

A copy of this preliminary prospectus has been filed with the securities regulatory authority in the provinces of British Columbia and Alberta (the "**Qualifying Jurisdictions**"), but has not yet become final. Information contained in this preliminary prospectus may not be complete and may have to be amended.

*No securities regulatory authority has expressed an opinion about any information contained herein and it is an offence to claim otherwise. This Prospectus does not constitute a public offering of securities.*

These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or the securities laws of any state of the United States (as such term is defined in Regulation S under the U.S. Securities Act) and may not be offered, sold or delivered, directly or indirectly, in the United States, except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. This prospectus does not constitute an offer to sell or solicitation of an offer to buy any of these securities in the United States.

## **PRELIMINARY PROSPECTUS**

Non-Offering Prospectus

November 16, 2021

### **DUCKHORN VENTURES LTD.**

(to be renamed Helium Evolution Incorporated)

This non-offering preliminary prospectus (the "**Prospectus**") is being filed with the securities regulatory authorities in the Qualifying Jurisdictions to enable Duckhorn Ventures Ltd. (to be renamed Helium Evolution Incorporated) (the "**Company**") to develop an organized market for the Common Shares (as defined herein) of the Company. Since no securities are being offered pursuant to this Prospectus, no proceeds will be raised, and all expenses incurred in connection with the preparation and filing of this Prospectus will be paid by the Company and Helium Evolution (as defined herein) from their respective general corporate funds.

**There is no market through which the securities of the Company may be sold. This may affect the pricing of the Company's securities in the secondary markets; the transparency and availability of trading prices; the liquidity of the Company's securities and the extent of issuer regulation. See "*Risk Factors*".**

As of the date of this Prospectus, the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside Canada and the United States (other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc).

**No underwriter or selling agents have been involved in the preparation of this Prospectus or performed any review or independent due diligence of the contents of this Prospectus.**

Prospective investors are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

**An investment in securities of the Company is speculative and involves a high degree of risk. In reviewing this Prospectus, you should carefully consider the matters described under the heading "*Risk Factors*".**

**Prospective investors are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances, as well as any other provincial, foreign and other tax consequences of acquiring, holding, or disposing of Shares.**

**Prospective investors should rely only on the information contained in this Prospectus. Readers should assume that the information appearing in this Prospectus is accurate only as of its date, regardless of its time of delivery. The Company's business, financial condition, results of operations and prospects may have changed since that date.**

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## **CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

This Prospectus contains forward-looking statements and forward-looking information within the meaning of applicable securities legislation about the Company and the development of its business. The use of any of the words "may", "will", "should", "expect", "anticipate", "continue", "plan", "estimate", "believe", "intend", "project", "forecast", and other similar expressions is intended to identify forward-looking statements or information. These forward-looking statements include statements regarding:

- the listing of the Resulting Issuer Shares on the TSXV;
- the Company's expectations regarding its revenue, expenses, and operations;
- the Company's anticipated cash needs and its needs for additional financing;
- the Company's intention to grow the business and its operations;
- development of the Company's assets;
- the effect of government regulation;
- the grant and impact of any license or supplemental license to conduct activities

The forward-looking statements and information contained in this Prospectus are based on certain key expectations and assumptions made by the Company, including expectations and assumptions relating to (i) obtaining the necessary regulatory approvals; (ii) that regulatory requirements will be maintained; (iii) general business and economic conditions; (iv) the Company's ability to successfully execute its plans and intentions; (v) the Company's production capacity and supply chain; (vi) the price services and materials; (vii) the availability of financing on reasonable terms; (viii) the Company's ability to attract and retain skilled staff; (ix) market competition; (x) the activities of the Company's competitors; and (xi) that the Company's current good relationships with the Company's service providers and other third parties will be maintained. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled "Risk Factors", which may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in the forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

The forward-looking statements and information contained in this Prospectus are made as of the date hereof and, unless so required by applicable law, the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information future events or otherwise. The forward-looking statements and information contained in this Prospectus are expressly qualified by this cautionary statement.

## **CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION**

In this Prospectus, unless otherwise indicated, all references to "\$" or "dollars" refer to Canadian Dollars.

## **MARKET AND INDUSTRY DATA**

This Prospectus includes market and industry data that has been obtained from third party sources, including industry publications. The Company believes that the industry data is accurate and that its estimates and assumptions are

reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, the Company has not independently verified any of the data from third party sources referred to in this Prospectus or ascertained the underlying economic assumptions relied upon by such sources.

Unless otherwise indicated, information contained in this Prospectus concerning the Company's industry and the markets in which it operates, including general expectations and market position, market opportunities and market share, is based on information from independent industry organizations, other third-party sources (including industry publications, surveys and forecasts) and management studies and estimates.

The Company's estimates are derived from publicly available information released by independent industry analysts and third-party sources as well as data from the Company's internal research, and knowledge of the helium industry, and include assumptions made by the Company which management believes to be reasonable based on their knowledge of the Company's industry and markets. The Company's internal research and assumptions have not been verified by any independent source, and it has not independently verified any third-party information. While the Company believes the market position, market opportunity and market share information included in this Prospectus is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of the Company's future performance and the future performance of the industry and markets in which it operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under the heading "Forward-Looking Statements" and "Risk Factors".

## CONVENTIONS

Certain terms used herein are defined in the "Glossary of Terms". Unless otherwise indicated, references to \$ are to Canadian dollars and USD\$ are to U.S. dollars. All financial information with respect to the Company have been presented in Canadian dollars in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretation Committee.

## GLOSSARY OF TERMS

The following is a glossary of certain defined terms used throughout this Prospectus. This is not an exhaustive list of defined terms used in this Prospectus and additional terms are defined throughout. Terms and abbreviations used in the financial statements of the Company and Helium Evolution are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words importing the singular, where the context requires, include the plural and vice versa, and words importing any gender include all genders.

"\$" means Canadian dollars.

"ABCA" means the *Business Corporations Act* (Alberta).

"**Advisor's Warrants**" means the 2,820,000 share purchase warrants exercisable to acquire Helium Shares and issued to certain transaction advisors in connection with the Subscription Receipt Offering.

"**Affiliate**" means a company that is affiliated with another company as described below:

A company is an "**Affiliate**" of another company if:

- (a) one of them is the subsidiary of the other; or
- (b) each of them is controlled by the same Person;

A company is "**controlled**" by a Person if:

- (a) voting securities of the company are held, other than by way of security only, by or for the benefit of that Person; and
- (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the company;

A Person beneficially owns securities that are beneficially owned by:

- (c) a Company controlled by that Person, or
- (d) an Affiliate of that Person, or
- (e) an Affiliate of any Company controlled by that Person.

"**Amalgamation**" means the amalgamation of Helium Evolution and Subco pursuant to Section 181 of the ABCA and as set forth in the Business Combination Agreement.

"**Amalgamation Resolution**" means the special resolution concerning the Amalgamation to be considered by the Helium Evolution Shareholders at the Helium Evolution Meeting.

"**Associate**" means when used to indicate a relationship with a person or company, means:

- (a) an issuer of which the person or company beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer;
- (b) any partner of the person or company;
- (c) any trust or estate in which the person or company has a substantial beneficial interest or in respect of which a person or company serves as trustee or in a similar capacity;
- (d) in the case of a person, a relative of that person, including:
  - (i) that person's spouse or child; or
  - (ii) any relative of the person or of his spouse who has the same residence as that person; but
- (e) where the Exchange determines that two persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D with respect to that Member firm, Member corporation or holding company.

"**Audit Committee**" means the audit committee of the Resulting Issuer.

"**Audit Committee Charter**" means the Audit Committee's Charter, attached hereto as Schedule F.

"**BCBCA**" means the *Business Corporations Act* (British Columbia).

"**BCSC**" means the British Columbia Securities Commission.

"**Board**" or "**Board of Directors**" means the board of directors of the Company or the Resulting Issuer, as applicable.

"**Business Combination Agreement**" means the Business Combination Agreement dated September 19, 2021, among the Company, Helium Evolution and Subco as amended on October 22, 2021.

"**Business Day**" means a day other than Saturday, Sunday or a statutory holiday in British Columbia, Canada.

"**CEO**" means Chief Executive Officer.

"**CFO**" means Chief Financial Officer.

"**Closing Date**" has the meaning set forth under the heading "*Corporate Structure – Acquisition of Helium Evolution*".

"**Common Shares**" means the common shares in the capital of the Company.

"**Company**" means Duckhorn Ventures Ltd. a company existing under the BCBCA.

"**Company Board**" means the board of directors of the Company.

"**Company Financial Statements**" means the audited financial statements of the Company as at December 31, 2020 and for the year ended December 31, 2020 and as at December 31, 2019 and for the period from incorporation on March 25, 2019 to December 31, 2019 and the unaudited interim financial statements of the Company as at June 30, 2021 and for the three and six-month periods ended June 30, 2021 and June 30, 2020, in each case, together with the notes thereto and the auditors' report thereon, as applicable, attached hereto at Schedule A.

"**Company MD&A**" means the management's discussion and analysis of the Company for the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019 and for the three and six-month periods ended June 30, 2021 and June 30, 2020, attached hereto at Schedule B.

"**Company Meeting**" means the annual general and special meeting of the Company Shareholders to consider, among other things, the Continuation Resolution.

"**Company Shareholders**" means the holders of Common Shares.

"**Conditional Approval**" means the conditional approval issued by the TSXV, for listing of the Common Shares.

"**Continuation**" means the continuation of the Company from the BCBCA to the ABCA.

"**Continuation Resolution**" means an ordinary resolution of the Company Shareholders approving the Continuation.

"**ECC**" means ECC Diversified Inc., a predecessor entity of the Company.

"**Exchange**" or the "**TSXV**" means the TSX Venture Exchange.

"**Effective Time**" means the effective time of the Transaction.

"**Eligible Persons**" has the meaning set forth under the heading "*Options to Purchase Securities – Terms of the Plan*".

"**Escrow Agreement**" means the escrow agreement to be entered into among the Company, the Transfer Agent and certain shareholders, pursuant to which the Escrowed Shares will be held in escrow.

"**Escrowed Shares**" means the 15,875,000 Resulting Issuer Shares and that are to be held in escrow pursuant to the Escrow Agreement.

"**Form 51-102F6**", means Form 51-102F6 – Statement of Executive Compensation.

"**Helium Evolution**" mean Helium Evolution Incorporated, a company existing under the ABCA.

"**Helium Evolution Common Shares**" means the Class "A" common shares in the capital of Helium Evolution.

"**Helium Evolution Financial Statements**" means the audited financial statements of Helium Evolution as at August 31, 2021 and for the period from incorporation on January 14, 2021 to August 31, 2021 together with the notes thereto and the auditors' report thereon, attached hereto at Schedule C.

**"Helium Evolution MD&A"** means the management's discussion and analysis of Helium Evolution for the period from incorporation on January 14, 2021 to August 31, 2021, attached hereto at Schedule D.

**"Helium Evolution Meeting"** means the annual general and special meeting of the Helium Evolution Shareholders to consider, among other things, the Amalgamation Resolution.

**"Helium Evolution Options"** means Helium Evolution Common Share purchase options.

**"Helium Evolution Other Shares"** means the Class B common shares, Class "C" common shares, Class "D" common shares, Class "E" common shares, Class "F" common shares, Class "G" common shares, Class "H" common shares, Class "I" common shares, Class "J" common shares, Class "K" common shares, Class "L" common shares, Class "M" common shares, Class "N" common shares, Class "O" common shares, Class "P" preferred shares, Class "Q" preferred shares, Class "R" preferred shares, Class "S" preferred shares, Class "T" preferred shares, Class "U" preferred shares, Class "V" preferred shares, Class "W" preferred shares, Class "X" preferred shares and Class "Y" preferred shares in the capital of Helium Evolution.

**"Helium Evolution Shareholders"** means the holders of Helium Evolution Common Shares.

**"Helium Evolution Warrants"** means Helium Evolution Common Share purchase warrants.

**"Governance Policy"** has the meaning set forth under the heading "Corporate Governance".

**"IFRS"** means the International Financial Reporting Standards as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretation Committee.

**"Insider"** means:

- (a) a director or senior officer of Helium Evolution;
- (b) a director or senior officer of Helium Evolution that is an Insider or subsidiary of Helium Evolution;
- (c) a Person that beneficially owns or controls, directly or indirectly, shares carrying more than 10% of the voting rights attached to all outstanding voting shares of Helium Evolution; or
- (d) Helium Evolution itself if it holds any of its own securities.

**"Listing"** means the listing of the Common Shares for trading on the Exchange.

**"MD&A"** means management discussion and analysis.

**"Name Change"** means the change of the Company's name to "Helium Evolution Incorporated", or such other name as is acceptable to Helium Evolution and the Company.

**"Named Executive Officer" or "NEO"** means:

- (a) the CEO, or comparable position;
- (b) the CFO, or comparable position;
- (c) each of the issuer's three most highly compensated executive officers, other than the CEO and CFO, who were serving as executive officers at the end of the most recently completed financial year and whose total salary and bonus, individually, exceeds CAD\$150,000 per year; or
- (d) any additional individuals for whom disclosure would have been provided under (c) except that the individual was not serving as an officer of the issuer at the end of the most recently completed financial year.

"**NI 41-101**" means National Instrument 41-101 – *General Prospectus Requirements* of the Canadian Securities Administrators.

"**NI 45-102**" means National Instrument 45-102 – *Resale of Securities* of the Canadian Securities Administrators.

"**NI 52-110**" means National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators.

"**NP 46-201**" means National Policy 46-201 – *Escrow for Initial Public Offerings* of the Canadian Securities Administrators.

"**Option Plan**" means the Resulting Issuer's stock option plan. See "*Options to Purchase Securities – Resulting Issuer*".

"**Options**" means the options issued pursuant to the Option Plan.

"**Outstanding Issue**" has the meaning set forth under the heading "*Options to Purchase Securities – Resulting Issuer*".

"**Person**", unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

"**Pro-Forma Financial Statements**" means the unaudited pro-forma statement of financial position of the Company as at August 31, 2021 together with the notes thereto, attached hereto as Schedule E.

"**Promoter**" means (a) a person or company who, acting alone or in conjunction with one or more other persons, companies or a combination thereof, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of an issuer, or (b) a person or company who, in connection with the founding, organizing or substantial reorganizing of the business of an issuer, directly or indirectly, receives in consideration of services or property, or both services and property, 10% or more of any class of securities of the issuer or 10% or more of the proceeds from the sale of any class of securities of a particular issue, but a person or company who receives such securities or proceeds either solely as underwriting commissions or solely in consideration of property shall not be deemed a promoter within the meaning of this definition if such person or company does not otherwise take part in founding, organizing, or substantially reorganizing the business.

"**Prospectus**" means this Preliminary Prospectus.

"**Regulation S**" means Regulation S promulgated under the U.S. Securities Act.

"**Resulting Issuer**" means the Company after closing the Transaction.

"**Resulting Issuer Shares**" means the Common Shares following the completion of the Transaction.

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval maintained by the TSX Venture Administrators.

"**Subco**" means 2374154 Alberta Ltd., a wholly-owned subsidiary of the Company, incorporated under the ABCA solely for the purpose of carrying out the Amalgamation.

"**Subco Shares**" means the common shares in the capital of Subco.

"**Subscription Receipt**" has the meaning set forth under the heading "*General Development of the Business – History – Helium Evolution*".

"**Subscription Receipt Offering**" has the meaning set forth under the heading "*General Development of the Business – History – Helium Evolution*".

"**Subscription Receipt Agent**" means Odyssey Trust Company.

**"Subscription Receipt Agreement"** means the subscription receipt agreement between the Company, Helium Evolution and the Subscription Receipt Agent dated October 29, 2021 as amended on November 10, 2021.

**"Subscription Receipt Offering Escrow Release Conditions"** means the escrow release conditions governing the deemed exercise of the Subscription Receipts issued in connection with the Subscription Receipt Offering as set forth in the Subscription Receipt Agreement.

**"Transaction"** means the transactions contemplated by, or in relation to, the Business Combination Agreement including the Subscription Receipt Offering, the Amalgamation, the Name Change, the Continuance and the listing of the Resulting Issuer Shares on the TSXV.

**"Transaction Advisors"** means certain capital markets and transaction advisory service providers as Helium Evolution has retained or may retain in connection with the Transaction.

**"Transaction Advisors' Fee"** means fees to be paid to the Transaction Advisors in connection with the Transaction.

**"Transaction Advisors' Warrants"** means Helium Evolution Common Share purchase warrants to be issued as partial compensation to the Transaction Advisors in connection with the Transaction.

**"Transfer Agent"** means the transfer agent and registrar of the Resulting Issuer, anticipated to be Odyssey Trust Company.

## SUMMARY OF PROSPECTUS

*The following is a summary of the principal features of the Common Shares and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus.*

### Principal Business

#### The Company

The Company's full corporate name is "Duckhorn Ventures Ltd.". The Company is governed by the BCBCA. The Company's head office address is 301 – 1665 Ellis Street, Kelowna, British Columbia, V1Y 2B3 and its registered and records office is located at 301 – 1665 Ellis Street, Kelowna, British Columbia, V1Y 2B3.

The Company was incorporated under the BCBCA on March 25, 2019. On May 29, 2019, ECC Diversified Inc. ("ECC") completed a strategic reorganization of its assets in which it spun out certain assets into the Company. The transaction was carried out by way of statutory plan of arrangement pursuant to the BCBCA. Under the terms of the arrangement, shareholders of ECC received one Common Share for every common share of ECC they held as of April 17, 2019.

The Company has one subsidiary, being Subco, a company incorporated pursuant to the ABCA and formed solely for the purpose of effecting the Amalgamation.

#### Helium Evolution

Helium Evolution was incorporated pursuant to the ABCA on January 14, 2021. On July 13, 2021, Helium Evolution amended its articles to amend its share transfer restrictions. The head office and registered office of Helium Evolution is located at 400, 505 – 3rd Street S.W, Calgary, Alberta T2P 3E6. Helium Evolution has no subsidiaries.

See "*Description of the Business*".

#### Business Combination Agreement

The Company entered into the Business Combination Agreement with Helium Evolution and Subco, a wholly-owned subsidiary of the Company, whereby Subco will acquire all of the issued and outstanding Helium Evolution Common Shares, including those Helium Evolution Common Shares issuable pursuant to the Subscription Receipts, in consideration of the Amalgamation which will result in the Helium Evolution Common Shares being cancelled in exchange for Common Shares. Following the closing of the Transaction, Amalco will be the wholly owned-subsiary of the Company (the "**Resulting Issuer**"). See "*Corporate Structure – Acquisition of Helium Evolution*".

#### Resulting Issuer

The Resulting Issuer's head office and registered and records office will be located at 400, 505 – 3<sup>rd</sup> Street S.W, Calgary, Alberta T2P 3E6.

The principal business of the Resulting Issuer will be the same as that of Helium Evolution.

#### Management, Directors & Officers

Gregory A. Robb	President, Chief Executive Officer and Director
Ryan Tomlinson	Chief Financial Officer
Patrick F. Mills	Chief Operating Officer
John Kanderka	Vice President, Corporate Development

William C. Van Horne	Corporate Secretary
James P. Baker	Director
Brad Wall	Director
Michael Graham	Director
Philip Hughes	Director
Jeffrey Barber	Director

See "*Directors and Executive Officers*".

### **No Proceeds Raised**

No securities are being offered pursuant to this Prospectus. This Prospectus is being filed with the BCSC for the purpose of enabling the Company to develop an organized market for the Common Shares. Since no securities are being offered pursuant to this Prospectus, no proceeds will be raised and all expenses incurred in connection with the preparation and filing of this Prospectus will be paid by the Company and Helium Evolution from their respective general corporate funds (including out of proceeds of the Subscription Receipt Offering if the Transaction is completed).

### **The Listing**

It is a condition of the Business Combination Agreement that the Common Shares be listed on the TSXV. Listing will be subject to the Company fulfilling all of the listing requirements of the TSXV, including, without limitation, obtaining a final receipt for the (final) prospectus, obtaining distribution of the Common Shares to a minimum number of public shareholders and the Company meeting all other minimum listing requirements.

### **Funds Available**

The gross proceeds from the sale of the Subscription Receipts pursuant to the Subscription Receipt Offering was \$12,299,590.80.

The Resulting Issuer has used, or intends to use, the net proceeds of the Subscription Receipt Offering and its other available funds as follows:

Item	Funds Allocated
<b>Available Funds</b>	
Funds from Subscription Receipt Offering	\$12,300,000
Working Capital of the Company as at October 31, 2021	\$(115,000)
Working Capital of Helium Evolution as at October 31, 2021	\$400,000
<b>Total Available Funds</b>	<b>\$12,585,000</b>
<b>Use of Available Funds</b>	
Transaction Costs <sup>(1)</sup>	\$1,220,000
General and administrative expenses <sup>(2)</sup>	\$1,870,000
Exploration and development expenses <sup>(3)</sup>	\$9,295,000

Unallocated working capital	\$200,000
<b>Total Funds Used</b>	<b>\$12,585,000</b>

Notes:

- (1) Includes legal fees of \$245,000; auditors fees of \$40,000; securities commission and TSXV fees of \$75,000; expenses related to the shareholder meetings of Duckhorn and Helium Evolution of \$10,000; and Transaction Advisors' Fee of \$850,000.
- (2) The estimate of general and administrative expenses for the next 12 months includes: salaries, benefits and consulting fees of \$800,000; rent and utilities of \$60,000; office expenses of \$100,000; legal, tax, audit and professional fees of \$140,000; investor relations fees of \$750,000; and insurance expenses of \$20,000.
- (3) Exploration and development expenses includes: drilling and completion expenses of \$7,200,000; seismic purchase and interpretation expenses of \$1,995,000; and helium permit costs of \$100,000.

While the Company currently intends to use the available funds for the purposes set out herein, it will have discretion in the actual application of the available funds, and may elect to use the net proceeds differently than as described herein, if the Company believes it is in its best interests to do so. See *"Use of Available Funds"*.

### Risk Factors

An investment in the Company involves a substantial degree of risk and should be regarded as highly speculative due to the nature of the business of the Company.

The risks, uncertainties and other factors, many of which are beyond the control of the Company that could influence actual results include, but are not limited to: COVID-19 Outbreak; Market risk for Securities; Speculative Nature of Investment Risk; Liquidity and Future Financing Risk; Global Economy Risk; Dividend Risk; Limited Prior Operating History; Dilution; Helium Exploration; No History of Production; Environmental Regulation and Risks; Requirement for Permits and Licenses; Reliance on Estimates; No Assurance of Title or Boundaries, or of Access; Volatility of Helium Prices; Negative Operating Cash Flow; Premiums for Interests in Helium Properties; Portfolio Volatility Due to Investment Concentration; Illiquidity of Helium Property Investments; Operational Risks; Key Personnel; Conflicts of Interest; Limited Geographic Area; Market Risks; Additional Funding Requirements; Uninsurable Risks; Issuance of Debt; Oil and Gas Activities; Government Regulations; Climate Change; Competition from Larger Helium Companies; Failure to Viably Develop Helium Properties; Risk of Litigation; Barriers to Marketing Helium; and Internal Controls.

For a detailed description of certain risk factors relating to the Shares, which should be carefully considered before making an investment decision, see *"Risk Factors"* for further details.

