the Exchange. On July 26, 2018, the Company filed its IPO. As a CPC, the Company’s principal business would be to identify, evaluate and acquire assets, properties or businesses which would constitute a qualifying transaction in accordance with Policy 2.4 of the Exchange (“Qualifying Transaction”). A CPC has 24 months from when the shares are listed on the Exchange (September 27, 2018) to complete a Qualifying Transaction. The Company has filed the documents for the Qualifying Transaction dated September 22, 2020 with the Exchange which are in process of obtaining approval. Such a transaction will be subject to shareholder and regulatory approval. Until completion of the Qualifying Transaction, the Company will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential Qualifying Transaction.

The Company’s registered office is located at 2475 Queens Avenue, West Vancouver, BC. The trading of the Company’s common shares has been halted on the Exchange since May 5, 2020.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The impact on the Company has not been significant, but management continues to monitor the situation.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As of April 30, 2021, the Company has no business or revenues, and has an accumulated deficit of \$250,009. During the year ended April 30, 2021, the Company incurred a net loss of \$82,964 and used cash of \$78,024 for operating activities. The proposed business of the Company involves a high degree of risk. Although the Company has already completed its IPO and has identified the business for acquisition or investment, additional funds may be required to enable the Company to pursue such an initiative and the Company may be unable to obtain such financing on terms which are satisfactory to it, particularly in the current economic environment. Furthermore, there is no assurance that the business will be profitable. Those factors raise doubt as to the Company’s ability to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

The financial statements of the Company have been prepared in accordance with and using accounting policies in full compliance with International Financial Reporting Standards (“IFRS”) and International Accounting Standards (“IAS”) issued by the International Accounting Standards Board (“IASB”).

(b) Basis of Measurement

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. The financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is also the Company’s functional currency.

KAPA CAPITAL INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2021 AND 2020
(EXPRESSED IN CANADIAN DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Use of Estimates and Judgments

The preparation of these financial statements in conformity with IFRS requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the year. It also requires management to exercise its judgment in the processing of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The impacts of such estimates and judgments are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates and judgments are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. Actual results could differ from these estimates.

Significant areas requiring the use of estimates include unrecognized deferred income tax assets. The Company's assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

(d) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to a known amount of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(e) Financial Instruments

The Company does not have any derivative financial instruments.

Financial assets

The Company recognizes financial assets at fair value net of transaction costs directly attributable to the acquisition of the financial asset. After initial recognition, the Company classifies financial assets as either: (i) amortized cost; (ii) fair value through other comprehensive income; or (iii) fair value through profit or loss. The classification depends on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. Management determines the classification of financial assets at initial recognition.

A financial asset is classified as amortized cost if the financial asset is held within a business model whose objective is to hold financial 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 amounts outstanding.

A financial asset is classified as fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets 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.

A financial asset is classified as fair value through profit or loss unless it is measured at amortized cost or as fair value through other comprehensive income. Upon initial recognition, a financial asset can be irrevocably designated as fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains or losses on the financial asset on different bases.

The Company's cash is classified as amortized cost. The Company does not have any financial assets classified as fair value through profit or loss or fair value through other comprehensive income.

KAPA CAPITAL INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2021 AND 2020
(EXPRESSED IN CANADIAN DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments

Financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired. Financial assets and liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Company's accounts payable and accrued liabilities are classified as amortized cost.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the assets have been impacted. Factors that could indicate impairment include significant financial difficulty, default or delinquency in payment, bankruptcy, or financial reorganization.

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. The Company will recognize a loss allowance for expected credit loss for a financial instrument equal to the lifetime expected credit loss if the credit risk on that financial instrument has increased significantly since initial recognition. Conversely, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Company shall measure the loss allowance for that financial instrument at an amount equal to the expected credit losses for the next twelve months. The expected credit loss shall be measured in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

(f) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

KAPA CAPITAL INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2021 AND 2020
(EXPRESSED IN CANADIAN DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Income Taxes (continued)

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(g) Loss Per Share

Basic loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period. Diluted loss per share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. Potentially dilutive securities are excluded from the calculation of dilutive loss per share as they are anti-dilutive. As at April 30, 2021, the Company had 500,000 (2020 – 700,000) potentially dilutive shares outstanding.

(h) Share-Based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of operations over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted.

As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

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

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of operations and comprehensive loss except where these are issued to consultants directly involved in the sourcing of finance in which case, they are measured at the fair value of the equity instruments granted. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. All equity-settled share-based payments are reflected in share-based payments reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

KAPA CAPITAL INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2021 AND 2020
(EXPRESSED IN CANADIAN DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Share-Based Payments (continued)

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

(i) Share Capital

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

The fair value of the common shares issued in a private placement is determined to be the more easily measurable component and are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrant reserve. If the warrants are exercised, the related amount is reclassified as share capital.

If the warrants are issued as share issuance costs, the fair value will be recorded as share-based payment reserve using the Black-Scholes option pricing model. If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount remains in share-based payment reserve.

(j) Comprehensive Income (Loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events, and circumstances from sources other than the Company's shareholders and includes items that are not included in the statement of operations. The Company does not have any items affecting comprehensive income or loss.