### Summary of Financial Information

The following tables sets out certain selected financial information of the Company and Helium Evolution for the periods and as at the dates indicated. This information has been derived from the audited and unaudited financial statements and related notes thereto included in this Prospectus. Each of the Company and Helium Evolution prepares its financial statements in accordance with IFRS. Investors should read the following information in conjunction with those financial statements and related notes thereto, along with the MD&A.

### The Company

	As at December 31, 2020 (audited)	As at June 30, 2021 (unaudited)
Current assets	\$12,147	\$20,865
Total assets	\$219,599	\$20,865

	As at December 31, 2020 (audited)	As at June 30, 2021 (unaudited)
Current liabilities	\$494,849	\$344,382
Total liabilities	\$494,849	\$344,382

### Helium Evolution

	As at August 31, 2021 (audited)
Current assets	\$823,000
Total assets	\$1,215,000
Current liabilities	\$139,000
Total liabilities	\$139,000

### Resulting Issuer

The following table contains certain unaudited pro forma consolidated financial information for the Resulting Issuer as at August 31, 2021, and gives effect to completion of the Transaction as if it had occurred as of August 31, 2021. This information should be read together with the Pro Forma Financial Statements of the Company along with the Company Financial Statements and the Helium Evolution Financial Statements contained elsewhere in this Prospectus.

	As at August 31, 2021 (unaudited)
Current assets	\$12,277,000
Total assets	\$12,669,000
Current liabilities	\$509,000
Total liabilities	\$509,000

See “Selected Financial Information

## CORPORATE STRUCTURE

### **Name, Address and Incorporation of Company**

The Company's full corporate name is "Duckhorn Ventures Ltd.". The Company is governed by the BCBCA. The Company's head office address is 301 – 1665 Ellis Street, Kelowna, British Columbia, V1Y 2B3 and its registered and records office is located at 1665 Ellis Street, British Columbia, V1Y 2B3.

The Company has one subsidiary, being Subco, a company incorporated pursuant to the ABCA and formed solely for the purpose of effecting the Amalgamation. The Company intends to change its name to "The Helium Evolution B.C. Ltd." in connection with the closing of the Transaction.

### **Name, Address and Incorporation of Helium Evolution**

Helium Evolution was incorporated pursuant to the ABCA on January 14, 2021. On July 13, 2021, Helium Evolution amended its articles to amend its share transfer restrictions. The head office and registered office of Helium Evolution is located at 400, 505 – 3rd Street S.W, Calgary, Alberta T2P 3E6.

### **Acquisition of Helium Evolution**

On September 19, 2021, the Company entered into the Business Combination Agreement with Helium Evolution and Subco, pursuant to which, Helium Evolution will amalgamate with Subco, and the amalgamated entity will be a wholly owned subsidiary of the Company. The Business Combination Agreement was subsequently amended on October 22, 2021.

In connection with the Transaction, Company Shareholders will be asked to pass the Continuance Resolution. In connection with the Transaction, Helium Evolution Shareholders will be asked to pass the Amalgamation Resolution.

At the Effective Time, holders of Helium Evolution Shares, will receive 1.00542 Resulting Issuer Shares for each Helium Evolution Share held. Upon completion of the Transaction, former holders of Helium Evolution Shares (including those who receive Helium Evolution Shares pursuant to the terms of the Subscription Receipts) will receive approximately 96% of the Resulting Issuer Shares (on an as converted to Shares basis) on a non-diluted basis (90% on a fully-diluted basis).

The closing date of the Transaction is expected to be the Business Day on which all conditions set forth in the Business Combination Agreement (other than those conditions that by their nature are to be satisfied or waived at the closing, but subject to the satisfaction or waiver of those conditions) are satisfied or waived or such other Business Day as the parties may agree to pursuant to the terms of the Business Combination Agreement (the "**Closing Date**").

In accordance with applicable securities laws, certain of the Resulting Issuer Shares will be subject to escrow pursuant to the Escrow Agreement.

Closing of the Transaction is subject to, among other things: (i) receipt of all required governmental, regulatory, shareholder and third-party approvals; (ii) the Common Shares being approved for listing on the TSXV; (iii) all representations and warranties of each party under the Business Combination Agreement being true and correct as of closing; and (iv) the restructuring of the Company's board of directors and management and the approval of the respective shareholders, as applicable.

As a result of the Transaction, Helium Evolution will become a wholly owned subsidiary of the Resulting Issuer and the business of Helium Evolution will become the business of the Resulting Issuer.

Following the Transaction, the Resulting Issuer's head office will be located at 400, 505 – 3rd Street S.W, Calgary, Alberta T2P 3E6, and registered address is to be located at 400, 505 – 3rd Street S.W, Calgary, Alberta T2P 3E6.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

The Company was incorporated under the BCBCA on March 25, 2019. On May 29, 2019, ECC completed a strategic reorganization of its assets in which it spun out certain assets into the Company. The transaction was carried out by way of statutory plan of arrangement under the BCBCA pursuant to which shareholders of ECC received one Common Share for every common share of ECC they held as of April 17, 2019.

On August 24, 2021, the Company signed a letter of intent with Helium Evolution with respect to the Transaction. On September 19, 2021, the Company entered into the Business Combination Agreement with Helium Evolution with respect to the Transaction, a copy of which was filed on SEDAR on September 21, 2021 and is available at [www.sedar.com](http://www.sedar.com). The Business Combination Agreement was amended effective October 22, 2021.

### **History**

#### **The Company**

Since incorporation the Company has not conducted any material business other than seeking to identify and evaluate opportunities for the acquisition of an interest in suitable businesses and, once identified and evaluated, to negotiate an acquisition subject to applicable corporate and securities laws, so as to complete a transaction.

#### **Helium Evolution**

Helium Evolution was incorporated on January 14, 2021 pursuant to the ABCA and has, since that time, acquired permits with respect to 2,417,770 acres of Crown land in Saskatchewan with a further 5,658,550 acres of Crown land subject to permit applications in Saskatchewan and raised an aggregate of \$2,000,000 through equity financings (not including proceeds of \$12,300,000 raised pursuant to the Subscription Receipts Offering).

On August 24, 2021, Helium Evolution signed a letter of intent with the Company with respect to the Transaction. On September 19, 2021, Helium Evolution entered into the Business Combination Agreement with the Company with respect to the Transaction. The Business Combination Agreement was amended effective October 22, 2021.

## **DESCRIPTION OF THE BUSINESS**

### **General**

#### **Business of the Company**

The Company has not conducted any material business since incorporation other than seeking to identify and evaluate opportunities for the acquisition of an interest in suitable businesses and, once identified and evaluated, to negotiate an acquisition subject to applicable corporate and securities laws, so as to complete a transaction.

On May 29, 2019, ECC completed a strategic reorganization of its assets in which it spun out certain assets into the Company. The transaction was carried out by way of a plan of arrangement pursuant to the provisions of the BCBCA. Under the terms of the arrangement, shareholders of ECC received one Common Share for every common share of ECC they held as of April 17, 2019. The Arrangement was approved by the shareholders of ECC on May 17, 2019 and the Supreme Court of British Columbia issued its final order approving the Arrangement on May 28, 2019.

#### **Business of Helium Evolution**

The business of the Resulting Issuer will effectively be the business of Helium Evolution. Helium Evolution is focused on the exploration and development of helium to meet the needs of a growing helium market in North America and around the world. The company has acquired a significant land base in a known helium fairway in southern Saskatchewan and is actively evaluating identified prospects while pursuing additional opportunities.

#### **What is helium?**

Helium is a rare and vital element in many critical applications in the medical, science, aerospace, and high-tech manufacturing sectors around the world. The dynamics of the helium market in North America and around the world are changing quickly as North American supplies are falling, demand is expected to increase, and the world is looking for new sources of helium.

Helium has unique properties, including:

- Lowest boiling point (cryogenic cooling)
- High specific heat capacity and thermal conductivity (heat transfer cooling)
- Chemically inert (non-reactive, critical in protective atmospheres)
- Lowest density (2nd lightest element on earth and used in lift applications)
- Smallest molecular atom (leak detection)
- Extremely low solubility (deep sea diving)

### **What is helium used for?**

Because of its unique properties, helium is required in specific applications. As a cryogenic coolant, liquid helium is critical in physics research and the medical field where the helium maintains superconducting magnets at critically low temperatures including Magnetic Resonance Imaging (MRI) and Nuclear Magnetic Resonance (NMR) spectroscopy machines and instruments. Liquid helium is increasingly being used as a primary coolant in internet data centers, advanced hard drives, and in quantum computing. This property is also essential in the space industry where liquid helium is required to pre-cool hydrogen and oxygen in liquid rocket fuels.

Because of its high specific heat capacity, helium is used as a heat transfer medium in military aircraft, gas-cooled nuclear reactors and in the manufacturing of fiber optics from silica. Its specific heat capacity and inert properties also make helium essential in manufacturing advanced electronics including semiconductors and microchips that we find in everyday products like smart phones, Liquified Crystal Displays (LCD), TV's, computers, and gaming systems. This circuitry miniaturization would be impossible without helium. These properties also make helium ideal as a shield gas in welding applications.

Helium's low density makes it an ideal non-flammable replacement for hydrogen in lift requirements such as scientific and weather balloons, blimps, and hybrid air vehicles. Helium's special properties also make it critical in other areas such as lasers and barcode scanners, deep sea diving, purging and leak detection, gas chromatography, supersonic wind tunnels, advanced microscopes and telescopes, etc.

In summary, helium is vital in many applications. Helium cannot be commercially synthesized and there are currently no substitutes in most applications.

### **Where is it found?**

Helium is abundant in the universe however is extremely rare on earth. Helium is just four parts per trillion in seawater, eight parts per billion in the earth's crust and five parts per million in the atmosphere.

Helium is generated deep in the earth's crust over billions of years by the radioactive decay of heavy elements like uranium and thorium. Over time, the helium migrates upward through the subsurface and eventually reaches the earth's surface where it enters the atmosphere. Given its extremely low density, helium rises to the upper layers of the exosphere and escapes the earth's gravity as it is swept into space by solar winds. This makes helium an exhaustive and non-renewable resource.

Fortunately, as the helium migrates upwards some of the helium becomes trapped below impermeable layers of rock, similar to how hydrocarbons such as natural gas are trapped. Most natural gas reservoirs do not contain any helium. When they do, most conventional natural gas reservoirs contain small concentrations of <0.5% by volume<sup>1</sup>. For this

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<sup>1</sup> 1S. Bahl, *Helium – Macro View Update*, Edison Investment Research, February 25, 2019, p.2. Retrieved from <https://www.edisongroup.com/search-results/?search=helium>.

reason, the production of helium around the world is primarily a by-product in the production and processing of natural gas. Most recently, new helium supplies are from large scale Liquefied Natural Gas (LNG) projects where it is produced at very low concentrations (0.04% to 0.17%).

**Description of Products**

Once discovered, helium is produced as a small percentage of other gases and liquids which may include methane, carbon dioxide, nitrogen, hydrogen, neon, and water. A helium facility is required to separate out these gases to render high purity helium. Commercially available technologies and processes are available including gas pretreating, fractional distillation, membrane technology, pressure swing adsorption, and cryogenic processes that may create helium purities of up to 99.9999%. The facility requirements, final product and purity depend on several factors such as the initial helium concentration and gas composition, capital and operating costs, and most importantly the customer's required application and specifications. The helium purity will directly affect the final price received. The final product may be shipped as a gas in pressurized containers or as cryogenic liquid in specially designed insulated vessels. The remaining gases that are recovered in the process may be sold as a by-product if the economics are favorable for that product or disposed of. Significant capital is required to design and construct a helium facility and additional financing will be required by the Resulting Issuer to do so, see "Risk Factors" below.

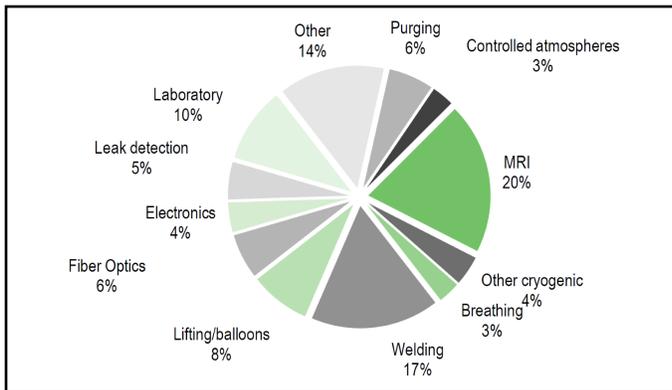
**Principal Markets – Market Size and Growth**

*This prospectus includes market and industry data that has been obtained from third party sources, including industry publications. The Company believes that its industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, the Company has not independently verified any of the data from third party sources referred to in this prospectus or ascertained the underlying economic assumptions relied upon by such sources.*

**World Demand**

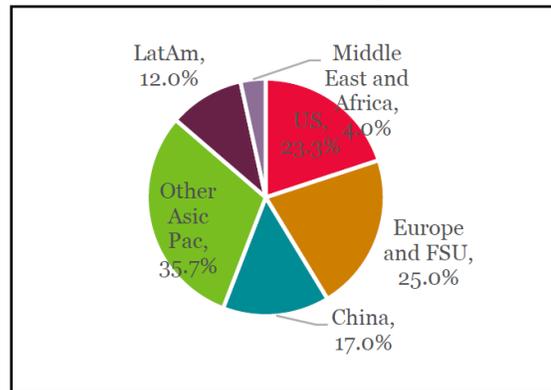
The current demand for helium is estimated at 6 Bcf/yr. As shown in the diagram below, the primary markets for helium are diverse given the unique characteristics of helium and its broad application. While MRI use is currently the largest market, increasing helium demand is shifting to Asia for use in the manufacturing of electronics.

**Global Demand Constituents for Helium**



Source: Edison Investment Research

**Forecast 2021 Helium Consumption by Area**

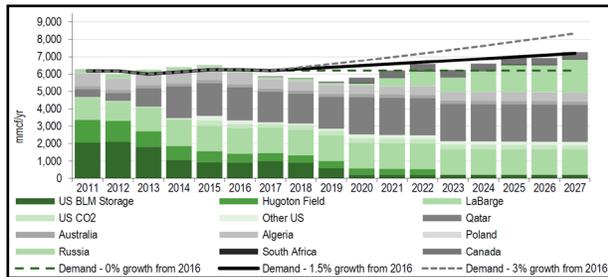


Source: Hannam & Partners

**World Supply**

Based on the most recently available data, the 2019 global supply of helium is estimated at 5.8 Bcf/yr or ~163 MM m<sup>3</sup>/yr.

**World helium Supply (MMcf/yr)**



**World Helium Production (MM m<sup>3</sup>/yr)<sup>5</sup>**

Country	Production (MM m <sup>3</sup> )			
	2016	2017	2018	2019
United States (extracted from natural gas)	66	63	64	68
United States (from Cliffside Field)	23	28	26	21
Algeria	10	14	14	14
Australia	4	4	4	4
Canada	<1	<1	<1	<1
China	N/A	N/A	N/A	N/A
Poland	2	2	2	2
Qatar	50	45	45	51
Russia	3	3	3	2
<b>World Total (rounded)</b>	<b>160</b>	<b>160</b>	<b>158</b>	<b>160</b>

As shown, approximately 95% of the world's helium supply in 2019 came from just three countries: The United States (55%), Qatar (31%), and Algeria (9%). The balance of supply from Australia, Poland, Russia, Canada, and other countries is just 5%.<sup>2</sup>

Global helium supply has been declining since 2015, primarily from decline in production from the United States. Production in the United States has fallen from 4.7 Bcf/yr in 2011 (75% of world demand) to just 3 Bcf/yr in 2019 (55% of world demand)<sup>3</sup>. Helium production from the US will continue to decline without additional discoveries and development. The three largest sources of helium production in the US are the LaBarge Field in Wyoming, the Hugoton Gas Field that spans Texas, Oklahoma and Kansas and production from the Bureau of Land Management (BLM) Federal Helium Reserve (FHR) stored in Bush Dome in the Cliffside Field near Amarillo Texas. The Hugoton natural gas field is one of the largest conventional gas fields in the United States and contains ~0.7% helium. The field has been producing since 1928 and has produced 27 Tcf of natural gas to-date. Production from the field is currently 156 Mmcf/d of natural gas (400 Mcf/yr of helium) and is declining at ~6% per year and has just 3 – 4 Tcf of natural gas remaining<sup>4</sup>.

The US FHR has been storing helium as a critical resource since 1925. In 2013, the US Congress passed the Helium Stewardship Act which mandated the BLM auction off its helium and sell the Cliffside facilities and pipeline assets by October 2021. The reserve volumes were auctioned off starting in 2014 with the final sale occurring in 2018 for FY2019 deliveries. A few private companies have storage there and the government has a reserve of 3 Bcf that is available for federal users, but private sales are no longer available<sup>5</sup>. Consequently, almost 15% of the world's supply of helium will no longer be available for sale as the FHR production comes to an end.

In the near term, this helium shortfall will be offset by two large scale LNG projects expected to come on stream later this year; Qatar Gas' Helium 3 expansion at Ras Laffan, Qatar (0.04% helium) and Gazprom's Amur 1 LNG project (0.15% helium) in eastern Russia. The Ras Laffan Helium 3 project is over two years behind schedule and both projects will need to be commissioned and ramped up to meet demand<sup>6</sup>.

The US has not been able to increase its helium production as part of their LNG developments as the primary gas source for US LNG is shale gas. Shale gas contains little to no helium whatsoever given the shale is both the source and reservoir for the natural gas and often does not contain a sufficiently impermeable caprock. In addition, the successful shale gas boom in the US has reduced natural gas prices and has limited the exploration for conventional gas reservoirs that might contain helium<sup>7</sup>.

<sup>2</sup> M. Mueller, P.Geo, CFA, Helium – It's a Gas – A Unique Investment Opportunity in an Emerging Industry, Cormark Securities Inc., July 29, 2020, p. 6. Retrieved from [https://www.petrelrob.com/files/CormarkHelium\\_29072020.pdf](https://www.petrelrob.com/files/CormarkHelium_29072020.pdf).

<sup>3</sup> A. Kapadia and J. Ashfield, Helium A super cool commodity, Hannam & Partners, December 14, 2020, pp. 48, 50. Retrieved from <http://www.hannam.partners/search/?q=helium>.

<sup>4</sup> *Ibid.*, Bahl p. 4.

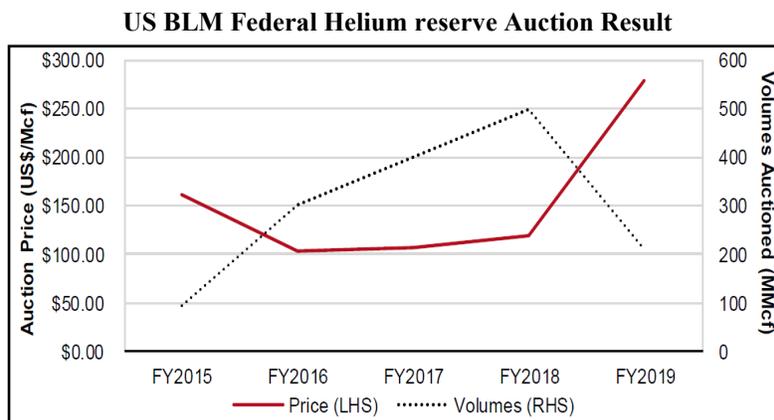
<sup>5</sup> *Ibid.*, Bahl p. 4.

<sup>6</sup> *Op. cit.*, Kapadia, Ashfield p. 54.

<sup>7</sup> *Op. cit.*, Bahl p. 10.

## Helium Pricing

Pricing within the helium industry is opaque as buyers such as governments and large industrial gas companies and sellers like national oil companies (NOC's) typically enter into long term confidential contracts.<sup>8</sup> Helium is not a traded commodity so there is no functional spot market or a futures market that exists for helium. Recently, the auction process from the FHR provided a benchmark for understanding historical worldwide helium prices.



Source: Cormark Securities Inc.<sup>16</sup>

As shown in the figure above, the price of the FHR crude helium increased from US\$161/Mcf in FY2015 to US\$280/Mcf in FY2019. This sets a low benchmark price for producers given the low purity of the FHR crude helium (70% to 80%) and the need for the purchasers to first refine it to Grade A purity (99%) or higher for sale.

More recent pricing data is available for Grade A helium imports into China and the European Union (EU). Recent sales into China have varied between US\$300/Mcf to over US\$500/Mcf and in the EU helium prices have varied between €250/Mcf and €400/Mcf (US\$300/Mcf to US\$480/Mcf). These prices correspond to wholesale prices with retail prices well above that level. There are many examples of end consumers paying retail prices of US\$500/Mcf to over US\$1,000/Mcf<sup>17</sup>.

## Market Size and Growth

Based on the above, the helium market is estimated at US\$1.5 billion per year to the producers (based on receiving US\$250/Mcf), however the market size to the end consumers is considered to be much larger based on the higher prices paid per Mcf by end consumers. The Resulting Issuer's current strategy is to sell directly to a limited number of major distributors and end-users in order to capture higher margins on its products. Growth projections for the helium market beyond 2020 vary with one source estimating a range of 1.4% to 6.4% CAGR with a base case 4% CAGR, which would equate to a market size of 7.5 Bcf/yr by 2025 and 8.5 Bcf/yr by 2030<sup>9</sup>. Based on the current market size and expected growth of the helium market, the Resulting expects to be able to sell all of the helium it is able to produce, however there is no assurance that the Resulting Issuer will discover and produce helium and, assuming it is successful, there is no assurance as to the price the Resulting Issuer will receive for its products. Should the Resulting Issuer be successful in its efforts, it expects initial sales will be focused on the North American market.

## Customers

The top three helium distributors are major industrial specialty gas companies – Linde PLC, Air Products Inc., and L'Air Liquide S.A. – who dominate the global market in wholesale distribution. Smaller sized, mid-stream distributors include Messer Group GmbH/CVC Capital Partners, Matheson Tri-Gas, Inc./Taiyo Nippon Sanso Corporation, Iwatani Corporation of America and Uniper SE. These mid-stream helium suppliers do not tend to get involved in the

<sup>8</sup> *Ibid.*, Bahl pp. 19, 33.

<sup>9</sup> *Ibid.*, Kapadia, Ashfield pp. 1, 4, 63.

upstream exploration and development of helium and are keen to diversify their supply options. Equally, direct wholesale purchasers of helium are also keen to diversify their supply<sup>10</sup>. While the Resulting Issuer may choose to partner with or sell to the major industrial gas companies, as stated above, the Resulting Issuer's strategy is to become a fully integrated helium developer and processor and we plan to sell directly to a limited number of major distributors and end-users in order to capture higher margins on our products. A number of our competitors are currently using this strategy and provide bulk helium distribution in pressurized gas containers (180 Mcf) or ISO liquid containers (42,000 litres or 1 Mmcf equivalent). The pressurized containers are transported by semitruck and readily available in North America. The liquid ISO containers are also transported by semitrucks and may either be sold in North America or shipped overseas to markets in Asia or elsewhere. Should the Resulting Issuer be successful in its efforts, it expects initial sales will be focused on the North American market.

### **Competitive Conditions**

The helium industry is competitive, and the Resulting Issuer must compete in all aspects of its operations with a substantial number of other corporations. Given our current land base in Saskatchewan, North American Helium Inc., Royal Helium Ltd., Global Helium Ltd. and Weil Group Resources, LLC are considered direct competitors to the Resulting Issuer. Access to lands and prospects represent the largest challenge from these competitors. The Resulting Issuer intends to manage this risk by identifying high quality prospects and licensing lands that are currently available or, alternatively, acquiring prospective lands when they become available after expiry from their current owners. The Resulting Issuer plans to further mitigate this risk by looking for high quality prospects in other parts of Canada and the United States. Competition for skilled labour and access to equipment is not considered to be highly competitive in the current market environment. The competitive conditions for land, labour, equipment, and capital may change in the future. See "*Risk Factors*" below.

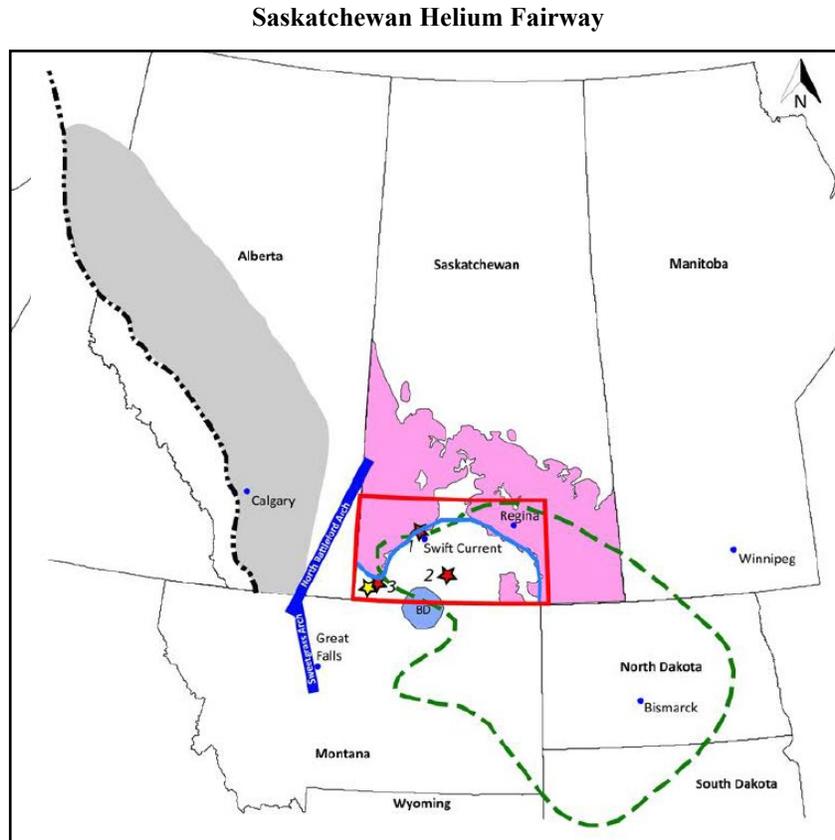
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<sup>10</sup> *Ibid.*, Kapadia, Ashfield p. 22.

## Helium Fairway

Southwestern Saskatchewan is part of the Western Canadian Sedimentary Basin (WCSB), a foreland basin wedge of Phanerozoic sediments between the Canadian Shield zero edge to the east, thickening towards the cordillera in the west. To the south, the Saskatchewan basin grades into the cross-border Williston Basin. To date, helium production and helium shows in this area are from lower Paleozoic rocks, mostly Cambrian Deadwood sandstones and some Devonian carbonites of the Souris River and Duperow Formations.

The properties over which Helium Evolution holds its permits are located in the area known as the Saskatchewan helium fairway. The figure below indicates the location of the Saskatchewan helium fairway.



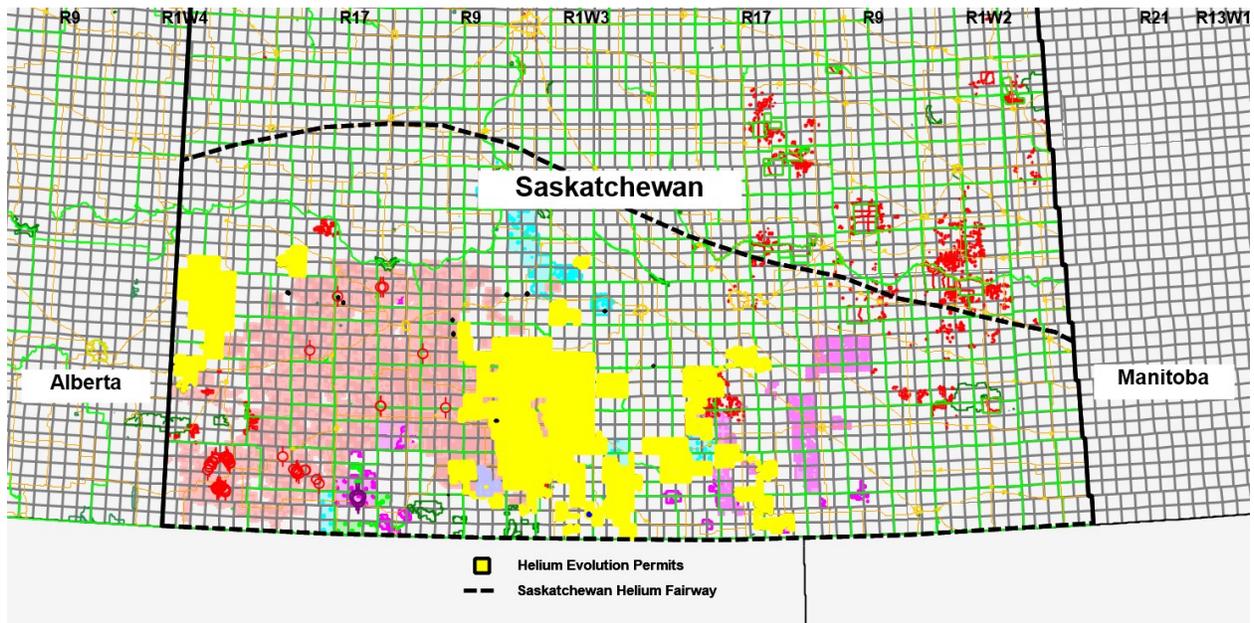
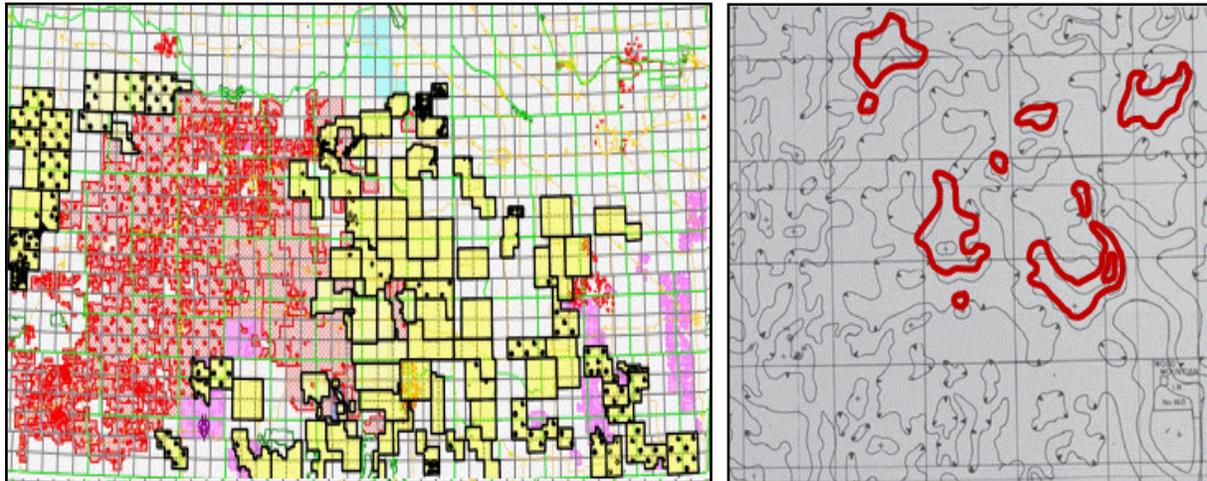
Source: Helium in Southwestern Saskatchewan, Melinda Yurkowski 2016<sup>11</sup>

Published data from 1960 onwards has identified this area for prospective helium. To date, helium has been tested and produced in concentrations ranging from 0.8 to 2.2 percent and associated with high concentrations of nitrogen throughout the fairway. These helium discoveries were made pre-1960 as early explorers for oil and natural gas in Saskatchewan found "inert, non-flammable or non-combustible gas" associated with the high percentages of nitrogen. The primary source of helium in Saskatchewan is purported to be from Precambrian rocks with high content of uranium and thorium. As shown by the red stars in the figure above, helium has been produced in Saskatchewan at 1) Wilhelm, 2) Mankota, 3) Battle Creek<sup>11</sup> and 4) Cypress. The Wilhelm area produced helium from 1963 until 1977,

<sup>11</sup> M. Yurkowski, Helium in Southwestern Saskatchewan: Accumulation and Geological Setting, Government of Saskatchewan December 14, 2016, p. 2. Retrieved from <https://publications.saskatchewan.ca/#/products/82133>.

the Weil Group Resources, LLC produced helium at Mankota for two years from 2016 to 2018, and North American Helium Inc. has been producing since May, 2021 at Battle Creek. Most recent helium exploration has concentrated on sandstones at the base of the Deadwood Formation. The prospective area extends into southern Alberta and northern Montana which are also known helium areas and the center of active helium exploration today.

### Helium Evolution Lands



Based on available data, it is management of the Company’s view that the structural complexity of the basement has likely produced structural traps in the overlying sediments. The tight carbonates and evaporites of the Devonian interval above the Deadwood Formation are good potential seals for trapped helium. Hence this area is considered prospective for helium exploration because it has a potential helium source, migration pathways, the potential for high helium concentrations, potential structural traps with known reservoir rocks and possible sealing formations above the reservoir.

### The Saskatchewan Advantage

There are a number of advantages inherent in exploring for helium in southern Saskatchewan, namely:

- There is proven helium production and quantities in the fairway;
- Gas analyses show concentrations of helium of 0.8% to 2.2%;
- The helium is primarily associated with nitrogen and may not be associated with hydrocarbons (which has a higher carbon footprint and political implications);
- Extensive data is available such as gas analysis, pressure data, well logs and core data;
- Significant historical seismic data is available;
- A highly motivated workforce with crossover skills from the oil and gas industry including well services and engineering, procurement, and construction firms (EPC) is available;
- Existing infrastructure – roads, power, and rail;
- Stable business and regulatory environment; and
- Saskatchewan has favorable royalties for helium (4.25% net royalty rate).

### **Operations**

Helium Evolution's operations currently consist of acquiring, shooting, and processing seismic, evaluating our land base with engineering and geoscience, and evaluating additional lands and opportunities to increase our holdings. See "Use of Available Funds" below.

### **Gross Overriding Royalty**

In connection with the founding of Helium Evolution and the contribution of certain assets to Helium Evolution, Helium Evolution has granted a 3% gross overriding royalty interest agreement with respect to the production of helium from Helium Evolution's properties to the benefit of certain of the directors and officers, and a consultant of Helium Evolution.

### **Employees**

As of the date of this Prospectus, Helium Evolution had nine full time employees and contractors.

### **Specialized Skills and Knowledge**

The Resulting Issuer will hire, retain, and utilize specialized skills and knowledge in its initial stages as required. In the exploration stage, geoscientists are employed to analyze seismic, pre-existing well data and other information to identify potential areas to explore for helium. Once targets are identified and captured, third party drilling and completion firms are hired to provide the rigs, equipment, and expertise to safely drill and complete wells and to test for helium gas. If and when helium is discovered, third party Engineering, Procurement and Construction (EPC) firms will be engaged to design and construct the gathering system and helium processing facility. Field operators will be hired to operate the facility. Marketing expertise will be required to secure customers both short and long term and to ensure we maximize the price received for our product. All of the necessary skills and knowledge mentioned are readily available within the oil and natural gas sector. In addition, health safety and environment, governance, strategy, finance, marketing, and risk management expertise is required throughout all of these stages. The management team and Board members have extensive experience in all areas as well as established relationships to engage third parties where needed. See "Directors and Executive Officers".

### **Government Regulation**

In Canada, helium exploration and production is subject to similar controls and regulations as those in the natural gas industry imposed by various levels of government at the federal, provincial, and municipal levels. It is not expected that any of these controls or regulations will affect the operations of the Resulting Issuer materially different than they would affect other companies of similar size that are exploring for or producing helium. All current legislation is a

matter of public record and the Resulting Issuer is unable to predict what additional legislation or amendments may be enacted.

In Canada, the price of helium sold in interprovincial and international trade is determined by negotiation between buyers and sellers. On July 1, 2020, *Canada-United States-Mexico Agreement* (CUSMA) became effective among the governments of the United States, Mexico, and Canada. Under CUSMA the parties resolved to replace the 1994 North American Free Trade Agreement with a 21st Century, high standard new agreement to support mutually beneficial trade leading to freer, fairer markets, and to robust economic growth in the region<sup>12</sup>. Both the United States and Mexico have categorized helium on their respective tariff schedule as staging category "0" or "duty-free" on the date of entry into force of CUSMA.

The helium industry is subject to environmental regulation pursuant to federal and provincial legislation. Federally, environmental regulations are contained in the *Canadian Environmental Protection Act*, S.C. 1999, c. 33. In Saskatchewan, environmental compliance for exploration and production activities are governed by the Environmental Assessment Act, S.S. 1979-80, c. E-10.1, as amended. Environmental legislation provides for restrictions and prohibitions on releases or emissions of various substances produced or utilized in association with certain helium industry operations. In addition, legislation requires that well and facility sites be abandoned and reclaimed to the satisfaction of provincial authorities. A breach of such legislation may result in the imposition of fines and penalties.

Helium in Canada is owned by the respective provincial governments. The provincial governments grant rights to explore for and to produce helium and provide regulations that define land tenure, royalties, environmental protection, and other matters. In Saskatchewan, the exploration and development of helium is governed under *The Crown Minerals Act*, S.S. 1984-85, c. C-50.2, as amended. Leasing permits, land tenure, annual lease rentals, expenditure requirements, and applicable royalties fall under *The Oil and Gas Tenure Registry Regulations*, S.R. 87/2020, c. C-50.2 Reg 31, defined specifically to "helium and associated gases".

Specific to our land permits, the Company with the increasing acquisitions of added permits is anticipating the following exploratory work commitments over the next five years:

<b>Year</b>	<b>Total:</b>
2021	Nil
2022	\$718,252
2023	\$718,252
2024	\$1,409,605
2025	\$2,179,428
2026	\$2,179,428

## USE OF AVAILABLE FUNDS

### Proceeds

No proceeds will be raised, as no securities are being sold pursuant to this Prospectus.

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<sup>12</sup> Canada-United States-Mexico Agreement (CUSMA) – Preamble, retrieved from <https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cusma-aceum/texttexte/00.aspx?lang=eng>.

## Funds Available

The gross proceeds to be paid to Helium Evolution from the sale of the Subscription Receipts pursuant to the Subscription Receipt Offering, assuming satisfaction of the conditions for the release of such funds pursuant to the terms of the Subscription Receipt Agreement, is \$12,059,951. As of October 31, 2021, the Resulting Issuer had working capital of approximately \$285,000 on a pro forma basis, giving effect to the Transaction and the Subscription Receipt Offering.

The Resulting Issuer has used, or intends to use, the net proceeds of the Subscription Receipt Offering and its other available funds as follows:

Item	Funds Allocated
<b>Available Funds</b>	
Funds from Subscription Receipt Offering	\$12,300,000
Working Capital of the Company as at October 31, 2021	\$(115,000)
Working Capital of Helium Evolution as at October 31,2021	\$400,000
<b>Total Available Funds</b>	<b>\$12,585,000</b>
<b>Use of Available Funds</b>	
Transaction Costs <sup>(1)</sup>	\$1,220,000
General and administrative expenses <sup>(2)</sup>	\$1,870,000
Exploration and development expenses <sup>(3)</sup>	\$9,295,000
Unallocated working capital	\$200,000
<b>Total Funds Used</b>	<b>\$12,585,000</b>

Notes:

- (1) Includes legal fees of \$245,000; auditors fees of \$40,000; securities commission and TSXV fees of \$75,000; expenses related to the shareholder meetings of Duckhorn and Helium Evolution of \$10,000; and Transaction Advisors' Fee of \$850,000. Pursuant to the Business Combination Agreement, the Resulting Issuer will pay all costs associated with the Transaction.
- (2) The estimate of general and administrative expenses for the next 12 months includes: salaries, benefits and consulting fees of \$800,000; rent and utilities of \$60,000; office expenses of \$100,000; legal, tax, audit and professional fees of \$140,000; investor relations fees of \$750,000; and insurance expenses of \$20,000.
- (3) Exploration and development expenses includes: drilling and completion expenses of \$7,200,000; seismic purchase and interpretation expenses of \$1,995,000; and helium permit costs of \$100,000.

The Resulting Issuer intends to spend the funds available to it as stated in this Prospectus. There may be circumstances however, where, for sound business reasons, a reallocation of funds may be necessary. Accordingly, while it is currently intended by management that the available funds will be expended as set forth above, actual expenditures may in fact differ from these amounts and allocations. See "*Risk Factors*".

## Business Objectives and Milestones

The Resulting Issuer's initial work program contemplates shooting new 2D seismic in early 2022 and purchasing additional existing 2D seismic where available across the Resulting Issuer's most promising prospective helium permits. Geological and geophysical mapping and interpretation will be ongoing as the Company models and

continues to define potential helium pools. The Resulting Issuer contemplates drilling four wells during the February 2022 to June 2022 period. The total cost of this initial exploration program is estimated to be approximately \$9.3 million.

Based on current projections, the Resulting Issuer's working capital available for funding ongoing operations is expected to meet its expenses for a period of 12 months commencing after the completion of the transactions contemplated by the Business Combination Agreement. Notwithstanding the proposed uses of available funds discussed above, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. Currently it is difficult to definitively project the total funds necessary to affect the planned activities of the Resulting Issuer. Further, the above uses of available funds should be considered estimates. See "*Cautionary Note Regarding Forward-Looking Information*".

Although the Resulting Issuer expects to expend the funds available to it as set out above, the amount actually expended for the purposes described above could vary significantly. Due to the nature of the helium exploration business, budgets are regularly reviewed with respect to both the success of the drilling program and other opportunities which may become available to the Resulting Issuer. Accordingly, if continuing with the drilling program becomes inadvisable for any reason, the Resulting Issuer may alter the recommended work program, or may make arrangements for the performance of all or any portion of such work by other persons or companies and may use any funds so diverted for any other purpose, including conducting work or examining other properties acquired by the Resulting Issuer, although it has no present plans in this respect.

#### **DIVIDENDS OR DISTRIBUTIONS**

Neither the Company nor Helium Evolution has, since its inception, declared or paid any dividends on its shares. The declaration of dividends on the Common Shares is within the discretion of the Board and will depend on the assessment of, among other factors, capital requirements, earnings, and the operating and financial condition of the Resulting Issuer. At the present time, the Resulting Issuer's anticipated capital requirements are such that the Resulting Issuer intends to follow a policy of retaining all available funds and any future earnings in order to finance technology advancement, business development and corporate growth. The Company and the Resulting Issuer do not intend to declare or pay cash dividends on the Shares within the foreseeable future. See "*Risk Factors*".

#### **SELECTED FINANCIAL INFORMATION**

The following tables sets out certain selected financial information of the Company and Helium Evolution for the periods and as at the dates indicated. This information has been derived from the audited and unaudited financial statements and related notes thereto included in this Prospectus. Each of the Company and Helium Evolution prepares its financial statements in accordance with IFRS. Investors should read the following information in conjunction with those financial statements and related notes thereto, along with the MD&A.

##### **The Company**

	As at December 31, 2020 (audited)	As at June 30, 2021 (unaudited)
Current assets	\$12,147	\$20,865
Total assets	\$219,599	\$20.865
Current liabilities	\$494,849	\$344,382
Total liabilities	\$494,849	\$344,382

## Helium Evolution

	As at August 31, 2021 (audited)
Current assets	\$823,000
Total assets	\$1,215,000
Current liabilities	\$139,000
Total liabilities	\$139,000

## Resulting Issuer

The following table contains certain unaudited pro forma consolidated financial information for the Resulting Issuer as at and for the period ended August 31, 2021 and gives effect to completion of the Transaction as if it had occurred as of August 31, 2021. This information should be read together with the Pro Forma Financial Statements of the Company along with the Company Financial Statements and the Helium Evolution Financial Statements contained elsewhere in this Prospectus.

	As at August 31, 2021 (unaudited)
Current assets	\$12,277,000
Total assets	\$12,669,000
Current liabilities	\$509,000
Total liabilities	\$509,000

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### The Company

The Company MD&A is attached to this Prospectus as Schedule B. The Company's MD&A provides an analysis of the Company's financial results and should be read in conjunction with the Company Financial Statements for the corresponding periods, and the notes thereto respectively.

Certain information included in the Company's MD&A is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "*Caution Regarding Forward-Looking Statements*" for further details.

## Helium Evolution

The Helium Evolution MD&A is attached to this Prospectus as Schedule D. The Helium Evolution MD&A should be read in conjunction with the financial statements of Helium Evolution for the corresponding periods, and the notes thereto respectively.

Certain information included in the Helium Evolution MD&A is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "*Caution Regarding Forward-Looking Statements*" for further details.

## DESCRIPTION OF SHARE CAPITAL

### The Company

The Company is authorized to issue an unlimited number of Common Shares without par value and an unlimited number of preferred shares issuable in series (the "**Preferred Shares**"). Effective September 1, 2021, the Company consolidated the Common Shares on a 2:1 basis, resulting in 9,131,917 post-consolidation Common Shares having been cancelled and returned to the treasury. As of the date of this Prospectus, there were 3,333,333 Common Shares and no Preferred Shares issued and outstanding.

### Common Shares

Holders of Common Shares are entitled to receive notice of, and to attend and vote at, all meetings of the shareholders of the Company, and each Common Share confers the right to one vote, provided that the shareholder is a holder on the applicable record date declared by the Company Board. Subject to the rights, privileges, restrictions and conditions attached to the Preferred Shares, the holders of Common Shares are entitled to receive such dividends in any financial year as the Board may determine. In the event of the liquidation, dissolution or winding-up of the Company, any distribution of assets of the Company among the shareholders being made (other than by way of dividend out of monies properly applicable to the payment of dividends), subject to the rights, privileges, restrictions and conditions attached to the Preferred Shares, the holders of the Common Shares are entitled to share equally the remaining property and assets of the Company. The Common Shares are not subject to call or assessment rights, redemption rights, rights regarding purchase for cancellation or surrender, or any pre-emptive or conversion rights.

### Helium Evolution

The authorized capital of Helium Evolution consists of an unlimited number of Helium Evolution Common Shares and an unlimited number of each class of Helium Evolution Other Shares.

### Rights, Privileges and Restrictions

The rights, privileges, restrictions and conditions attached to the Class "A" through Class "I" common shares and the Class "P" through Class "T" preferred shares in the capital of Helium Evolution include the right to vote at any meeting of shareholders of Helium Evolution.

The rights, privileges, restrictions and conditions attached to the Class "A" through Class "O" common shares in the capital of Helium Evolution include the following:

- the right to receive the remaining property of Helium Evolution on dissolution and for such purpose each class of common share issued shall rank *pari passu* with each other; and
- the right to receive such dividends as may be declared by Helium on that class; provided that such dividends may be declared on any class of common shares, or on any combination of issued classes of common shares, to the exclusion of any issued class or classes of common shares, or in part on each such class.