(k) Accounting Standards Issued but Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended April 30, 2021, and have not been applied in preparing these financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's financial statements.

KAPA CAPITAL INC.

NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2021 AND 2020
(EXPRESSED IN CANADIAN DOLLARS)

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instruments and related risks. Those risks and management's approach to mitigating those risks are as follows:

(a) Fair Values

Fair value measurements are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The fair values of financial instruments, which includes cash, and accounts payable and accrued liabilities, approximates their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure of credit loss by placing its cash with a high credit quality financial institution. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate and Interest Rate Risk

The Company is not exposed to any significant foreign exchange rate or interest rate risk.

(d) 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 plans on settling its financial obligations out of cash. The ability to do this relies on the Company raising debt and equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. There is no assurance that financing will be available or, if available, that such financing will be on terms acceptable to the Company.

KAPA CAPITAL INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2021 AND 2020
(EXPRESSED IN CANADIAN DOLLARS)

4. SHARE CAPITAL

Authorized: unlimited common shares without par value

In September 2020, the Company issued 113,270 common shares for proceeds of \$11,327 pursuant to the exercise of share purchase warrants. Upon issuance, \$5,912 was transferred from share-based payment reserve to share capital.

Stock Options

The Company adopted a stock option plan (the "Share Option Plan") under which it may grant options to employees, officers, directors, or consultants for up to 10% of the issued and outstanding common shares. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee in a twelve-month period is limited to 5% of the issued shares of the Company. Under the plan, the exercise price of an option may not be less than the discounted market price. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors.

	Number of options	Weighted average exercise price \$
Outstanding, April 30, 2019, 2020, and 2021	500,000	0.10

Additional information regarding stock options outstanding as of April 30, 2021, is as follows:

Range of exercise prices \$	Stock options outstanding and exercisable	Weighted average remaining contracted life (years)
0.10	500,000	2.4

Agent's Warrants

	Number of warrants	Weighted average exercise price \$
Outstanding, April 30, 2019 and 2020	200,000	0.10
Exercised	(113,270)	0.10
Expired	86,730)	0.10
Outstanding, April 30, 2021	—	—

5. CAPITAL MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash, share capital, share-based payment reserve, and warrant reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is subject to externally imposed capital requirements under Policy 2.4 of the TSX-V for Capital Pool Companies and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended April 30, 2020.

KAPA CAPITAL INC.

NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2021 AND 2020
(EXPRESSED IN CANADIAN DOLLARS)

6. QUALIFYING TRANSACTION

On May 4, 2020, as amended on September 22, 2020, pursuant to the letter of intent signed by the Company with Quantus Resource Corp. ("Quantus"), the Company has entered into an acquisition agreement pursuant to which the Company has agreed to acquire all the issued and outstanding common shares of Quantus (the "Transaction"). As part of the completion of the Transaction, Quantus will issue 750,000 common shares to complete the remaining option obligations to earn a 100% interest in the Blackhawk Property subject to certain royalties upon production.

Under the terms of the Transaction, each shareholder of Quantus will receive one common share of the Company in exchange for one Quantus common share. Upon completion of the Transaction, the Company will issue up to 53,402,273 common shares to the shareholders of Quantus. Following the completion of the Qualifying Transaction, the resulting issuer will have 59,402,274 issued and outstanding shares, of which Quantus shareholders would hold approximately 90% of the issued and outstanding shares of the Company.

The completion of the Transaction is subject to the satisfaction of certain conditions being met including but not limited to: (i) the filing of the draft completed TSX Venture Form 3B2 (Information Required in a Filing Statement for a Qualifying Transaction); (ii) public filing of the NI 43-101F1 Report on the Blackhawk Property; (iii) public filing of the Fairness Opinion; (iv) conditional approval of the TSX Venture in respect of the Arrangement Agreement; and (v) the completion of a non-brokered private placement by Quantus (the "Concurrent Financing").

Concurrent with the Transaction, Quantus is proposing to complete a Concurrent Financing of up to 14,000,000 Quantus common shares for aggregate gross proceeds of up to \$2,800,000.

The Arrangement Agreement is subject to final approval of the Supreme Court of British Columbia and is conditional upon the Resulting Issuer receiving approval for listing on the TSX Venture Exchange.

7. INCOME TAXES

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2021 \$	2020 \$
Canadian statutory income tax rate	27%	27%
Income tax recovery at statutory rate	(22,400)	(9,997)
Tax effect of:		
Change in unrecognized deferred income tax assets	22,400	9,997
Income tax provision	—	—

The significant components of deferred income tax assets and liabilities are as follows:

	2021 \$	2020 \$
Deferred income tax assets:		
Non-capital losses carried forward	63,629	38,479
Share issuance costs	5,502	8,252
Unrecognized deferred income tax assets	(69,131)	(46,731)
Net deferred income tax asset	—	—

KAPA CAPITAL INC.
NOTES TO THE FINANCIAL STATEMENTS
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7. INCOME TAXES (continued)

As at April 30, 2021, the Company has non-capital losses carried forward of \$235,664, which are available to offset future years' taxable income. These losses expire as follows:

	\$
2038	234
2039	95,058
2040	47,220
2041	93,152
	<hr/> 235,664 <hr/>