The Class "K" through Class "O" common shares in the capital of Helium Evolution shall not be entitled to receive notice of or to attend any meetings of shareholders or to vote at any such meetings, subject to the provisions of the

ABCA. In all other respects the Class "K" through Class "O" common shares shall rank *pari passu* with the Class "A" through "J" common shares.

The foregoing rights, privileges, restrictions, and conditions attached to the Class "A" through Class "O" common shares are subject to the rights, privileges, restrictions and conditions attaching to any other class of shares now or hereinafter created and expressed to rank in priority to the Class "A" through Class "O" common shares respectively.

The Class "P" through Class "Y" preferred shares shall be non-cumulative redeemable retractable shares which may be issued for such consideration and bearing such rights, privileges, restrictions and conditions, in addition to the following, as determined by the Helium Board before issue.

As of the date of this Prospectus, there are 34,000,000 Helium Evolution Shares and nil Helium Evolution Other Shares issued and outstanding.

### Resulting Issuer

The authorized capital of the Company will be the authorized capital of the Resulting Issuer

### CONSOLIDATED CAPITALIZATION

The following table sets forth the Resulting Issuer's capitalization after giving effect to the Transaction.

This table should be read in conjunction with the financial statements and notes thereto included elsewhere in this Prospectus.

Description of the Security	Securities Authorized	As at the date of this Prospectus	After giving effect to the Transaction
Common Shares	Unlimited	3,333,333	78,738,462
Preferred Shares	Unlimited	0	0

### Fully Diluted Share Capital

The following table sets out the anticipated fully diluted share capital of the Resulting Issuer after giving effect to the Transaction:

Shares to be Issued	Number of Securities as at the date of this Prospectus	% of total issued and outstanding
Common Shares currently issued and outstanding	3,333,333	4.0
Common Shares issued to Helium Evolution Shareholders upon closing of the Transaction	34,184,280	40.9
Common Shares issued on conversion of outstanding Subscription Receipts	41,220,849	49.3
Total Resulting Issuer Shares	78,738,462	94.2

Shares to be issued on exercise of outstanding Helium Evolution Warrants	2,010,840	2.4
Shares to be issued on exercise of Transaction Advisors' Warrants	2,835,284	3.4
Fully diluted securities	83,584,586	

## OPTIONS TO PURCHASE SECURITIES

### The Company

Incentive stock options are governed by the Company's stock option plan (the "**Plan**") approved by the Company Board on October 21, 2021. The purpose of the Plan is to advance the interests of the Company by encouraging the directors, officers, employees and consultants of the Company, and of its subsidiaries and affiliates, if any, to acquire Common Shares in, thereby increasing their proprietary interest in the Company, encouraging them to remain associated with the Company and furnishing them with additional incentive in their efforts on behalf of the Company in the conduct of its affairs.

The Plan is administered by the Company's directors or by a special committee of directors appointed from time to time by the Board. The material terms of the Plan are as follows:

- The aggregate number of Common Shares issuable upon the exercise of all options granted under the Plan shall not exceed 10% of the issued and outstanding Common Shares of the Company from time to time.
- The term of any options granted under the Plan will be fixed by the Company Board at the time such options are granted, provided that options will not be permitted to exceed the maximum term of 10 years from the date of grant, subject to extension in connection with a blackout period.
- The exercise price of any options granted under the Plan will be determined by the Company Board, subject to the approval of any applicable stock exchange. In no event, shall such exercise price be lower than the lowest exercise price permitted by an applicable stock exchange.
- The Company Board may impose vesting periods on any options granted.
- All options will be non-assignable and non-transferable unless specifically provided in the Plan or to the extent, if any, permitted by an applicable stock exchange.
- The aggregate number of Common Shares issuable pursuant to options granted to insiders pursuant to the Plan and all of the Company's other previously established and outstanding or proposed share compensation arrangements and grants may not exceed 10% of the issued and outstanding Common Shares on a non-diluted basis at any time.
- The aggregate number of Common Shares issued to insiders pursuant to the Plan and all of the Company's other previously established and outstanding or proposed share compensation arrangements and grants within any 12-month period may not exceed 10% of the issued and outstanding Common Shares on a non-diluted basis.
- The aggregate number of Common Shares issuable to any one participant pursuant to the Plan and all of the Company's other previously established and outstanding or proposed share compensation arrangements and grants within any 12-month period may not exceed 5% of the issued and outstanding Common Shares on a non-diluted basis.
- The aggregate number of Common Shares issuable pursuant to options granted to any one consultant pursuant to the Plan and all of the Company's other previously established and outstanding or proposed share compensation arrangements and grants within any 12-month period may not exceed 2% of the issued and outstanding Common Shares on a non-diluted basis.

As at the date hereof, there are nil Company Options outstanding under the Company Option Plan.

### Helium Evolution

Helium Evolution currently does not have any options outstanding nor does it have an option plan.

### Resulting Issuer

The Company Option plan will be the option plan of the Resulting Issuer following closing of the Transaction.

### PRIOR SALES

### The Company

No Common Shares or securities exercisable for or exchangeable into Common Shares have been issued or sold within the 12 months prior to the date of this Prospectus.

### Helium Evolution

This table sets out particulars of the Helium Evolution Shares or securities exercisable for or exchangeable into Helium Evolution Shares that have been issued or sold within the 12 months prior to the date of this Prospectus.

<b>Date of Issue</b>	<b>Type of Security Issued</b>	<b>Number of Securities Issued</b>	<b>Price per Security Issued</b>
January 14, 2021	Common Shares	15,000,000	\$0.05
May 14, 2021	Common Shares	10,000,000	\$0.05
July 19, 2021	Common Shares	5,000,000	\$0.05
August 9, 2021	Common Shares	1,000,000	\$0.05
August 18, 2021	Common Shares	1,000,000	\$0.15
August 30, 2021	Units (one common share and one common share purchase warrant)	2,000,000	\$0.15
October 29, 2021	Subscription Receipts	38,368,636	\$0.30

November 10, 2021	Subscription Receipts	2,630,000	\$0.30
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### ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

NP 46-201 provides that all securities of an issuer owned or controlled by a Principal (as defined in NP 46-201) must be placed in escrow at the time the issuer distributes its securities or convertible securities to the public by prospectus pursuant to an initial public offering, unless the securities held by the Principal or issuable to the Principal upon conversion of convertible securities held by the Principal collectively represent less than 1.0% of the total issued and outstanding Common Shares of the Company after giving effect to the initial public offering.

The Principals of the Resulting Issuer for the purposes of NP 46-201 are Gregory Robb, James Baker, Michael Graham, Jeffrey Barber, Ryan Tomlinson, Patrick Mills and John Kanderka (collectively, the "**Escrowed Principals**").

In the event the Common Shares become listed on the Exchange, the Escrowed Principals will enter into an agreement (the "**Escrow Agreement**") with Odyssey Trust Company, as escrow agent (the "**Escrow Agent**"), pursuant to which the Escrowed Principals will collectively deposit 15,875,000 Common Shares into escrow (the "**Escrowed Securities**") with the Escrow Agent, representing 20.27% of the issued and outstanding Common Shares, as set out below.

Time or event for release of the Escrowed Securities	Percentage of Escrowed Securities to be Released	Number of Escrowed Securities to be Released
On the Listing Date	10% of the Escrowed Securities	1,587,500
6 months after the Listing Date	15% of the Escrowed Securities	2,381,250
12 months after the Listing Date	15% of the Escrowed Securities	2,381,250
18 months after the Listing Date	15% of the Escrowed Securities	2,381,250
24 months after the Listing Date	15% of the Escrowed Securities	2,381,250
30 months after the Listing Date	15% of the Escrowed Securities	2,381,250
36 months after the Listing Date	15% of the Escrowed Securities	2,381,250

### PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and officers of the Company and Helium, respectively, as of the date of this Prospectus, no person beneficially owns or exercises control or direction over Common Shares or Helium Evolution Common Shares, as applicable, which would carry more than 10% of the votes attached to the Resulting Issuer Shares.

## EXECUTIVE OFFICERS AND DIRECTORS

The following table sets out the name, jurisdiction of residence of the Resulting Issuer's directors and executive officers as well as their positions with the Resulting Issuer and principal occupation for the previous five years, and the number and percentage of the Resulting Issuer Shares to be owned, directly or indirectly, or over which control or direction will be exercised, by each of the Resulting Issuer's directors and executive officers. Each director's term will expire immediately prior to the first annual meeting of the holders of the Resulting Issuer Shares.

<b>Name, Municipality and Province of Residence and Position(s) to be Held at Closing</b>	<b>Principal Occupation Over the Past 5 Years</b>	<b>Resulting Issuer Shares Outstanding upon Closing<sup>(1)</sup></b>	
		<b>Number of Shares</b>	<b>Percentage (%)</b>
Gregory Robb, Director, President and Chief Executive Officer Calgary, Alberta	President and Chief Executive Officer of Helium Evolution Incorporated since January 14, 2021. Prior thereto he was an independent consulting geologist.	2,513,550	3.2
James Baker, Director Kelowna, British Columbia	Independent businessman.	2,915,718	3.7
Jeffrey Barber, Director Lake Country, British Columbia	Mr. Barber has been an independent businessman since September 2018. Prior thereto he had been a founder, director and Chief Financial Officer of Hiku Brands Company Ltd. since 2016.	1,179,607	1.5
Brad Wall, Director Cypress Hills Park, Saskatchewan	Principal at Flying W Consulting Inc. and a special advisor to Osler, Hoskin & Harcourt LLP. Prior thereto he was the Premier of Saskatchewan.	502,710	0.6
Philip Hughes, Director Calgary, Alberta	Corporate director.	502,710	0.6
Michael Graham, Director Crossfield, Alberta	Independent businessman.	502,710	0.6
Patrick Mills, Chief Operating Officer Calgary, Alberta	Chief Operating Officer of Helium since January 14, 2021. Prior thereto he was an independent engineering consultant.	2,513,550	3.2
John Kanderka, Vice President Corporate Development Calgary, Alberta	Vice President of Corporate Development of Helium Evolution Incorporated since January 14, 2021. Prior thereto he was an independent consulting landman.	2,513,550	3.2

Name, Municipality and Province of Residence and Position(s) to be Held at Closing	Principal Occupation Over the Past 5 Years	Resulting Issuer Shares Outstanding upon Closing <sup>(1)</sup>	
		Number of Shares	Percentage (%)
Ryan Tomlinson, Chief Financial Officer  Calgary, Alberta	Controller of Enercapita Energy Ltd.	1,206,504	1.5
William Van Horne, Corporate Secretary  Calgary, Alberta	President of Socium Law.	201,084	0.3
<b>Total:</b>		<b>14,551,693</b>	<b>18.4%</b>

(1) Calculated on an undiluted basis. Does not include any Resulting Issuer Shares issuable to the directors, officer or promoters upon conversion of the Subscription Receipts or any other convertible securities of the Company, Helium Evolution or the Resulting Issuer.

## Biographies

The following are brief profiles of the Resulting Issuer's executive officers and directors, including a description of each individual's principal occupation within the past five years.

### **Gregory Robb, Director, President and Chief Executive Officer**

Mr. Robb has accumulated over 35 years' experience across all facets of Western Canadian energy resource activity including exploration and development, acquisitions and dispositions, and reserve valuations. He has previously held executive positions in several E&P companies and founded Salvo Energy Corp. in 2006. He has extensive experience in heavy oil, shallow gas, coal bed methane, deep basin tight gas and conventional oil and gas plays, evaluating over \$500MM of acquired assets. Mr. Robb holds a M.Sc. in geology from the University of Alberta.

### **James Baker, Director**

Mr. Baker has over 40 years of resource development experience in Saskatchewan and Alberta in field operations, consulting and executive level positions. He has extensive experience consulting to industry and government in oil and gas, power and paper recycling. Currently, Mr. Baker is a board member of Keystone Royalty Corp., Kineticor Resource Corp. and Hason Engineering. He is a former director of SaskEnergy and Heritage Gas.

### **Jeffrey Barber, Director**

Mr. Barber was a Co-founder and managing partner of a boutique M&A advisory firm in Calgary. Prior thereto, he was an investment banker with national investment firms and began his career as an economist with Deloitte LLP. Throughout his career, Mr. Barber has worked closely with various public company boards and executive teams to assist in capital markets initiatives and advise on go-public transactions, valuations and M&A mandates. Mr. Barber has been an independent businessman since September 2018. Prior thereto he had been a founder, director and Chief Financial Officer of Hiku Brands Company Ltd. since 2016. He is a CFA charterholder and holds a master's degree in finance and economics from the University of Alberta.

### **Brad Wall, Director**

Mr. Wall has 18 years political experience and served as the Premier of Saskatchewan from November 2007 until February 2018. He is currently a special advisor at Osler, Hoskin & Harcourt LLP, an Advisory Board member of the Canadian Global Affairs Institute and the Canadian American Business Council and a partner at CW Cattle Company Ltd. He is also Chair of the STARS Air Ambulance Fleet Replacement Board. Mr. Wall holds an honours degree in Public Administration from the University of Saskatchewan. He currently sits on the board of directors of Dye & Durham Limited, Maxim Power Corp., NexGen Energy Ltd and Whitecap Resources Inc.

**Philip Hughes, Director**

As a leader in Canada's energy sector for the past 35 years, Mr. Hughes has served as President and Chief Executive Officer of five energy companies across Canada. He has extensive North American and international experience in electrical generation, transmission and distribution, oil and gas and natural gas transmission, distribution and processing. Currently, Mr. Hughes serves as Chairman of Oceanic Wind Energy Group and of Kinetico Resources Inc. Mr. Hughes was a senior executive with the Fortis Inc. group of companies where he was responsible for various acquisitions (including the successful acquisition and integration of Aquila Networks Canada) and led the operations as President and CEO of several of the Fortis Inc. subsidiaries. He was President and CEO of FortisAlberta, Newfoundland Power Inc., Maritime Electric Company, FortisBC. Mr. Hughes was also President and CEO of TransGas Limited, Saskatchewan.

Mr. Hughes is a past Officer of the World Energy Council (WEC), former Chair of the Canadian Electrical Association (CEA) and former Chair of the Energy Council of Canada (ECC). Through his involvement with WEC, CEA and ECC Mr. Hughes was a significant contributor to the development of North American energy policy and research. Mr. Hughes holds a Bachelor of Arts (Hons.Economics) from Lancaster University, England and is a member of the Institute of Chartered Accountants of Alberta and a Fellow of the Chartered Accountants of England and Wales.

**Michael Graham, Director**

Mr. Graham is an independent businessman with over 35 years of energy and resource development experience. Mr. Graham served as an Executive Vice President of Encana Corporation from April 14, 2005 and served as its President of the Canadian Division until February 2012. Mr. Graham was a director of Strategic Oil & Gas Ltd. From September 2014 to January 2020. Mr. Graham also serves on the board of directors of Halo Exploration Ltd and Saguaro Resources Ltd.

**Patrick Mills, Chief Operating Officer**

Mr. Mills has gained over 35 years of executive, managerial and engineering & operational experience in the Western Canadian Basin. Previously, Mr. Mills founded Mustang Resources and Pegasus Oil & Gas where Mr. Mills held executive and board positions as well as technical and managerial positions with Texaco, Imperial Oil Ltd. and Startech Energy.

**John Kanderka, Vice President Corporate Development**

Mr. Kanderka has over 40 years in the energy and mineral sectors as both an officer and director in private and public roles. Previously, he founded multiple companies leading to a wide array of experience in corporate finance, mergers and acquisitions, buyouts and corporate restructuring. Currently, he is a director of Orestone Mining Corp. and Chairman & Founder of Visionary Gold Corp.

**Ryan Tomlinson, Chief Financial Officer**

Mr. Tomlinson holds a Bachelor of Commerce degree from the University of Calgary, specializing in accounting, and successfully completed the Certified Management Accountant (CMA) program to obtain his Chartered Professional Accountant (CPA) and CMA designations. Mr. Tomlinson has extensive financial accounting experience with domestic and international private and public oil and gas companies. He has held key roles with increasing responsibility serving as Controller and CFO.

Mr. Tomlinson has been involved in start-up companies, raising equity in both the private and public markets. He has been responsible for structuring financial systems, including fully integrated electronic invoicing, reporting and record keeping, that enable companies to make timely operating and capital spending decisions, improve the accuracy of financial reporting, and minimize administrative processing times.

#### **William Van Horne, Corporate Secretary**

Mr. Van Horne is a member of the Law Society of Alberta and the Law Society of Ontario and has over 18 years of experience in corporate finance, mergers and acquisitions and securities regulation. Mr. Van Horne is the founder of Socium Law, which works with emerging companies operating in a variety of industries. Mr. Van Horne serves as a director or officer of several public and private companies.

#### **Corporate Cease Trade Orders or Bankruptcies**

Except as set forth below, no proposed director, officer or promoter of the Resulting Issuer, or a securityholder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has been, within 10 years before the date of this Prospectus, a director, officer or promoter of any person or company that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order, or an order that denied the issuer access to any exemptions under applicable Securities Laws, for a period of more than 30 consecutive days; or
- (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Hughes was a director of CellCube Energy Storage Systems Inc. ("**CellCube**"), a company listed on the Canadian Securities Exchange that was subject to a cease trade order ("**CTO**") issued on November 2, 2018 by the British Columbia Securities Commission ("**BCSC**") and the Ontario Securities Commission ("**OSC**") for failure to file its audited annual financial statements, management's discussion and analysis ("**MD&A**") and related officer certifications for the year ended June 30, 2018 (the "**Filing Documents**"), which were required to be filed on October 29, 2018. The Filing Documents were filed on December 7, 2018. Given the delay in filing the Filing Documents, CellCube was unable to file its unaudited interim financial statements, MD&A and officer certifications for the three months ended September 30, 2018 until December 10, 2018, when they were required to be filed on November 29, 2018. On December 11, 2018, the BCSC and the OSC issued a revocation order to revoke the CTO. Mr. Hughes resigned as a director of CellCube in February 2019, having become a director in November 2018.

Mr. Mills was the Vice President of Engineering and Operations of Conserve Oil & Gas International Inc. ("**Conserve**") which filed for protection from its creditors pursuant to the Companies' Creditors Arrangement Act ("**CCAA**") in August 2015. In December 2015 Conserve was assigned into bankruptcy pursuant to the Bankruptcy and Insolvency Act (Canada) ("**BIA**").

Mr. Graham was a director of Strategic Oil & Gas Ltd. which sought protection from its creditors pursuant to the CCAA in April 2019 and was ultimately assigned into bankruptcy pursuant to the BIA in January 2020.

#### **Penalties or Sanctions**

No proposed director, officer or promoter of the Resulting Issuer, or a securityholder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has

- (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable securityholder making a decision about the Transaction.

## Personal Bankruptcies

No proposed director, officer or promoter of the Resulting Issuer, or a securityholder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, or a personal holding company of any such persons, has, within the 10 years before the date of this Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or promoter.

## Conflicts of Interest

Directors and officers of the Resulting Issuer may also serve as directors and/or officers of other companies and may be presented from time to time with situations or opportunities which give rise to apparent conflicts of interest which cannot be resolved by arm's length negotiations but only through exercise by the officers and directors of such judgment as is consistent with their fiduciary duties to the Resulting Issuer which arise under applicable corporate law, especially insofar as taking advantage, directly or indirectly, of information or opportunities acquired in their capacities as directors or officers of the Resulting Issuer. It is expected that all conflicts of interest will be resolved in accordance with the ABCA. It is expected that any transactions with officers and directors will be on terms consistent with industry standards and sound business practice in accordance with the fiduciary duties of those persons to the Resulting Issuer, and, depending upon the magnitude of the transactions and the absence of any disinterested board members, may be submitted to the shareholders for their approval.

## Indemnification and Insurance

The Resulting Issuer intends to obtain director and officer insurance to limit the Resulting Issuer's exposure to claims against, and to protect, its directors and officers.

## EXECUTIVE COMPENSATION

### Director and Named Executive Officer Compensation, Excluding Compensation Securities

The following table sets out details of all payments, grants, awards, gifts and benefits paid or awarded to each director and NEO of the Company in the two most recently completed financial years:

Name and Position <sup>(2)</sup>	Year	Salary, Consulting Fee, Retainer or Commission (\$)	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites <sup>(1)</sup> (\$)	Value of All Other Compensation (\$)	Total Compensation (\$)
Scott Ackerman CEO, Corporate Secretary and Director	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil
Doug McFaul CFO and Director	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil

Name and Position <sup>(2)</sup>	Year	Salary, Consulting Fee, Retainer or Commission (\$)	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites <sup>(1)</sup> (\$)	Value of All Other Compensation (\$)	Total Compensation (\$)
Rick Cox Director	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil
Brent Ackerman Director	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil

(1) "Perquisites" include perquisites provided to a NEO or director that are not generally available to all employees and that, in aggregate, are: (a) \$15,000, if the NEO or director's total salary for the financial year is \$150,000 or less, (b) 10% of the NEO or director's salary for the financial year if the NEO or director's total salary for the financial year is greater than \$150,000 but less than \$500,000, or (c) \$50,000 if the NEO or director's total salary for the financial year is \$500,000 or greater.

(2) On June 17, 2020 Doug McFaul resigned as a director and officer of Duckhorn. On September 1, 2021, Mike Castanho was appointed as a director of Duckhorn. On September 8, 2021, Scott Ackerman, Rick Cox and Brent Ackerman resigned as directors and/or officers of Duckhorn and Jeff Barber and Anthony Alvaro were appointed as directors. Jeff Barber is currently the Chief Executive Officer, Chief Financial Officer and Corporate Secretary of Duckhorn.

### Stock Options and Other Compensation Securities

On May 29, 2019, the Company granted a total of 2,490,000 incentive stock options to officers and a consultant to the Company, which vested immediately, having an exercise price of \$0.02 per share and expire in five years. These stock options were subsequently cancelled on September 2, 2021.

### Employment, Consulting and Management Agreements

The Company is not party to any formal employment, consulting or management agreements with respect to any NEOs or directors.

### Oversight and Description of Director and NEO Compensation

The determination of director and NEO compensation and how and when such compensation is to be determined is subject to the consideration of the Company Board.

### Pension Plan Benefits

The Company does not have any pension plans that provide for payments or benefits to the NEOs at, following, or in connection with retirement, including any defined benefits plan or any defined contribution plan. The Company does not have a deferred compensation plan with respect to any NEO.

### Management Contracts

No management functions of the Company or any Affiliate thereof are to any substantial degree performed by a Person other than the directors or executive officers of the Company or an Affiliate thereof.

### Helium Evolution Executive Compensation

Effective August 1, 2021, the Chief Executive Officer, Chief Operating Officer and Vice President of Corporate Development each entered into employment agreements with Helium (the "**Executive Employment Agreements**").

Pursuant to the employment agreements, each of the officers is entitled to a salary of \$7,500 per month (the "**Salary**") and certain other benefits customary for an executive employment agreement. Effective November 1, 2021, Helium Evolution entered into an employment agreement with Mr. Ryan Tomlinson, the Resulting Issuer's proposed Chief Financial Officer, on substantially similar terms to the Executive Employment Agreements.

Directors of Helium are entitled to a payment of \$500 per meeting of the Helium Board.

### **Termination and Change of Control Benefits**

Pursuant to the Executive Employment Agreements, the executives are entitled to receive a payment upon a change of control of Helium of 18 times the Salary.

### **Resulting Issuer Executive Compensation**

It is expected that the Resulting Issuer's executive compensation will be substantially similar to that set forth under Helium Evolution Executive Compensation.

## **AUDIT COMMITTEE**

### **Audit Committee Charter**

The charter for the Audit Committee of the Company's Board is attached to this Prospectus as Schedule F.

### **Audit Committee Members**

Jeff Barber, Anthony Alvaro and Mike Castanho are the members of the Audit Committee. Anthony Alvaro and Mike Castanho are considered by the Company Board to be "independent" and all three of the Audit Committee members have the ability to read and understand financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. Jeff Barber is not considered to be "independent" as he is the Company's President, Chief Executive Officer, Chief Financial Officer and Corporate Secretary.

### **Relevant Education and Experience**

All of the Audit Committee members are business persons with varying experience in financial matters; each has an understanding of accounting principles used to prepare financial statements and varied experience as to general application of such accounting principles, internal controls and procedures necessary for financial reporting, which has been garnered from working in their individual fields of endeavour.

#### ***Jeff Barber, President, Chief Executive Officer, Chief Financial Officer, Corporate Secretary and Director***

Mr. Barber was a co-founder, director and officer of Hiku Brands Ltd. (CSE: HIKU) until its sale in September 2019. Prior thereto, he was co-founder and managing partner of a boutique M&A advisory firm in Calgary. Prior thereto, he was an investment banker with national investment firms and began his career as an economist with Deloitte LLP. Throughout his career, Mr. Barber has worked closely with various public company boards and executive teams to assist in capital markets initiatives and advise on go-public transactions, valuations and M&A mandates.

Jeff Barber is a CFA charterholder and holds a master's degree in finance and Economics from the University of Alberta.

#### ***Anthony Alvaro, Director***

Mr. Alvaro is a co-founder and director of Standard Lithium Ltd., and for over two decades has worked primarily in the international capital markets. The breadth of his capital markets experience includes roles ranging from

institutional sales, retail capital markets, corporate finance, M&A, venture capital and private equity, and he has held executive and board positions with a number of public and private companies.

***Mike Castanho, Director***

Mr. Castanho is the principal of Axis Capital Ventures Corp., a private investment firm specializing in venture capital and advisory services. Prior to founding Axis Capital, Mr. Castanho spent sixteen years in financial services with national investment firms, raising capital across a broad range of industries and advising investments for high net worth individuals, institutions and family offices.

**Pre-Approved Policies and Procedures for Non-audit Services**

The Company's Audit Committee Charter provides that the Audit Committee pre-approve all non-audit services to be provided to the Company by the Company's external auditor.

**External Auditor Service Fees**

The table that follows sets out the aggregate fees billed by the Company's external auditor, Davidson & Company LLP, Chartered Accountants, for services rendered to the Company during the financial period from incorporation on March 25, 2019 to December 31, 2019 and the financial year of the Company ended December 31, 2020.

	<b>Fiscal period ended December 31, 2020</b>	<b>Fiscal period from incorporation on March 25, 2019 to December 31, 2019</b>
Audit Fees .....	\$9,000	\$5,000
Non-Audit Related Fees .....	Nil	Nil
Tax Fees .....	Nil	Nil
Other .....	Nil	Nil

**Audit Committee Oversight**

At no time since the commencement of the Company's most recently completed fiscal year ended December 31, 2020, has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Company Board.

**INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

As at the date of this Prospectus none of the directors and executive officers of the Company or Helium Evolution, proposed directors and officers for the Resulting Issuer, or associates of such persons is indebted to the Company, Helium Evolution or another entity where the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or Helium Evolution.

## PLAN OF DISTRIBUTION

This is a non-offering prospectus. No securities are offered pursuant to this Prospectus.

It is a condition of the Business Combination Agreement that the Common Shares be listed on the TSXV. Listing will be subject to the Company fulfilling all of the listing requirements of the TSXV, including, without limitation, obtaining a final receipt for the (final) prospectus, obtaining distribution of the Common Shares to a minimum number of public shareholders and the Company meeting all other minimum listing requirements.

As at the date of this Prospectus, the Company and Helium Evolution do not have any of their securities listed or quoted, have not applied to list or quote any of its securities, and do not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside Canada and the United States.

## RISK FACTORS

There are inherent risks in the business of the Resulting Issuer. Shareholders must rely on the ability, expertise, judgment, discretion, integrity and good faith of the management of the Resulting Issuer. The business of the Resulting Issuer will be subject to risks and hazards, some of which are beyond its control.

The risks presented below may not be all of the risks that the Resulting Issuer may face. It is believed that these are the factors that could cause actual results to be different from expected and historical results. The market in which Helium Evolution currently competes, and the Resulting Issuer will compete, is very competitive and changes rapidly. Sometimes new risks emerge and management may not be able to predict all of them or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. You should not rely upon forward-looking statements as a prediction of future results.

### *COVID-19 Outbreak*

In December 2019, COVID-19 emerged in Wuhan, China. Since then, it has spread to several other countries and infections have been reported around the world. On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. In response to the outbreak, governmental authorities in Canada and internationally have introduced various recommendations and measures to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place and social distancing. The COVID-19 outbreak and the response of governmental authorities to try to limit it are having a significant impact on the private sector and individuals, including unprecedented business, employment and economic disruptions. The continued spread of COVID-19 nationally and globally could have an adverse impact on our business, operations and financial results. In response to the COVID-19 pandemic, the Company has implemented precautionary measures at its corporate office, including limiting visits to essential personnel and ensuring proper protocols around sanitation and social distancing. The outbreak of COVID-19 may cause disruptions to the Company's business and operational plans. These disruptions may include disruptions resulting from (i) shortages of employees, (ii) unavailability of contractors and subcontractors, (iii) interruption of supplies from third parties upon which the Company relies, (iv) restrictions that governments impose to address the COVID-19 outbreak, and (v) restrictions that the Company and its contractors and subcontractors impose to ensure the safety of employees and others. Further, it is presently not possible to predict the extent or durations of these disruptions. These disruptions may have a material adverse effect on the Company's business, financial condition and results of operations. Such adverse effect could be rapid and unexpected. These disruptions may impact the Company's ability to carry out its business plans.

### *Market risk for Securities*

Although listing of the Company Shares on the TSXV is a condition of the Business Combination Agreement, there can be no assurance that an active trading market for the Resulting Issuer Shares will be established and sustained. Upon listing, the market price for the Resulting Issuer Shares could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of Resulting Issuer's securities. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

### *Speculative Nature of Investment Risk*

An investment in the Resulting Issuer Shares carries a high degree of risk and should be considered as a speculative investment. The Resulting Issuer has no history of earnings, cash flow or profitability and has limited cash reserves, a limited operating history, has not paid dividends, and is unlikely to pay dividends in the immediate or near future. Operations are not yet sufficiently established such that the Resulting Issuer can mitigate risks associated with planned activities. No assurance can be given that the Resulting Issuer will attain positive cash flow or profitability.

### *Liquidity and Future Financing Risk*

Helium Evolution is in the early stages of business and has not generated revenue. The Resulting Issuer will likely operate at a loss until its business becomes established and the Resulting Issuer will require additional financing in order to fund future operations and expansion plans. The Resulting Issuer's ability to secure any required financing to sustain operations will depend in part upon prevailing capital market conditions and business success. There can be no assurance that the Resulting Issuer will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to management. If additional financing is raised by issuance of additional Resulting Issuer Shares, control may change and shareholders may suffer dilution. If adequate funds are not available, or are not available on acceptable terms, the Resulting Issuer may be required to scale back its current business plan or cease operating.

### *Global Economy Risk*

Economic slowdowns and volatility of global capital markets may from time to time make the raising of capital by equity or debt financing more difficult. The Resulting Issuer may be dependent upon capital markets to raise additional financing in the future while concurrently establishing a wider customer base. Access to financing may be negatively impacted by global economic downturns. As such, the Resulting Issuer is subject to liquidity risks in meeting its operating expenditure requirements and future development cost requirements in instances where adequate cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to the Resulting Issuer and its management. If levels of volatility and slow market conditions persist, the Resulting Issuer's operations, the Resulting Issuer's ability to raise capital and the trading price of the Resulting Issuer Shares could be adversely impacted.

### *Dividend Risk*

The Company has not paid dividends in the past and does not anticipate paying dividends in the near future. The Resulting Issuer expects to retain earnings to finance further growth.

### *Limited Prior Operating History*

Helium Evolution has limited operating history, business operations and assets. There is no assurance that it will be profitable or that its investment strategy will be successful. The Resulting Issuer's operations are subject to all of the risks inherent in the creation of new investment activity, including a limited prior operating history.

### *Dilution*

Any sale of the Resulting Issuer Shares will result in dilution to existing holders of Resulting Issuer Shares. The Resulting Issuer may issue additional Resulting Issuer Shares without the consent from the shareholders of the Resulting Issuer.

### *Helium Exploration*

No resources have been assigned in connection with Helium's property interests to date, given their early stage of development. The future value of the Resulting Issuer is therefore dependent on the success or otherwise of the Resulting Issuer's activities, which are principally directed toward the further exploration, appraisal and development of its assets in the Western Canadian Sedimentary Basin, and potential acquisition of additional property interests in the future. Exploration, appraisal and development of helium resources are speculative and involve a significant degree

of risk. There is no guarantee that exploration or appraisal of the property interests of Helium Evolution will lead to a commercial discovery or, if there is a commercial discovery, that the Resulting Issuer will be able to realize the value of such resources as intended. Few properties that are explored are ultimately developed into new resources. If at any stage the Resulting Issuer is precluded from pursuing its exploration or development programs, or such programs are otherwise not continued, the Resulting Issuer's business, financial condition and/or results of operations and, accordingly, the trading price of the Resulting Issuer Shares, is likely to be materially adversely affected. Helium exploration involves a high degree of risk and there is no assurance that expenditures made for future exploration or development activities by the Resulting Issuer will result in discoveries that are commercially or economically viable.

#### *No History of Production*

Helium Evolution's properties are exploration/undeveloped stage only. Helium Evolution has never had any interest in helium producing properties. There is no assurance that commercial quantities of helium will be discovered at any of the properties of Helium Evolution or any future properties, nor is there any assurance that the exploration or development programs of the Resulting Issuer thereon will yield any positive results. Even if commercial quantities of helium are discovered, there can be no assurance that any property of Helium Evolution will ever be brought to a stage where helium can profitably be produced thereon. Factors which may limit the ability of the Resulting Issuer to produce helium from its properties include, but are not limited to, commodity prices, availability of additional capital and financing, availability of helium processing facilities and processing capacity and the nature of any helium deposits.

#### *Environmental Regulation and Risks*

All phases of the Resulting Issuer's operations are subject to environmental regulation. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Resulting Issuer's operations. Environmental hazards may exist on the properties in which Helium holds interests that are unknown to Helium at present and which have been caused by previous or existing owners or operators of the properties.

Government approvals, approval of first nations peoples and permits are currently and may in the future be required in connection with the Resulting Issuer's direct and indirect operations. To the extent such approvals are required and not obtained, the Resulting Issuer may be curtailed or prohibited from continuing its helium exploration operations or from proceeding with planned exploration or development of its properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in the exploration or development of natural resource properties may be required to compensate those suffering loss or damage by reason of the exploration and development activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of helium companies, or more stringent implementation thereof, could have a material adverse impact on the Resulting Issuer and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new properties.

#### *Requirement for Permits and Licenses*

The operations of the Resulting Issuer require it to obtain licenses for operating, permits, and in some cases, renewals of existing licenses and permits from authorities in Saskatchewan. Helium Evolution believes that it currently holds or has applied for all necessary licenses and permits to carry on the activities it is currently conducting under applicable laws and regulations in respect of its properties, and also believes that it is complying in all material respects with the

terms of such licenses and permits. However, the ability of the Resulting Issuer to obtain, sustain or renew any such licenses and permits on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies.

#### *Reliance on Estimates*

The information to be used by the Resulting Issuer to evaluate its properties is based on estimates that involve a great deal of uncertainty. The process of estimating helium resources is complex and requires significant decisions and assumptions to be made in evaluating the reliability of available geological, geophysical, engineering and economic data for each property. Different engineers may make different estimates of resources, cash flows or other variables based on the same available data.

Geologic and engineering data is used to determine the probability that a reservoir of helium exists at a particular location, and whether or not helium may be recoverable from it. Recoverability is ultimately subject to the accuracy of such data including, but not limited to, the geological characteristics of the reservoir; its structure, pressure and fluid properties; the size and boundaries of the drainage area; and the anticipated rate of pressure depletion. The evaluation of these and other factors is based upon available seismic data, computer modeling, well tests and information obtained from the production of helium on adjacent or similar properties. Still, actual recovery from a reservoir may differ from estimated recovery.

Estimates also include numerous assumptions relating to operating conditions and economic factors, including the price at which recovered helium can be sold; the costs of recovery; future operating costs; development costs; drilling and completion costs; workover and remedial costs, which are costs associated with operations on a producing well to restore or increase production; prevailing environmental conditions associated with drilling and production sites; the availability of enhanced recovery techniques; the ability to transport helium to markets; and governmental and other regulatory factors such as taxes and environmental laws.

Economic factors beyond the control of the Resulting Issuer, such as interest rates and exchange rates, will also impact the value of such estimates. Some of these assumptions are inherently subjective, and the accuracy of estimates relies in part on the ability of the management team, engineers and other advisors of the Resulting Issuer to make accurate assumptions. As a result, there is no guarantee that any investment made by the Resulting Issuer in a Helium Property will be successful since the associated estimates will be inherently imprecise.

#### *No Assurance of Title or Boundaries, or of Access*

Although title reviews may be conducted prior to the purchase of helium producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the Resulting Issuer's claim. The Resulting Issuer's actual interest in properties may, therefore, vary from its records. If a title defect does exist, it is possible that the Resulting Issuer may lose all or a portion of the properties to which the title defect relates, which may have a material adverse effect on its business, financial condition, results of operations and prospects. There may be valid challenges to title, or proposed legislative changes which affect title, to the properties the Resulting Issuer controls that, if successful or made into law, could impair the Resulting Issuer's activities on them and result in a reduction of the revenue received by the Resulting Issuer.

While the Reporting Issuer may register its helium interests with the appropriate authorities and file all pertinent information according to industry standards, this cannot be construed as a guarantee of title. In addition, Helium Properties may consist of recorded helium leases or licenses which have not been legally surveyed, and therefore, the precise boundaries and locations of such claims or leases may be doubtful or challengeable. Helium properties may also be subject to prior unregistered agreements or transfers or native land claims, and the Resulting Issuer's title may be affected by these and other undetected defects.

#### *Volatility of Helium Prices*

The Resulting Issuer anticipates its business will be primarily determined by helium prices in North America and abroad. Prices for helium fluctuate in response to changes in the supply of, and demand for, helium, market uncertainty and a variety of factors beyond the Resulting Issuer's control. Factors that affect helium prices include world economic

conditions, government regulation, political stability, the global and regional supply of helium, the price of foreign imports, the availability of helium alternatives, transportation and infrastructure constraints and weather conditions. Volatility or weakness in helium prices (or the perception that helium prices will decrease) may result in the drilling of fewer new wells or lower production spending on existing wells. Significant declines in prices for helium could harm the financial condition of the Resulting Issuer, its results of operations and the quantities of resources recoverable on an economic basis. A decline in helium prices or a reduction in drilling activities could materially and adversely affect the business of the Resulting Issuer and could seriously decrease its revenues or prevent it from generating any revenues.

#### *Negative Operating Cash Flow*

Helium Evolution has a limited history of operations, and no history of earnings, positive operating cash flow or profitability. Helium Evolution has had negative operating cash flow since Helium Evolution's inception, and the Resulting Issuer may continue to have negative operating cash flow for the foreseeable future. No assurance can be given that additional funding will be available for the Resulting Issuer's operations when required and no assurance can be given that the Resulting Issuer will ever attain positive operating cash flow or profitability.

#### *Premiums for Interests in Helium Properties*

Interests in helium properties may be sold to the Resulting Issuer at prices that exceed the market prices of similar interests. Competition for interests in helium properties may increase the premium at which such interests are available for purchase by the Resulting Issuer.

#### *Portfolio Volatility Due to Investment Concentration*

The Resulting Issuer intends to acquire interests in producing helium properties in North America. Such interests may include working interests. However, such interests may also include interests in non-producing development stage helium properties. A concentrated investment by the Resulting Issuer in any one of these types of investments may result in the value of the Resulting Issuer Shares fluctuating to a greater degree than if the Resulting Issuer invested in a broader spectrum of helium properties.

The value of each Resulting Issuer Share will vary in accordance with the value of the interests in helium properties acquired by the Resulting Issuer, and may be affected by such factors as investor demand, resale restrictions, general market trends, investor sentiment regulatory restrictions and commodity prices. Fluctuations in the market values of such interests and in the returns provided by them may occur for a number of reasons beyond the control of the Resulting Issuer, and there is no assurance that an adequate market will exist for any interests acquired by the Resulting Issuer or that those interests will generate any returns. The investment involves a high degree of risk and should only be considered by persons who can afford the loss of their entire investment.

#### *Illiquidity of Helium Property Investments*

Many of the helium properties acquired by the Resulting Issuer may be relatively illiquid and may decline in value, depending on general market trends.

#### *Operational Risks*

The business of exploring for helium involves a high degree of risk. Few helium properties that are explored are ultimately developed into producing properties. Also, helium wells on producing properties are at risk of disruption or exhaustion. When investing in any helium property, the Resulting Issuer may not know if the property contains commercial quantities of helium or if its production will be sustainable.

Unusual or unexpected formations, formation pressures, fires, explosions, power outages, labour disruptions, flooding, cave-ins, landslides and the inability of the Resulting Issuer to obtain suitable machinery, equipment or labour are all risks which may occur during the development of helium resources. Substantial expenditures are required in order to establish such resources through drilling, and to develop production, gathering or processing facilities and infrastructure at any site chosen for helium production.

The economics of developing and operating helium properties is affected by many factors, including the cost of operations, variations in the grade of helium obtained, fluctuations in the prices and demand for helium, costs of processing equipment and such other factors as aboriginal land claims and government regulations, including regulations relating to royalties, allowable production, importing and exporting and environmental protection. There is no certainty that any development expenditures made by the Resulting Issuer will result in discoveries of commercial quantities of helium.

#### *Key Personnel*

The Resulting Issuer will rely on certain key personnel for the development of its business. The experience, knowledge and contributions of Helium's existing management team and directors to the immediate and near-term operations and direction of the Resulting Issuer are likely to continue to be of central importance for the foreseeable future. As such, the unexpected loss of services from or retirement of such key personnel could have a material adverse effect on the Resulting Issuer. In addition, the competition for qualified personnel in the helium industry means there can be no assurance that the Resulting Issuer will be able to continue to attract and retain such personnel with the required specialized skills necessary for its business.

#### *Conflicts of Interest*

Certain of the Resulting Issuer's directors and officers will be involved in the helium industry through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of the Resulting Issuer. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers may conflict with the Resulting Issuer's interests. Directors and officers of the Resulting Issuer with conflicts of interest will be subject to and must follow the procedures set out in applicable corporate and securities legislation, regulations, rules and policies. Notwithstanding this, there may be corporate opportunities which the Resulting Issuer is not able to procure due to a conflict of interest of one or more of the Resulting Issuer's directors or officers.

#### *Limited Geographic Area*

As at the date hereof, Helium Evolution's properties are located in southern Saskatchewan. The Resulting Issuer may be disproportionately exposed to the impact of delays or interruptions of production caused by transportation capacity constraints, curtailment of production, availability of equipment, facilities, personnel or services, significant governmental regulation, natural disasters, adverse weather conditions, and plant closures. Due to the geographic concentration of the properties, a number of the properties could experience any of the same conditions at the same time, resulting in a relatively greater impact on operations than might be experienced by other companies operating in a less limited geographic area. Such delays or interruptions could have a material adverse effect on the financial condition of the Resulting Issuer and results of operations.

#### *Market Risks*

The marketability of any helium that may be produced on a helium property in which the Resulting Issuer has invested will be affected by numerous factors beyond the control of the Resulting Issuer or any operator operating on its behalf. These factors include market fluctuations in the price of helium, the proximity and capacity of helium markets and processing equipment, the availability of labour and related infrastructures, and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, the importing and exporting of materials and environmental protection. The exact effect of these factors cannot be accurately predicted, but any one or a combination of these factors could result in the Resulting Issuer not receiving an adequate return on their investment, if any.

#### *Additional Funding Requirements*

The Resulting Issuer's cash flow may not be sufficient to fund its ongoing activities at all times and from time to time, the Resulting Issuer may require additional financing in order to carry out its helium acquisition, exploration and development activities. Failure to obtain financing on a timely basis could cause the Resulting Issuer to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. Due to the

conditions in the helium industry and/or global economic volatility, the Resulting Issuer may from time to time have restricted access to capital and increased borrowing costs. The current conditions in the helium industry have negatively impacted the ability of helium companies to access additional financing. To the extent that external sources of capital become limited, unavailable or available on onerous terms, the Resulting Issuer's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result. In addition, the future development of the Resulting Issuer's helium properties may require additional financing and there are no assurances that such financing will be available or, if available, will be available upon acceptable terms. Alternatively, any available financing may be highly dilutive to existing shareholders. Failure to obtain any financing necessary for the Resulting Issuer's capital expenditure plans may result in a delay in development or production on its properties.

#### *Uninsurable Risks*

The Resulting Issuer's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, mechanical failures, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to helium properties and/or production facilities, personal injury or death, environmental damage to the properties of the Resulting Issuer, or the properties of others, delays in exploration, development and production activities, monetary losses and possible legal liability.

Although the Resulting Issuer will maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with helium operations. The Resulting Issuer may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration, development and production activities is not generally available to the Resulting Issuer or to other companies in the helium industry on acceptable terms. The Resulting Issuer might also become subject to liability for pollution or other hazards that may not be insured against or which the Resulting Issuer may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Resulting Issuer to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

#### *Issuance of Debt*

From time to time, the Resulting Issuer may enter into transactions that may be financed in whole or in part with debt, which may increase the Resulting Issuer's debt levels above industry standards for helium companies of similar size. Depending on future exploration and development plans, the Resulting Issuer may require additional debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Resulting Issuer's articles nor its by-laws will limit the amount of indebtedness that it may incur. The level of the Resulting Issuer's indebtedness from time to time, could impair its ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

#### *Oil and Gas Activities*

The Resulting Issuer is not currently expected to be engaged in "oil and gas activities" as that term is defined in NI 51-101. Should these circumstances change (due for example, to an increase in the materiality of methane in revenue), the Resulting Issuer may incur significant legal and other professional fees that are not presently being incurred in order to comply with the requirements of NI 51-101.

NI 51-101 covers all public disclosure on oil and gas activities, including news releases and corporate presentations, with requirements: (a) to use the technical standards for evaluations provided by the Canadian Oil and Gas Evaluation Handbook; and (b) for annual filings based on evaluations or audits by independent qualified reserves evaluators or auditors with mandatory disclosure of Proved and Probable reserves evaluated using forecast prices and costs. Compliance with NI 51-101 would significantly increase legal, financial and securities regulatory compliance costs.

#### *Government Regulations*

The operations of the Resulting Issuer are subject to government legislation, policies and controls relating to prospecting, land use, trade, environmental protection, taxation, rates of exchange, returns of capital and labour relations.

Helium property interests may be affected to varying degrees by the extent of political and economic stability in the jurisdiction of such properties and by changes in regulations or shifts in political or economic conditions beyond the control of the Resulting Issuer. Such factors may adversely affect the Resulting Issuer's business and/or its helium property holdings.

Although the Resulting Issuer's development activities may be carried out in accordance with all applicable rules and regulations at any point in time, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail the production or development of the Resulting Issuer's operations. Amendments to current laws and regulations governing the operations of the Resulting Issuer or the more stringent enforcement of such laws and regulations could have a substantial adverse impact on the financial results of the Resulting Issuer.

#### *Climate Change*

The Federal Government of Canada and certain provincial governments have announced intentions to regulate greenhouse gases and certain air pollutants. These governments are currently developing regulatory and policy frameworks to deliver on their announcements. The Resulting Issuer's cost of complying with emerging climate and carbon regulations is not currently forecast to be material to the Resulting Issuer, however as these government initiatives are in their early implementation stage or under development, the Resulting Issuer is unable to predict the total future impact of the potential regulations upon its business. It is possible that the Resulting Issuer could face future increases in operating costs in order to comply with legislation governing emissions.

#### *Competition from Larger Helium Companies*

The development and production of helium is a highly competitive business. Other helium companies will compete with the Resulting Issuer by bidding for helium properties and services that it will need to operate successfully. As prices of helium on the commodities markets rise, it is expected that this competition will become increasingly intense. Additionally, other companies engaged in the exploration and production of helium may compete with the Resulting Issuer from time to time in obtaining capital from investors and lenders.

Helium properties have limited lives and, as a result, the Resulting Issuer may seek to alter and expand its operations through the acquisition of new interests. However, the available supply of desirable Helium properties is limited in North America. The major helium companies are often better positioned to obtain the rights for any Helium properties for which the Resulting Issuer may compete.

Competitors of the Resulting Issuer include large, foreign-owned companies, which, in particular, may have a competitive advantage because of their access to greater resources and the fact that they conduct their own helium refining and marketing operations. Helium development activities are dependent on the availability of drilling and related equipment, transportation, power and technical support in particular areas and operators of any Helium Properties in which we invest may have limited access to these facilities. Shortages and/or the unavailability of necessary equipment or other facilities will impair the activities of such operators, increase their costs and reduce the value of any investment by the Resulting Issuer.

If the Resulting Issuer is unable to adequately address its competition, including, but not limited to, finding ways to secure profitable producing helium properties on terms that it considers acceptable, the ability of the Resulting Issuer to earn revenues could suffer.

#### *Failure to Vially Develop Helium Properties*

On a long-term basis, the Resulting Issuer must acquire interests in producing helium properties in order to become profitable. The Resulting Issuer's success depends on its ability to locate, identify and acquire productive property

interests, find markets for any helium developed on such properties, and effectively distribute the helium into those markets.

Any helium development activities of the Resulting Issuer may not be economically viable because of both unproductive helium properties and properties that are productive but do not generate sufficient revenues to return a profit. Investing in a helium property does not ensure that the investment will be profitable or that the Resulting Issuer will recover its investment because the costs of drilling and operating any wells on the property may exceed the amount of helium extracted from such wells. In addition, drilling hazards or environmental damage could greatly increase the cost of operating on any property, and various field conditions could adversely affect the production from successful wells. If developmental costs exceed the Resulting Issuer's estimates or if the development efforts of the Resulting Issuer do not produce results which meet its expectations, such efforts may not be commercially successful.

#### *Risk of Litigation*

Although the Resulting Issuer is not currently involved in any litigation, the nature of its operations exposes the Resulting Issuer to possible future litigation claims. There is risk that any claim could be adversely decided against the Resulting Issuer, and this could harm its financial condition. Similarly, the costs associated with defending against any claim could dramatically increase the expenses of an investment in any helium property, as litigation is often very expensive. Possible litigation matters may include, but are not limited to, environmental damage and remediation, workers' compensation, insurance coverage, property rights and easements and the maintenance of helium leases. Should the Resulting Issuer become involved in any litigation, it will be forced to direct its limited resources to defend against or prosecute the claim, which could impact the profitability of the Resulting Issuer and lower the value of any investment in the Resulting Issuer Shares.

#### *Barriers to Marketing Helium*

If the Resulting Issuer is unable to sell any helium produced on any helium properties in which it acquires an interest to these entities, it may have trouble generating revenues. In addition, demand or transportation limitations, such as the absence of pipeline facilities, often affect the marketability of helium, and sales of any helium could therefore be delayed for extended periods until such limitations are corrected or until suitable transportation facilities are constructed.

#### *Internal Controls*

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. However, internal controls over financial reporting are not guaranteed to provide absolute assurance with regard to the reliability of financial reporting and financial statements.

### **CERTAIN FEDERAL INCOME TAX CONSIDERATIONS**

The Company encourages each security holder to consult with its own tax or professional advisor to understand the tax considerations generally applicable with purchasing or owning Shares.

### **PROMOTERS**

Promoter is defined as (a) a person or company who, acting alone or in conjunction with one or more other persons, companies or a combination thereof, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of an issuer, or (b) a person or company who, in connection with the founding, organizing or substantial reorganizing of the business of an issuer, directly or indirectly, receives in consideration of services or property, or both services and property, 10 per cent or more of any class of securities of the issuer or 10 per cent or more of the proceeds from the sale of any class of securities of a particular issue, but a person or company who receives such securities or proceeds either solely as underwriting commissions or solely in consideration of property

shall not be deemed a promoter within the meaning of this definition if such person or company does not otherwise take part in founding, organizing, or substantially reorganizing the business

No person or company is or has been within the two years immediately preceding the date of this Prospectus, a promoter of the Company.

#### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

The Company is not aware of any material legal proceedings involving the Company nor are any such proceedings known by the Company to be contemplated.

#### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as set forth in this Prospectus, none of (i) the directors or executive officers of the Company, (ii) the shareholders who beneficially own or control or direct, directly or indirectly, more than ten (10%) percent of the Company's outstanding voting securities, or (iii) any Associate or Affiliate of the foregoing Persons, in any transaction in which the Company has participated within the three years before the date of this Prospectus, that has materially affected or is reasonably expected to materially affect the Company.

#### **AUDITORS, TRANSFER AGENTS AND REGISTRARS**

The auditor of the Company is Davidson & Company LLP, located at 1200 - 609 Granville Street, Vancouver, British Columbia V7Y 1G6. Davidson & Company LLP is independent of the Company within the meaning of the Code of Professional Conduct of Chartered Professional Accountants of British Columbia. Davidson & Company LLP was first appointed as auditor of the Company on March 26, 2020.

The auditor of Helium Evolution is KPMG LLP, located at 3100, 205 – 5th Avenue S.W., Calgary, Alberta T2P 4B9. KPMG LLP have confirmed that they are independent with respect to Helium Evolution within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

The transfer agent and registrar for the Common Shares is Odyssey Trust Company. The Resulting Issuer is expected to appoint KPMG LLP as its auditor and is expected to retain Odyssey Trust Company to act as transfer agent for the Company.

#### **MATERIAL CONTRACTS**

The Company is party to the following material contracts, excluding contracts entered into in the ordinary course of business:

1. The Business Combination Agreement.

Copies of these agreements may be inspected without charge during regular business hours at the offices of Duckhorn and may also be found on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **EXEMPTIONS FROM SECURITIES LEGISLATION**

The Company has not applied for or received any exemption

#### **EXPERTS**

No person or company whose profession or business gives authority to a report, valuation, statement or opinion made by such person or company and who is named in this Prospectus as having prepared or certified a part of this Prospectus, or a report, valuation, statement or opinion described in this Prospectus, has received or shall receive a direct or indirect interest in any securities or other property of the Company or any associate or affiliate of the

Company. The following are persons or companies whose profession or business gives authority to a statement made in this Prospectus as having prepared or certified a part of that document or report described in the Prospectus:

- Davison & Company LLP is the external auditor of the Company and reported on the Company Financial Statements.
- KPMG LLP is the external auditor of Helium Evolution and reported on the Helium Evolution Financial Statements.

#### **OTHER MATERIAL FACTS**

To management's knowledge, there are no other material facts relating to the Transaction that are not otherwise disclosed in this Prospectus or are necessary for the Prospectus to contain full, true and plain disclosure of all material facts relating to the Transaction.

**SCHEDULE "A"**  
**FINANCIAL STATEMENTS OF THE COMPANY**

# **DUCKHORN VENTURES LTD.**

Financial Statements  
(Expressed in Canadian Dollars)  
For the year ended December 31, 2020 and  
for the period from incorporation on  
March 25, 2019 to December 31, 2019

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Duckhorn Ventures Ltd.

### *Opinion*

We have audited the accompanying financial statements of Duckhorn Ventures Ltd. (the "Company"), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of loss and comprehensive loss, changes in shareholders' deficiency, and cash flows for the year ended December 31, 2020 and the period from incorporation on March 25, 2019 to December 31, 2019, 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 December 31, 2020 and 2019, and its financial performance and its cash flows for year ended December 31, 2020 and the period from incorporation on March 25, 2019 to December 31, 2019 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 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 Alyson Neil.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

April 21, 2021

**DUCKHORN VENTURES LTD.**  
 Statements of Financial Position  
 (Expressed in Canadian dollars)  
 As at

	December 31, 2020	December 31, 2019
<b>Assets</b>		
Current Assets		
Cash	\$ 830	\$ 3,095
GST receivable	11,317	4,409
Marketable securities (Note 4)	-	10,800
Promissory note receivable (Note 6)	-	206,740
	12,147	225,044
Investment in Enosi (Note 6)	207,452	-
<b>Total Assets</b>	<b>\$ 219,599</b>	<b>\$ 225,044</b>
<b>Liabilities and Shareholders' Deficiency</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 238,436	\$ 98,555
Promissory notes payable (Note 5, 7)	256,413	230,866
	494,849	329,421
Shareholders' Deficiency		
Share capital (Note 8)	124,653	124,653
Share-based payment reserve	6,692	6,692
Deficit	(406,595)	(235,722)
	(275,250)	(104,377)
<b>Total Liabilities and Shareholders' Deficiency</b>	<b>\$ 219,599</b>	<b>\$ 225,044</b>

Nature and continuance of operations (Note 1)

Approved on Behalf of the Board on April 21, 2021:

"Scott Ackerman"  
 Scott Ackerman – CEO/CFO/Director

"Brent Ackerman"  
 Brent Ackerman – Director

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

**DUCKHORN VENTURES LTD.**Statements of Loss and Comprehensive Loss  
(Expressed in Canadian dollars)

	For the year ended December 31, 2020	For the period from incorporation on March 25, 2019 to December 31, 2019
<b>Expenses</b>		
Administration expenses	\$ 12,420	\$ 7,792
Filing fees	1,845	1,111
Finance expense (Note 5, 7)	26,597	9,716
Management fees (Note 5)	-	20,000
Professional fees	126,223	87,148
Share-based payments (Note 8)	-	6,692
Transaction costs (Note 8)	-	99,653
	<b>(167,085)</b>	<b>(232,112)</b>
<b>Other Items</b>		
Interest income (Note 6)	712	6,740
Gain on debt settlement	2,700	-
Changes in fair value of investment (Note 4)	(7,200)	(10,350)
<b>Loss and comprehensive loss for the period</b>	<b>\$ (170,873)</b>	<b>\$ (235,722)</b>
<b>Weighted average number of shares outstanding – basic and diluted</b>		
	<b>24,930,500</b>	<b>23,299,178</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>

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

**DUCKHORN VENTURES LTD.**Statements of Changes in Shareholders' Deficiency  
(Expressed in Canadian dollars)

	Share Capital		Reserves	Deficit	Total Shareholders' Deficiency
	Number (Note 8)	Amount			
<b>Balance, (incorporation) – March 25, 2019</b>	-	\$ -	\$ -	\$ -	\$ -
Common shares issued - Cash	5,000,000	25,000	-	-	25,000
Common share issued – Plan of arrangement	19,930,500	99,653	-	-	99,653
Share-based payments	-	-	6,692	-	6,692
Loss for the period	-	-	-	(235,722)	(235,722)
<b>Balance, December 31, 2019</b>	<b>24,930,500</b>	<b>\$ 124,653</b>	<b>\$ 6,692</b>	<b>\$ (235,722)</b>	<b>\$ (104,377)</b>
<b>Balance, December 31, 2019</b>	<b>24,930,500</b>	<b>\$ 124,653</b>	<b>\$ 6,692</b>	<b>\$ (235,722)</b>	<b>\$ (104,377)</b>
Loss for the year	-	-	-	(170,873)	(170,873)
<b>Balance, December 31, 2020</b>	<b>24,930,500</b>	<b>\$ 124,653</b>	<b>\$ 6,692</b>	<b>\$ (406,595)</b>	<b>\$ (275,250)</b>

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

**DUCKHORN VENTURES LTD.**  
 Statements of Cash Flows  
 (Expressed in Canadian dollars)

	For the year ended December 31, 2020	For the period from incorporation on March 25, 2019 to December 31, 2019
<b>Cash provided by (used in):</b>		
<b>Operating Activities:</b>		
Loss for the period	\$ (170,873)	\$ (235,722)
Item not involving cash:		
Accrued interest income	(712)	(6,740)
Accrued interest expense	26,597	9,716
Share-based payments	-	6,692
Transaction costs (note 8)	-	99,653
Changes in fair value of investment	7,200	10,350
Gain on debt settlement	(2,700)	-
Net change in non-cash working capital items:		
Accounts payable and accrued liabilities	145,131	98,555
GST receivable	(6,908)	(4,409)
	<b>(2,265)</b>	<b>(21,905)</b>
<b>Investing Activity:</b>		
Promissory note payable	-	200,000
Promissory note receivable (Note 6)	-	(200,000)
	-	-
<b>Financing Activity:</b>		
Proceeds from share issuance (Note 6)	-	25,000
	-	25,000
<b>Increase (decrease) in cash for the period</b>	<b>(2,265)</b>	<b>3,095</b>
Cash, beginning of the period	3,095	-
<b>Cash, end of the period</b>	<b>\$ 830</b>	<b>\$ 3,095</b>
<b>Supplemental information:</b>		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -
<b>The Company entered into the following non-cash transactions:</b>		
Promissory note issued to settle accounts payable	\$ 5,250	\$ -
Transfer of marketable securities to settle promissory note	\$ 3,600	\$ -
Shares received to settle promissory note	\$ 207,452	\$ -
Note payable issued for marketable securities	\$ -	\$ 21,150

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

## **DUCKHORN VENTURES LTD.**

### Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

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

Duckhorn Ventures Ltd. (the “Company” or “Duckhorn”) was incorporated under the British Columbia Business Corporations Act on March 25, 2019. The head office and records and registered office is located at 1600 – 609 Granville Street, Vancouver, British Columbia V7Y 1C3. The Company is currently managing its investment portfolio and is investigating and evaluating business opportunities to either acquire or in which to participate.

On May 29, 2019, ECC Diversified Inc. (“ECC”) completed a strategic reorganization of its assets by way of a plan of arrangement (the “Arrangement”) in which it spun out Duckhorn and other investee subsidiaries. The Arrangement was approved by the shareholders of ECC on May 17, 2019 and the Supreme Court of British Columbia issued its final order approving the Arrangement on May 28, 2019. Pursuant to the terms of the Arrangement, ECC distributed to each shareholder of ECC, as of April 17, 2019, one common share in the capital of Duckhorn for every common share in the capital of ECC held. As a result, 19,930,500 common shares of the Company were issued (Note 8).

In August 2019, the Company entered into a non-binding letter of intent (the “LOI”) with Enosi Pharmaceuticals Corp. (“Enosi”) with respect to the proposed acquisition by the Company of all the issued and outstanding equity securities of Enosi, and pursuant to which the Company loaned \$200,000 to Enosi. In January 2020, the parties mutually agreed to terminate the LOI and the Company converted the loan into an equity interest in Enosi. See Note 6 for details of this transaction.

The Company incurred a net loss and comprehensive loss of \$170,873 for the year ended December 31, 2020. As at December 31, 2020, the Company has an accumulated deficit of \$406,595 and a working capital deficiency of \$482,702. Continuing business as a going concern is dependent upon the ability of the Company to obtain additional debt or equity financing, both of which are uncertain. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

These financial statements have been prepared in accordance with IFRS with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than a process of forced liquidation. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. To date, COVID-19 has not had an adverse impact on the Company.

## **DUCKHORN VENTURES LTD.**

### Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

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## **2. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of these financial statements in conformity with International Financial Reporting Standards (“IFRS”) requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

### **(a) Critical accounting estimates**

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year included:

#### **i. Income tax**

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

#### **ii. Stock options**

Determining the fair value of stock options requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company’s future operating results or on other components of shareholders’ equity.

#### **iii. Fair value of investments**

The Company recognizes its investments at fair value. Fair value is determined on the basis of market prices from independent sources, if available. If there is no market price, then the fair value is determined by using valuation models. The inputs to these models are derived

## **DUCKHORN VENTURES LTD.**

Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

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### **2. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)**

#### **(a) Critical accounting estimates (continued)**

from observable market data where possible, but where observable data is not available, judgment is required to establish fair values.

There is inherent uncertainty and imprecision in estimating the factors that can affect fair value, and in estimating fair values generally, when observable data is not available. Changes in assumptions and inputs used in valuing financial instruments could affect reported fair values.

#### **(b) Critical accounting judgment**

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the statements are, but are not limited to, the following:

##### **i. Going concern**

The preparation of the financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in Note 1.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Basis of presentation**

These financial statements have been prepared in accordance with 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 a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss and financial instruments classified as FVTOCI, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These financial statements were authorized by the Audit Committee and the Board of Directors of the Company on April 21, 2021.

#### **(b) Share-based payments**

The stock option plan allows Company directors, officers, employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in shareholders’ equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or

**DUCKHORN VENTURES LTD.**

Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****(b) Share-based payments (continued)**

provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from share-based payment reserve to share capital.

In situations where equity instruments are issued to non-employees and some or all of the services received by the entity as consideration cannot be specifically identified, they are all measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of the services received.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

**(c) Share capital**

Common shares are classified as share capital. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

**(d) Income (loss) per share**

The Company presents basic and diluted income (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted income (loss) per share is calculated by dividing the income by the weighted average number of common shares outstanding assuming that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted loss per share is the same as basic loss per share.

**(e) 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. 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.

**DUCKHORN VENTURES LTD.**

## Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****(f) Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost. The Company does not have any provisions for the period presented.

**(g) Income taxes**

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantially enacted at the reporting date.

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 purpose. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable operations, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

## DUCKHORN VENTURES LTD.

Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (h) Financial instrument measurement and valuation

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 assets or liability either directly or indirectly; and
Level 3	Inputs that are not based on observable market data.

The measurement of the Company's financial instruments is disclosed in Note 13 to these financial statements. Any financial instrument that is valued using level 2 or 3 inputs will involve estimation uncertainty.

#### **IFRS 9, *Financial Instruments***

The following is the accounting policy under IFRS 9:

##### **Financial assets**

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company's accounting policy for each of the categories is as follows:

**Financial assets at FVTPL:** Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the statement of (loss) income in the period.

**Financial assets at FVTOCI:** Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income (loss) in which they arise.

**DUCKHORN VENTURES LTD.**

Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****(h) Financial instrument measurement and valuation (continued)**

**Financial assets at amortized cost:** A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

**Impairment of financial assets at amortized cost:** The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

The following table shows the classification of the Company's financial instruments under IFRS 9:

<b>Financial instrument</b>	<b>IFRS 9 Classification</b>
Cash	Amortized cost
GST receivable	Amortized cost
Investments	FVTPL
Promissory note receivable	Amortized cost
Accounts payable & accrued liabilities	Amortized cost
Promissory notes payable and loan payable	Amortized cost

**Financial liabilities and equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

**DUCKHORN VENTURES LTD.**

## Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

**4. INVESTMENTS**

All of the Company's investments have been classified as FVTPL.

	December 31, 2020		December 31, 2019	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
<b>Publicly traded securities</b>	-	-	10,800	21,150
	-	-	10,800	21,150

Changes in the Company's investments at fair value were as follows:

	December 31, 2020	December 31, 2019
	\$	\$
<b>Opening Balance</b>	<b>10,800</b>	-
<b>Purchase of marketable securities</b>	-	21,150
<b>Disposal of investment (Note 7)</b>	<b>(3,600)</b>	-
<b>Changes in fair value of investments</b>	<b>(7,200)</b>	(10,350)
<b>Ending Balance</b>	-	10,800

**Publicly traded securities**

The Company's publicly traded securities can be sold at any time at the Company's discretion subject to market conditions and from time to time hold period restrictions of not more than four months pursuant to the terms of each respective private placement subscription agreement, as well as escrow restrictions, if applicable. During fiscal 2020, the Company sold 180,000 common shares of World Class Extractions Inc. ("WCE") with a fair value of \$3,600 to ECC. As consideration, the promissory note between ECC and the Company was reduced by \$6,300, resulting in a gain of \$2,700. See Note 7 for details relating to this promissory note. As at December 31, 2020 the Company did not own any investments in publicly traded securities.

**DUCKHORN VENTURES LTD.**

## Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

**5. 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. 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.

The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them are recorded at their exchange amounts as agreed upon by transacting parties.

Summary of expenses incurred:

Nature	For the year ended December 31, 2020	For the period from incorporation on March 25, 2019 to December 31, 2019
	\$	\$
Share-based payments	-	5,375
Management fees	-	20,000
Interest on promissory notes	<b>26,597</b>	9,716

The Company has secured promissory notes with different related parties; ECC and The Emprise Special Opportunities Fund (2017) ("ESOF2017") are both shareholders of the Company. During fiscal 2020, an additional \$5,250 was secured from ESOF2017. See Note 7 for details relating to these promissory notes.

During the year ended December 31, 2020, the Company repaid a portion of a promissory note with ECC.

Amount due to related parties included in promissory notes payable:

Nature	Relationship	December 31, 2020	December 31, 2019
Promissory note (ECC)	Shareholder of the Company	\$ 18,535	\$ 22,778
Promissory note (ESOF2017)	Shareholder of the Company	\$ 237,878	\$ 208,088

## **DUCKHORN VENTURES LTD.**

### Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

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## **6. INVESTMENT IN ENOSI**

### **ENOSI**

Pursuant to an agreement dated August 30, 2019, the Company loaned \$200,000, receivable by promissory note to Enosi in conjunction with the LOI. The principal outstanding under this promissory note bore interest at the simple rate of 10% per annum. On January 13, 2020, the Company and Enosi entered into an agreement to restructure their proposed transaction (the "Settlement Agreement"), resulting in the Company acquiring an equity interest in Enosi. Pursuant to the Settlement Agreement, Enosi issued 82,500 common shares in its capital to the Company in full satisfaction of all obligations owing by Enosi to the Company. Enosi is a private biotechnology company incorporated under the laws of the province of British Columbia that is focused on translating novel technologies into valuable therapeutics in the treatment of cancer and autoimmune disease.

## **7. PROMISSORY NOTES PAYABLE**

### **ECC**

Pursuant to an agreement dated March 25, 2019, the Company purchased 90,000 common shares (subsequently split 2:1 resulting in 180,000 common shares) of WCE (Note 4) from ECC for an aggregate price of \$21,150, payable by promissory note. This promissory note bears interest at the simple rate of 10% per annum and is unsecured. The entire unpaid principal and any interest is fully and immediately payable upon demand. The Company may repay the principal and all accrued interest thereon at any time and from time to time without notice or penalty. During the year ended December 31, 2020 the Company sold its investment in WCE to ECC. As consideration for the transfer, the promissory note was reduced by \$6,300, resulting in a gain on debt settlement of \$2,700. The Company incurred interest expense of \$2,057 on the promissory note during the year ended December 31, 2020 (2019 - \$1,628). As at December 31, 2020, the promissory note had a balance of \$18,535 (2019 - \$22,778) including accrued interest payable of \$388 (2019 - \$1,628).

### **THE EMPRISE SPECIAL OPPORTUNITIES FUND (2017) LIMITED PARTNERSHIP ("ESOF2017")**

Pursuant to an agreement dated August 30, 2019, the Company received \$200,000 from ESOF2017, payable by promissory note. This promissory note bears interest at the simple rate of 12% per annum and is unsecured. The entire unpaid principal and any interest is fully and immediately payable upon demand. The Company may repay the principal and all accrued interest thereon at any time and from time to time without notice or penalty.

In the current fiscal year, ESOF2017 has advanced a further \$5,250 bearing interest at a simple rate of 12% per annum.

The Company incurred interest expense of \$24,540 on the promissory note during the year ended December 31, 2020 (2019 - \$8,088). As at December 31, 2020, the promissory note had a balance of \$237,878 (2019 - \$208,088) including accrued interest payable of \$32,628 (2019 - \$8,088).

## DUCKHORN VENTURES LTD.

### Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

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## 8. SHARE CAPITAL

### (a) Authorized

Unlimited number of common and preferred shares without par value. There are no preferred shares issued or outstanding.

### (b) Issued and outstanding

As at December 31, 2019 and 2020, the Company had 24,930,500 common shares issued and outstanding.

On March 25, 2019, the Company received \$25,000 through the issuance of 5,000,000 common shares at \$0.005 per share.

On May 29, 2019, ECC completed a strategic reorganization of its assets in which it spun out certain assets into Duckhorn. The transaction was carried out by way of an Arrangement pursuant to the *Business Corporations Act* (British Columbia). Under the terms of the Arrangement, shareholders of ECC received one common share of the Company for every common share of ECC they held as of April 17, 2019; as a result, 19,930,500 common shares of the Company were issued. The value of each share is deemed to be \$0.005 for a total of \$99,653.

	Number of Shares	Amount \$
<b>Balance, (incorporation) March 25, 2019</b>	-	-
March 25, 2019 – share issuance	5,000,000	25,000
May 29, 2019 – plan of arrangement	19,930,500	99,653
<b>Balance, December 31, 2019 and 2020</b>	<b>24,930,500</b>	<b>124,653</b>

### (c) Stock options

On March 25, 2019, the Company adopted a stock option plan (the “Stock Option Plan”) whereby it can grant incentive stock options to directors, officers, employees, and technical consultants of the Company. The maximum number of shares that may be reserved for issuance under the Stock Option Plan is limited to 10% of the issued common shares of the Company at any time. The vesting period for all options is at the discretion of the Board of Directors. The exercise price will be set by the Board of Directors at the time of grant and cannot be less than the discounted market price (if any) of the Company’s common shares.

The Stock Option Plan provides that the number of common shares that may be reserved for the issuance to any one individual upon exercise of all stock options held by such an individual may

**DUCKHORN VENTURES LTD.**

## Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

**8. SHARE CAPITAL (continued)****(c) Stock options (continued)**

not exceed 5% of the issued common shares, if the individual is a director or officer, or 2% of the issued common shares, if the individual is a consultant or engaged in providing investor relations services, on a yearly basis. All options granted under the Stock Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability. Options granted under the Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

On May 29, 2019, the Company granted a total of 2,490,000 incentive stock options to officers and a consultant to the Company, which vested immediately, having an exercise price of \$0.02 per share and expire in five years.

Share purchase option transactions are summarized as follows:

	Number	Options Weighted Average Exercise Price
<b>Balance, (incorporation) March 25, 2019</b>	-	\$ -
Grants	2,490,000	0.02
<b>Outstanding and exercisable, December 31, 2019 and 2020</b>	<b>2,490,000</b>	<b>\$ 0.02</b>

The fair value of the options granted was determined to be \$6,692 using the Black-Scholes option pricing model under the following assumptions: risk-free interest rate – 1.36%; expected life – 5 years; expected volatility – 100% and expected dividends – nil.

As at December 31, 2020, stock options outstanding and exercisable are as follows:

Grant Date	Number of options Outstanding and Exercisable	Exercise Price	Expiry date	Remaining contractual life (years)
May 29, 2019	2,490,000	\$0.02	May 29, 2024	3.41
<b>Total</b>	<b>2,490,000</b>	<b>\$0.02</b>		<b>3.41</b>

**DUCKHORN VENTURES LTD.**

## Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

**9. BASIC AND DILUTED LOSS PER SHARE**

The calculation of basic and diluted loss per share for the period ended December 31, 2020 was based on the loss attributable to common shareholders of \$170,873 and the weighted average number of common shares outstanding of 24,930,500.

**10. INCOME TAXES**

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	2020	2019
<b>Loss before income taxes</b>	<b>\$ 170,873</b>	\$ 235,722
<b>Expected income tax recovery at statutory rates</b>	<b>(46,000)</b>	(64,000)
<b>Changes in statutory, foreign tax, foreign exchange and other</b>	<b>(1,000)</b>	(2,000)
<b>Change in unrecognized deferred tax assets</b>	<b>47,000</b>	66,000
<b>Income tax expense (recovery)</b>	<b>\$ -</b>	\$ -

The significant components of the Company's temporary differences, unused tax credits 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
<b>Temporary Differences</b>				
<b>Allowable capital losses</b>	<b>7,000</b>	No expiry date	-	No expiry date
<b>Non-capital losses available for future periods</b>	<b>410,000</b>	2039-2040	240,000	2039

Tax attributes are subject to review, and potential adjustment, by tax authorities.

## **DUCKHORN VENTURES LTD.**

Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

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### **11. SEGMENTED INFORMATION**

The Company operates in one segment, being the investigation and evaluation of business opportunities in which to participate. All of the Company's assets are held in Canada.

### **12. MANAGEMENT OF CAPITAL**

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 ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. As at December 31, 2020, the Company is not subject to any externally imposed capital requirements.

### **13. FINANCIAL INSTRUMENTS**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

#### **Market Risk**

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk and are disclosed as follows:

##### **(i) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds no financial instruments that are denominated in a currency other than Canadian dollars. As at December 31, 2020, the Company is not exposed to currency risk.

## **DUCKHORN VENTURES LTD.**

### Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

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## **13. FINANCIAL INSTRUMENTS (continued)**

### **(ii) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. The Company's sensitivity to interest rates relative to its cash balances is currently immaterial. The Company also has no long-term debt with variable interest rates, so it has no negative exposure to changes in the market interest rate.

### **(iii) Price rate risk**

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Management closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Given the Company's limited market exposure at this time it has assessed there to be a low level of price rate risk.

### **Credit Risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions. Management believes that the credit risk related to its cash is negligible.

### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At December 31, 2020, the Company has no revenue and has a cash balance of \$830 to settle current liabilities of \$494,849. As such, the Company has insufficient cash to fund corporate overhead costs and the repayment of the Company's debt obligations for the next year.

Until such time as the Company's investments increase in value or begin generating significant dividend income, the Company will remain dependent upon the financial support of its shareholders and debt holders or the sale of investments. If the Company is unable to finance itself through these means, it is possible that the Company will be unable to continue as a going concern.

Additionally, the Company likely has insufficient funds from which to finance any identified business acquisition and as such will require additional financing to accomplish the Company's long-term strategic objectives. Future funding may be obtained by means of issuing share capital and/or debt financing. There can be no certainty of the Company's ability to raise additional financing through these means. If the Company is unable to continue to finance itself through these means, it is possible that the Company will be unable to continue as a going concern.

## **DUCKHORN VENTURES LTD.**

### Notes to the Financial Statements

For the year ended December 31, 2020 and for the period from incorporation on March 25, 2019 to December 31, 2019

(Expressed in Canadian dollars)

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### **13. FINANCIAL INSTRUMENTS (continued)**

Consequently, the Company is exposed to liquidity risk as at December 31, 2020.

#### **Fair Value Risk**

When participating in investment activities, the Company may incur losses if it is unable to resell the securities it has purchased or if it is forced to liquidate its holdings at less than their respective carrying values. The Company is also exposed to fair value risk as a result of its trading activities in publicly traded securities. All of the Company's investments are carried on a FVTPL basis and are recorded at their fair value. As such, changes in fair value affect earnings as they occur.

The fair value of cash, accounts receivable, accounts payable and accrued liabilities, and promissory notes payable at December 31, 2020 approximate their carrying values due to their short term to maturity.

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 assets or liability either directly or indirectly; and |
| Level 3 | Inputs that are not based on observable market data.   |

The fair value of the Company's private company investment is determined using Level 2 inputs. The key assumptions used by the Company in the valuation of its private company investment include, but are not limited to, the value of recently completed financings by the investee, entity-specific information, and publicly available information of comparable entities.

**DUCKHORN VENTURES LTD.**

Condensed Interim Financial Statements  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2021 and 2020

**DUCKHORN VENTURES LTD.**

## Condensed Interim Statements of Financial Position

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	As at June 30, 2021	As at December 31, 2020
<b>Assets</b>		
Current Assets		
Cash	\$ 5,811	\$ 830
GST receivable	15,054	11,317
	<u>20,865</u>	<u>12,147</u>
Investment in Enosi (Note 6)	-	207,452
	<u>20,865</u>	<u>219,599</u>
<b>Total Assets</b>	<b>20,865</b>	<b>\$ 219,599</b>
<b>Liabilities and Shareholders' Deficiency</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 311,753	\$ 238,436
Promissory notes payable (Note 5 & 7)	32,629	256,413
	<u>344,382</u>	<u>494,849</u>
Shareholders' Deficiency		
Share capital (Note 8)	124,653	124,653
Share-based payment reserve	6,692	6,692
Deficit	(454,862)	(406,595)
	<u>(323,517)</u>	<u>(275,250)</u>
<b>Total Liabilities and Shareholders' Deficiency</b>	<b>20,865</b>	<b>\$ 219,599</b>

Nature and continuance of operations (Note 1)

Approved on Behalf of the Board on August 26, 2021:

"Scott Ackerman"

Scott Ackerman – CEO/CFO/Director

"Brent Ackerman"

Brent Ackerman – Director

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

**DUCKHORN VENTURES LTD.**

## Condensed Interim Statements of Loss and Comprehensive Loss

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
<b>Expenses</b>				
Administration expenses	\$ 3,019	\$ 3,338	\$ 6,039	\$ 6,357
Filing fees	1,824	1,801	1,824	1,844
Finance expense (Note 5 & 7)	819	6,668	7,339	13,179
Professional fees	33,736	31,030	63,736	61,030
	<b>(39,398)</b>	<b>(42,837)</b>	<b>(78,938)</b>	<b>(82,410)</b>
<b>Other Items</b>				
Gain on sale of investment (Note 6)	30,671	-	30,671	-
Interest income (Note 6)	-	-	-	712
Unrealized gain/(loss) on investments at fair value (Note 4)	-	1,800	-	(5,400)
<b>Loss and comprehensive loss for the period</b>	<b>\$ (8,727)</b>	<b>\$ (41,037)</b>	<b>\$ (48,267)</b>	<b>\$ (87,098)</b>
<b>Weighted average number of shares outstanding – basic and diluted</b>				
	24,930,500	24,930,500	24,930,500	24,930,500
<b>Basic and diluted loss per share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>

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

**DUCKHORN VENTURES LTD.**

## Condensed Interim Statements of Changes in Shareholders' Deficiency

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	Share Capital		Reserves	Deficit	Total Shareholders' Deficiency
	Number (Note 8)	Amount			
<b>Balance, December 31, 2019</b>	<b>24,930,500</b>	<b>\$ 124,653</b>	<b>\$ 6,692</b>	<b>\$ (235,722)</b>	<b>\$ (104,377)</b>
Loss for the period	-	-	-	(87,098)	(87,098)
<b>Balance, June 30, 2020</b>	<b>24,930,500</b>	<b>\$ 124,653</b>	<b>\$ 6,692</b>	<b>\$ (322,820)</b>	<b>\$ (191,475)</b>
<b>Balance, December 31, 2020</b>	<b>24,930,500</b>	<b>\$ 124,653</b>	<b>\$ 6,692</b>	<b>\$ (406,595)</b>	<b>\$ (275,250)</b>
Loss for the period	-	-	-	(48,267)	(48,267)
<b>Balance, June 30, 2021</b>	<b>24,930,500</b>	<b>\$ 124,653</b>	<b>\$ 6,692</b>	<b>\$ (454,862)</b>	<b>\$ (323,517)</b>

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

**DUCKHORN VENTURES LTD.**

Condensed Interim Statements of Cash Flows  
(Unaudited – Prepared by Management)  
(Expressed in Canadian dollars)

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	For the six months ended June 30, 2021	For the six months ended June 30, 2020
<b>Cash provided by (used for):</b>		
<b>Operating Activities:</b>		
Loss for the period	\$ (48,267)	\$ (87,098)
Item not involving cash:		
Accrued interest income	-	(712)
Accrued interest expense	7,339	13,179
Changes in fair value of investment	-	5,400
Gain on sale of investment	(30,671)	-
Net change in non-cash working capital items:		
Accounts payable and accrued liabilities	80,317	71,013
Accounts receivable	(3,737)	(3,598)
	<b>4,981</b>	<b>(1,816)</b>
<b>Increase (decrease) in cash for the period</b>	<b>4,981</b>	<b>(1,816)</b>
Cash, beginning of the period	830	3,095
<b>Cash, end of the period</b>	<b>\$ 5,811</b>	<b>\$ 1,279</b>
<b>Supplemental information:</b>		
Interest paid	\$ -	\$ -
Income taxes	\$ -	\$ -
<b>The Company entered into the following non-cash transactions:</b>		
Promissory note issued to settle accounts payable	\$ 7,000	\$ 5,250
Shares received to settle promissory note	-	207,452
Transfer of shares to settle promissory note	<b>207,452</b>	-

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

## **DUCKHORN VENTURES LTD.**

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2021

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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

Duckhorn Ventures Ltd. (the “Company” or “Duckhorn”) was incorporated under the British Columbia Business Corporations Act on March 25, 2019. The Company’s head office and records and registered office is located at 1600 – 609 Granville Street, Vancouver, British Columbia V7Y 1C3. The Company is currently managing its investment portfolio and is investigating and evaluating business opportunities to either acquire or in which to participate.

On May 29, 2019, ECC Diversified Inc. (“ECC”) completed a strategic reorganization of its assets by way of a plan of arrangement (the “Arrangement”) in which it spun out Duckhorn and other investee subsidiaries. The Arrangement was approved by the shareholders of ECC on May 17, 2019 and the Supreme Court of British Columbia issued its final order approving the Arrangement on May 28, 2019. Pursuant to the terms of the Arrangement, ECC distributed to each shareholder of ECC, as of April 17, 2019, one common share in the capital of Duckhorn for every common share in the capital of ECC held. As a result, 19,930,500 common shares of the Company were issued (Note 8).

In August 2019, the Company entered into a non-binding letter of intent (the “LOI”) with Enosi Pharmaceuticals Corp. (“Enosi”) with respect to the proposed acquisition by the Company of all the issued and outstanding equity securities of Enosi, and pursuant to which the Company loaned \$200,000 to Enosi. In January 2020, the parties mutually agreed to terminate the LOI and the Company converted the loan into an equity interest in Enosi. See Note 6 for details of this transaction.

The Company incurred a net loss and comprehensive loss of \$48,267 for the period ended June 30, 2021. As at June 30, 2021, the Company has an accumulated deficit of \$454,862 and a working capital deficiency of \$323,517. Continuing business as a going concern is dependent upon the ability of the Company to obtain additional debt or equity financing, both of which are uncertain. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

These financial statements have been prepared in accordance with IFRS with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than a process of forced liquidation. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. To date, COVID-19 has not had an adverse impact on the Company.

## **DUCKHORN VENTURES LTD.**

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2021

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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### **2. BASIS OF PRESENTATION**

#### **Statement of Compliance**

The condensed interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting. Accordingly, these condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the most recent audited annual financial statements of the Company as at and for the year ended December 31, 2020. The Board of Directors authorized these condensed interim financial statements for issue on August 26, 2021.

The accounting policies applied in these condensed interim financial statements are the same as those applied in the Company’s most recent audited annual financial statements as at and for the year ended December 31, 2020.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Basis of Measurement**

These condensed interim financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

#### **(b) Critical Accounting Estimates, Judgments and Assumptions**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and expenses. Estimates and associated assumptions applied in determining asset or liability values are based on historical experience and various other factors including other sources that are believed to be reasonable under the circumstances but are not necessarily readily apparent or recognizable at the time such estimate or assumption is made. Actual results may differ from these estimates.

Estimates and underlying assumptions used in determining asset and liability values are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The information about significant areas of estimation uncertainty considered by management in preparing the condensed interim financial statements is as follows:

## **DUCKHORN VENTURES LTD.**

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2021

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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

#### **(b) Critical Accounting Estimates, Judgments and Assumptions (continued)**

##### **(i) Deferred tax assets and liabilities**

The measurement of deferred income tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful operations of the Company. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred tax provisions or recoveries could be affected.

##### **(ii) Valuation of share-based payments**

Management uses the Black-Scholes model to determine the fair value of stock options granted to officers and directors. This model requires assumptions of the expected future price volatility of the Company's common shares, expected life of options, future risk-free interest rates, and the dividend yield of the Company's common shares.

The information about significant areas of judgment considered by management in preparing the condensed interim financial statements is as follows:

##### **(i) Going concern**

The assessment of the Company's ability to continue as a going concern as discussed in Note 1 involves judgment regarding future funding available for its operations and working capital requirements.

**DUCKHORN VENTURES LTD.**

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2021

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

**4. INVESTMENTS**

Changes in the Company's investment at fair value were as follows:

	June 30, 2021	December 31, 2020
<b>Opening Balance</b>	\$ -	\$ 10,800
<b>Disposal of investment (Note 7)</b>	-	(3,600)
<b>Changes in fair value of investment</b>	-	(7,200)
<b>Ending Balance</b>	\$ -	\$ -

**Publicly traded securities**

The Company's publicly traded securities can be sold at any time at the Company's discretion subject to market conditions and from time to time hold period restrictions of not more than four months pursuant to the terms of each respective private placement subscription agreement, as well as escrow restrictions, if applicable. During the year ended December 31, 2020, the Company sold 180,000 common shares of World Class Extractions Inc. ("WCE") with a fair value of \$3,600 to ECC. As consideration, the promissory note between ECC and the Company was reduced by \$6,300, resulting in a gain of \$2,700. See Note 7 for details relating to this promissory note. As at June 30, 2021 the Company did not own any investments in publicly traded securities.

**5. 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. 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.

The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them are recorded at their exchange amounts as agreed upon by transacting parties.

## DUCKHORN VENTURES LTD.

Notes to the Condensed Interim Financial Statements  
For the three and six months ended June 30, 2021  
(Unaudited – Prepared by Management)  
(Expressed in Canadian dollars)

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### 5. RELATED PARTY TRANSACTIONS (continued)

Summary of expenses incurred:

Nature	For the six months ended June 30, 2021	For the six months ended June 30, 2020
	\$	\$
Interest on promissory notes	7,339	13,179

The Company has secured promissory notes with different related parties; ECC and The Emprise Special Opportunities Fund (2017) (“ESOF 2017”) are both shareholders of the Company. During fiscal 2020, an additional \$5,250 was secured from ESOF 2017. During the year ended December 31, 2021, an additional \$7,000 was secured from ESOF 2017. See Note 7 for details relating to these promissory notes.

Amount due to related parties included in promissory notes payable:

Nature	Relationship	June 30, 2021	December 31, 2020
Promissory note (ECC)	Shareholder of the Company	\$ 19,435	\$ 18,535
Promissory note (ESOF (2017))	Shareholder of the Company	\$ 13,194	\$ 237,878

### 6. INVESTMENT IN ENOSI

Pursuant to an agreement dated August 30, 2019, the Company loaned \$200,000, receivable by promissory note to Enosi in conjunction with the LOI. The principal outstanding under this promissory note bore interest at the simple rate of 10% per annum. On January 13, 2020, the Company and Enosi entered into an agreement to restructure their proposed transaction (the “Settlement Agreement”), resulting in the Company acquiring an equity interest in Enosi. Pursuant to the Settlement Agreement, Enosi issued 82,500 common shares in its capital to the Company in full satisfaction of all obligations owing by Enosi to the Company. Enosi is a private biotechnology company that is focused on translating novel technologies into valuable therapeutics in the treatment of cancer and autoimmune disease. During the period ended June 30, 2021, the Company transferred the 82,500 common shares to ESOF 2017 for full and final settlement of the \$200,000 note as well as \$38,123 in interest payable, thereby recognizing a gain of \$30,671.

### 7. PROMISSORY NOTES PAYABLE

#### ECC

Pursuant to an agreement dated March 25, 2019, the Company purchased 90,000 common shares (subsequently split 2:1 resulting in 180,000 common shares) of WCE from ECC for an aggregate price of \$21,150, payable by promissory note. The principal outstanding under this promissory note bears interest at the simple rate of 10% per annum. The entire unpaid principal and any interest is fully and immediately payable upon demand. The Company may repay the principal and all accrued interest

## **DUCKHORN VENTURES LTD.**

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2021

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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### **7. PROMISSORY NOTES PAYABLE (continued)**

thereon at any time and from time to time without notice or penalty. During the year ended December 31, 2020, the Company sold its investment in WCE to ECC. As consideration for the transfer, the promissory note was reduced by \$6,300, resulting in a gain on debt settlement of \$2,700. The Company incurred interest expense of \$900 on the promissory note during the period ended June 30, 2021 (2020 - \$1,054). As of June 30, 2021, the promissory note had a balance of \$19,435 (December 31, 2020 - \$18,535) including accrued interest payable of \$1,288 (December 31, 2020 - \$388).

#### **THE EMPRISE SPECIAL OPPORTUNITIES FUND (2017) LIMITED PARTNERSHIP (“ESOF2017”)**

Pursuant to an agreement dated August 30, 2019, the Company received \$200,000 from ESOF2017, payable by promissory note. The promissory note bears interest at the simple rate of 12% per annum and is unsecured. The entire unpaid principal and any interest is fully and immediately payable upon demand. The Company may repay the principal and all accrued interest thereon at any time and from time to time without notice or penalty.

During the year ended December 31, 2020, ESOF 2017 advanced a further \$5,250, and during the period ended June 30, 2021, an additional \$7,000. During the period ended June 30, 2021, with the transfer of the 82,500 Enosi shares (Note 6), the Company repaid the promissory note of \$200,000 plus interest of \$38,123, thereby recognizing a gain of \$30,671.

The Company incurred interest expense of \$6,439 on the promissory note during the period ended June 30, 2021 (December 31, 2020 - \$24,540). As at June 30, 2021, the promissory note had a balance of \$13,194 (2020 - \$237,878) including accrued interest payable of \$944 (2020 - \$32,628).

### **8. SHARE CAPITAL**

#### **(a) Authorized**

Unlimited number of common and preferred shares without par value.

#### **(b) Issued and outstanding**

As at June 30, 2021 the Company had 24,930,500 common shares issued and outstanding. There are no preferred shares issued or outstanding.

On March 25, 2019, the Company received \$25,000 through the issuance of 5,000,000 common shares at \$0.005 per share.

On May 29, 2019, ECC completed a strategic reorganization of its assets in which it spun out certain assets into Duckhorn. The transaction was carried out by way of an Arrangement pursuant to the *Business Corporations Act* (British Columbia). Under the terms of the Arrangement, shareholders of ECC received one common share of the Company for every common share of ECC

**DUCKHORN VENTURES LTD.**

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2021

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

**8. SHARE CAPITAL (continued)****(b) Issued and outstanding (continued)**

they held as of April 17, 2019; as a result, 19,930,500 common shares of the Company were issued. The value of each share is deemed to be \$0.005 for a total of \$99,653.

	Number of Shares	Amount \$
<b>Balance, (incorporation) March 25, 2019</b>	-	-
March 25, 2019 – share issuance	5,000,000	25,000
May 29, 2019 – plan of arrangement	19,930,500	99,653
<b>Balance, December 31, 2019, 2020 and June 30, 2021</b>	<b>24,930,500</b>	<b>124,653</b>

**(c) Stock options**

On March 25, 2019, the Company adopted a stock option plan (the “Stock Option Plan”) whereby it can grant incentive stock options to directors, officers, employees, and technical consultants of the Company. The maximum number of shares that may be reserved for issuance under the Stock Option Plan is limited to 10% of the issued common shares of the Company at any time. The vesting period for all options is at the discretion of the Board of Directors. The exercise price will be set by the Board of Directors at the time of grant and cannot be less than the discounted market price (if any) of the Company’s common shares.

The Stock Option Plan provides that the number of common shares that may be reserved for the issuance to any one individual upon exercise of all stock options held by such an individual may not exceed 5% of the issued common shares, if the individual is a director or officer, or 2% of the issued common shares, if the individual is a consultant or engaged in providing investor relations services, on a yearly basis. All options granted under the Stock Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability. Options granted under the Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

On May 29, 2019, the Company granted a total of 2,490,000 incentive stock options to officers and a consultant to the Company, which vested immediately, having an exercise price of \$0.02 per share and expire in five years.

**DUCKHORN VENTURES LTD.**

Notes to the Condensed Interim Financial Statements  
For the three and six months ended June 30, 2021  
(Unaudited – Prepared by Management)  
(Expressed in Canadian dollars)

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**8. SHARE CAPITAL (continued)****(c) Stock options (continued)**

Share purchase option transactions are summarized as follows:

	Number	Weighted Average Exercise Price
<b>Balance, (incorporation) March 25, 2019</b>	-	\$ -
Grants	2,490,000	0.02
<b>Outstanding and exercisable, December 31, 2019, 2020 and June 30, 2021</b>	<b>2,490,000</b>	<b>\$ 0.02</b>

The fair value of the options granted was determined to be \$6,692 using the Black-Scholes option pricing model under the following assumptions: risk-free interest rate – 1.36%; expected life – 5 years; expected volatility – 100% and expected dividends – nil.

As of June 30, 2021, stock options outstanding and exercisable are as follows:

Grant Date	Number of options Outstanding and Exercisable	Exercise Price	Expiry date	Remaining contractual life (years)
May 29, 2019	2,490,000	\$0.02	May 29, 2024	2.92
<b>Total</b>	<b>2,490,000</b>	<b>\$0.02</b>		<b>2.92</b>

**9. BASIC AND DILUTED LOSS PER SHARE**

The calculation of basic and diluted loss per share for the period ended June 30, 2021 was based on the loss attributable to common shareholders of \$48,267 and the weighted average number of common shares outstanding of 24,930,500.

**10. SEGMENTED INFORMATION**

The Company operates in one segment, being the investigation and evaluation of business opportunities in which to participate. All of the Company's assets are held in Canada.

## **DUCKHORN VENTURES LTD.**

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2021

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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### **11. MANAGEMENT OF CAPITAL**

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 ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. As at June 30, 2021, the Company is not subject to any externally imposed capital requirements. There were no changes to the Company's approach to capital management during the period.

### **12. FINANCIAL INSTRUMENTS**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

#### **Market Risk**

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk and are disclosed as follows:

##### **(i) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds no financial instruments that are denominated in a currency other than Canadian dollars. As at June 30, 2021, the Company is not exposed to currency risk.

##### **(ii) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. The Company's sensitivity to interest rates relative to its cash balances is currently immaterial. The Company also has no long-term debt with variable interest rates, so it has no negative exposure to changes in the market interest rate.

**DUCKHORN VENTURES LTD.**

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2021

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

**12. FINANCIAL INSTRUMENTS (continued)****Market Risk (continued)****(iii) Price rate risk**

The Company has no exposure to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market.

**Credit Risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions. Management believes that the credit risk related to its cash is negligible.

**Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At June 30, 2021, the Company has limited sources of revenue and has a cash balance of \$5,811 to settle current liabilities of \$344,382. As such, the Company has insufficient cash to fund corporate overhead costs and the repayment of the Company's debt obligations for the next year.

Until such time as the Company's investments increase in value or begin generating significant dividend income, the Company will remain dependent upon the financial support of its shareholders and debt holders or the sale of investments. If the Company is unable to finance itself through these means, it is possible that the Company will be unable to continue as a going concern.

Additionally, the Company likely has insufficient funds from which to finance any identified business acquisition and as such will require additional financing to accomplish the Company's long-term strategic objectives. Future funding may be obtained by means of issuing share capital and/or debt financing. There can be no certainty of the Company's ability to raise additional financing through these means. If the Company is unable to continue to finance itself through these means, it is possible that the Company will be unable to continue as a going concern.

Consequently, the Company is exposed to liquidity risk as at June 30, 2021.

## **DUCKHORN VENTURES LTD.**

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2021

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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### **12. FINANCIAL INSTRUMENTS (continued)**

#### **Fair Value Risk**

When participating in investment activities, the Company may incur losses if it is unable to resell the securities it has purchased or if it is forced to liquidate its holdings at less than their respective carrying values. The Company is also exposed to fair value risk as a result of its trading activities in publicly traded securities. All the Company's investments are carried on a FVTPL basis and are recorded at their fair value. As such, changes in fair value affect earnings as they occur.

The fair value of cash, accounts receivable, promissory note receivable, accounts payable and accrued liabilities, and promissory notes payable at June 30, 2021 approximate their carrying values due to their short term to maturity.

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 assets or liability either directly or indirectly; and
Level 3	Inputs that are not based on observable market data.

The fair value of the Company's private company investment is determined using Level 2 inputs. The key assumptions used by the Company in the valuation of its private company investment include, but are not limited to, the value of recently completed financings by the investee, entity-specific information, and publicly available information of comparable entities.

**SCHEDULE "B"**  
**MD&A OF THE COMPANY**

**DUCKHORN VENTURES LTD.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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**Dated: April 21, 2021**

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

This management's discussion and analysis ("MD&A") reports on the operating results and financial condition of Duckhorn Ventures Ltd., for the year ended December 31, 2020 and is prepared as at April 21, 2021. Throughout this MD&A, unless otherwise specified, "Duckhorn" or "Company" refer to Duckhorn Ventures Ltd. This MD&A should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2020 and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"). Other information contained in these documents has also been prepared by management and is consistent with the data contained in the Financial Statements. All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are responsible to ensure that this MD&A does not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the periods covered. The financial statements together with the other financial information included in this MD&A fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date hereof and for the periods presented herein. The Board of Directors approves the Financial Statements and MD&A and ensures that management has discharged its financial responsibilities. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION**

This MD&A includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein.

Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These forward-looking statements include but are not limited to statements concerning:

## **DUCKHORN VENTURES LTD. MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020**

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- The Company's ability to identify, successfully negotiate and/or finance an acquisition of a new business opportunity
- The Company's success at completing future financings
- The Company's strategies and objectives
- General business and economic conditions
- The Company's ability to meet its financial obligations as they become due
- The positive cash flows and financial viability of new business opportunities
- The Company's ability to manage growth with respect to a new business opportunity
- The Company's tax position, anticipated tax refunds and the tax rates applicable to the Company

Readers are cautioned that the preceding list of risks, uncertainties, assumptions and other factors are not exhaustive. Events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in or implied by these forward-looking statements. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, investors in securities of the Company should not place undue reliance on these forward-looking statements.

### **CORPORATE OVERVIEW AND OUTLOOK**

Duckhorn was incorporated under the British Columbia Business Corporations Act on March 25, 2019. The head office and records and registered office is located at 1600 – 609 Granville Street, Vancouver, British Columbia V7Y 1C3.

The Company is currently managing its investment portfolio and is investigating and evaluating business opportunities to either acquire or in which to participate.

On May 29, 2019, ECC Diversified Inc. ("ECC") completed a strategic reorganization of its assets in which it spun out certain assets into Duckhorn. The transaction was carried out by way of statutory plan of arrangement (the "Arrangement") pursuant to the *Business Corporations Act* (British Columbia). Under the terms of the Arrangement, shareholders of ECC received one common share of the Company for every common share of ECC they held as of April 17, 2019. See Plan of Arrangement section for further details of this transaction.

In August 2019, the Company entered into a non-binding letter of intent (the "LOI") with Enosi Pharmaceuticals Corp. ("Enosi") with respect to the proposed acquisition by the Company of all the issued and outstanding equity securities of Enosi, and pursuant to which the Company loaned \$200,000 to Enosi. In January 2020, the parties mutually agreed to terminate the LOI and the Company converted the loan into an equity interest in Enosi. See Investment in Enosi section for details of this transaction.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. To date, COVID-19 has not had an adverse impact on the Company.

**DUCKHORN VENTURES LTD.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**SELECTED ANNUAL INFORMATION<sup>1</sup>**

	For the year ended December 31, 2020	For the period from incorporation on March 25, 2019 to December 31, 2019
Loss and comprehensive loss	\$ 170,873	\$ 235,722
Basic and diluted loss per share	\$ 0.01	\$ 0.01
Total assets	\$ 219,599	\$ 225,044

<sup>1</sup> Financial information prepared in accordance with IFRS.

**SUMMARY OF QUARTERLY RESULTS<sup>1</sup>**

	For the three months ended December 31, 2020	For the three months ended September 30, 2020	For the three months ended June 30, 2020	For the three months ended March 31, 2020
Income (loss) for the period	\$(43,088)	\$(40,686)	\$(41,038)	\$(46,061)
Investments at fair value	\$-	\$4,500	\$5,400	\$3,600
Total assets	\$219,599	\$222,523	\$222,138	\$220,189
Basic/diluted income (loss) per share	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)
	For the three months ended December 31, 2019	For the three months ended September 30, 2019	For the three months ended June 30, 2019	For the period of incorporation on March 25, 2019 to March 31, 2019
Income (loss) for the period	\$(127,038)	\$(41,050)	\$(68,016)	\$382
Investments at fair value	\$10,800	\$11,700	\$23,400	\$22,050
Total assets	\$225,044	\$219,642	\$28,939	\$47,050
Basic/diluted income (loss) per share	\$(0.00)	\$(0.00)	\$(0.00)	\$0.00

<sup>1</sup> Unaudited financial information prepared in accordance with IFRS

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**RESULTS OF OPERATIONS FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2020 AND FOR THE COMPARATIVE PERIOD OF THREE MONTHS ENDED DECEMBER 31, 2019 AND FROM INCORPORATION ON MARCH 25, 2019 TO DECEMBER 31, 2019**

**Changes in fair value of investment** for the three months and year ended December 31, 2020 were \$(7,200) and \$(7,200), respectively, and for the three months ended December 31, 2019, and the period from incorporation on March 25, 2019 to December 31, 2019 were \$(900) and \$(10,350), respectively. The unrealized losses resulted from investing activities of the Company in its publicly traded securities portfolio.

**Gain on debt settlement** for the three months and year ended December 31, 2020 was \$2,700 and \$2,700, respectively, and for the three months ended December 31, 2019, and the period from incorporation on March 25, 2019 to December 31, 2019 was \$Nil and \$Nil, respectively. In fiscal 2020, the Company sold its investment in WCE to ECC. As consideration for the transfer, the promissory note was reduced by \$6,300, resulting in a gain on debt settlement of \$2,700.

**Interest income** for the three months and year ended December 31, 2020 was \$Nil and \$712, respectively, and for the three months ended December 31, 2019, and the period from incorporation on March 25, 2019 to December 31, 2019 was \$5,041 and \$6,720, respectively. Interest income was comprised of the interest accrual on the promissory note from Enosi.

**Administration expenses** for the three months and year ended December 31, 2020 were \$3,018 and \$12,420, respectively, and for the three months ended December 31, 2019, and the period from incorporation on March 25, 2019 to December 31, 2019 were \$3,807 and \$7,792, respectively. These charges were for administration of the Company's office, maintenance of the Company's bank account and for rent.

**Filing fees** for the three months and year ended December 31, 2020 were \$Nil and \$1,845 respectively, and for the three months ended December 31, 2019 and the period from incorporation on March 25, 2019 to December 31, 2019 were \$657 and \$1,111, respectively. These are expenses related to the incorporation costs and annual filing requirements of the Company.

**Finance expenses** for the three months and year ended December 31, 2020 were \$6,677 and \$26,597, respectively, and for the three months ended December 31, 2019, and the period from incorporation on March 25, 2019 to December 31, 2019 were \$6,583 and \$9,716 respectively. Finance expense is comprised of accrued interest on the outstanding promissory notes and loan payable.

**Management fees** for the three months and year ended December 31, 2020 were \$Nil and \$Nil, respectively, and for the three months ended December 31, 2019 and the period from incorporation on March 25, 2019 to December 31, 2019 were \$Nil and \$20,000, respectively. This expense was for services related to the incorporation and management of the Company's role in the plan of arrangement.

## **DUCKHORN VENTURES LTD. MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020**

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**Professional fees** for the three months and year ended December 31, 2020 were \$35,192 and \$126,223, respectively, and for the three months ended December 31, 2019 and the period from incorporation on March 25, 2019 to December 31, 2019 were \$50,904 and \$87,148, respectively. These fees were incurred for legal and accounting services.

**Share-based payments** for the three months and year ended December 31, 2020 were \$Nil and \$Nil, respectively, and for the three months ended December 31, 2019 and the period from incorporation on March 25, 2019 to December 31, 2019 were \$Nil and \$6,692, respectively. This is a noncash expense relating to the value of the stock options granted to officers and a consultant to the Company.

**Transaction costs** for the three months and year ended December 31, 2020 were \$Nil and \$Nil, respectively, and for the three months ended December 31, 2019, and the period from incorporation on March 25, 2019 to December 31, 2019 were \$99,653 and \$99,653, respectively, and was a non-cash value associated with the 19,930,500 common shares of the Company issued pursuant to the Plan of Arrangement.

### **Loss and comprehensive loss for the period**

As a result of the activities discussed above, the Company experienced a loss and comprehensive loss for the three months and year ended December 31, 2020 of \$43,088 and \$170,873 respectively, and for the three months ended December 31, 2019 and the period from incorporation on March 25, 2019 to December 31, 2019 of \$127,038 and \$235,722, respectively.

## **PLAN OF ARRANGEMENT**

On May 29, 2019, ECC completed a strategic reorganization of its assets by way of a plan of arrangement (the "Arrangement") in which it spun out Duckhorn and other investee subsidiaries. This Arrangement involved the transfer of certain assets into Duckhorn. The Arrangement was approved by the shareholders of ECC at an annual general and special meeting held on May 17, 2019 and the Supreme Court of British Columbia issued its final order approving the Arrangement on May 28, 2019.

Pursuant to the terms of the Arrangement, ECC distributed to each shareholder of ECC, as of April 17, 2019, one common share in the capital of Duckhorn and its other investee subsidiaries for every common share in the capital of ECC held. As a result, 19,930,500 common shares of the Company were issued. The value of each share is deemed to be \$0.005 for a total of \$99,653.

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**INVESTING ACTIVITIES**

All of the Company's investments have been classified as FVTPL.

	December 30, 2020		December 31, 2019	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
<b>Publicly traded securities</b>	-	-	10,800	21,150
	-	-	10,800	21,150

Changes in the Company's investments at fair value were as follows:

	December 31, 2020	December 31, 2019
	\$	\$
<b>Opening Balance</b>	<b>10,800</b>	-
Purchase of marketable securities	-	21,150
Disposal of investment	(3,600)	-
Changes in fair value of investments	(7,200)	(10,350)
<b>Ending Balance</b>	<b>-</b>	<b>10,800</b>

**Publicly traded securities**

The Company's publicly traded securities can be sold at any time at the Company's discretion subject to market conditions and from time to time hold period restrictions of not more than four months pursuant to the terms of each respective private placement subscription agreement, as well as escrow restrictions, if applicable. During fiscal 2020, the Company sold 180,000 common shares of World Class Extractions Inc. ("WCE") with a fair value of \$3,600 to ECC. As consideration, the promissory note between ECC and the Company was reduced by \$6,300, resulting in a gain of \$2,700. As at December 31, 2020 the Company did not own any investments in publicly traded securities.

See also Promissory Notes and Loan Payable section.

**INVESTMENT IN ENOSI**

**ENOSI**

Pursuant to an agreement dated August 30, 2019, the Company loaned \$200,000, receivable by promissory note to Enosi in conjunction with the LOI. The principal outstanding under this promissory note bore interest at the simple rate of 10% per annum. On January 13, 2020, the Company and Enosi entered into an agreement to restructure their proposed transaction (the "Settlement Agreement"),

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resulting in the Company acquiring an equity interest in Enosi. Pursuant to the Settlement Agreement, Enosi issued 825,000 common shares in its capital to the Company in full satisfaction of all obligations owing by Enosi to the Company. Enosi is a private biotechnology company incorporated under the laws of the province of British Columbia that is focused on translating novel technologies into valuable therapeutics in the treatment of cancer and autoimmune disease.

**PROMISSORY NOTES AND LOAN PAYABLE**

**ECC**

Pursuant to an agreement dated March 25, 2019, the Company purchased 90,000 common shares (subsequently split 2:1 resulting in 180,000 common shares) of WCE from ECC for an aggregate price of \$21,150, payable by promissory note. The principal outstanding under this promissory note bears interest at the simple rate of 10% per annum. The entire unpaid principal and any interest is fully and immediately payable upon demand of ECC. The Company may repay the principal and all accrued interest thereon at any time and from time to time without notice or penalty. During fiscal 2020 the Company sold its investment in WCE to ECC. As consideration for the transfer, the promissory note was reduced by \$6,300, resulting in a gain on debt settlement of \$2,700. As at December 31, 2020, a total of \$18,535 (2019 - \$22,778) is payable with \$388 (2019-\$1,628) being recorded as interest payable.

**THE EMPRISE SPECIAL OPPORTUNITIES FUND (2017) LIMITED PARTNERSHIP ("ESOF2017")**

Pursuant to an agreement dated August 30, 2019, the Company received \$200,000 from ESOF2017, payable by promissory note. The principal outstanding under this promissory note bears interest at the simple rate of 12% per annum. The entire unpaid principal and any interest is fully and immediately payable upon demand of ESOF2017. The Company may repay the principal and all accrued interest thereon at any time and from time to time without notice or penalty.

In the current fiscal year, ESOF2017 has advanced a further \$5,250 bearing interest at a simple rate of 12% per annum.

Interest expense for the period was \$18,332 and has been recorded as interest payable. As at December 31, 2020, a total of \$32,628 has been recorded as interest payable.

**SHARE CAPITAL**

**Authorized**

Unlimited number of common and preferred shares without par value. There are no preferred shares issued and outstanding.

**Issued and outstanding**

As at December 31, 2019 and 2020 and as of the date of this MD&A, the Company had 24,930,500 common shares issued and outstanding.

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On March 25, 2019, the Company received \$25,000 through the issuance of 5,000,000 common shares at \$0.005 per share.

On May 29, 2019, ECC completed a strategic reorganization of its assets in which it spun out certain assets into Duckhorn. The transaction was carried out by way of an Arrangement pursuant to the *Business Corporations Act* (British Columbia). Under the terms of the Arrangement, shareholders of ECC received one common share of the Company for every common share of ECC they held as of April 17, 2019; as a result, 19,930,500 common shares of the Company were issued. The value of each share is deemed to be \$0.005 for a total of \$99,653.

	Number of Shares	Amount
		\$
<b>Balance, (incorporation) - March 25, 2019</b>	-	-
March 25, 2019 – share issuance	5,000,000	25,000
May 29, 2019 – share issuance re Arrangement	19,930,500	99,653
<b>Balance, December 31, 2019, and 2020 and as of the date of this MD&amp;A</b>	<b>24,930,500</b>	<b>124,653</b>

**Stock options**

On March 25, 2019, the Company adopted a stock option plan (the “Stock Option Plan”) whereby it can grant incentive stock options to directors, officers, employees, and technical consultants of the Company. The maximum numbers of shares that may be reserved for issuance under the Stock Option Plan is limited to 10% of the issued common shares of the Company at any time. The vesting period for all options is at the discretion of the Board of Directors. The exercise price will be set by the Board of Directors at the time of grant and cannot be less than the discounted market price (if any) of the Company’s common shares.

The Stock Option Plan provides that the number of common shares that may be reserved for the issuance to any one individual upon exercise of all stock options held by such an individual may not exceed 5% of the issued common shares, if the individual is a director or officer, or 2% of the issued common shares, if the individual is a consultant or engaged in providing investor relations services, on a yearly basis. All options granted under the Stock Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability. Options granted under the Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

On May 29, 2019 the Company granted stock options to officers and a consultant of the Company to acquire up to an aggregate of 2,490,000 common shares. Each option is exercisable to acquire one common share at a price of \$0.02 any time prior to May 29, 2024.

A summary of the Company’s stock option activity is as follows:

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	Number of Options	Weighted average Exercise Price
<b>Balance, as at March 25, 2019</b>	-	\$ -
Grants	2,490,000	0.02
<b>Balance, December 31, 2019 and 2020 and as at the date of this MD&amp;A</b>	<b>2,490,000</b>	<b>\$0.02</b>

At December 31, 2020 and the date of this MD&A, stock options outstanding and exercisable are as follows:

Grant Date	Number of options Outstanding and Exercisable	Exercise Price	Expiry date	Remaining contractual life (years)
May 29, 2019	2,490,000	\$0.02	May 29, 2024	3.41
<b>Total</b>	<b>2,490,000</b>	<b>\$0.02</b>		

**LIQUIDITY AND CAPITAL RESOURCES**

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 ongoing 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.

A summary of the Company's cash flows during the year ended December 31, 2020 and the period from incorporation on March 25, 2019 to December 31, 2019 is as follows:

	For the year ended December 31, 2020	For the period from incorporation on March 25, 2019 to December 31, 2019
Cash flows used in operating activities	\$ (2,265)	\$ (21,905)
Cash flows provided by financing activities	-	25,000
Increase/(decrease) in cash for the period	(2,265)	3,095
Cash, beginning of the period	3,095	-
Cash, end of the period	\$ 830	\$ 3,095

**Cash flows used in operating activities** were \$2,265 for the year ended December 31, 2020 as compared to \$21,905 during the period from incorporation on March 25, 2019 to December 31, 2019. The cash was used to pay for administrative expenditures.

## **DUCKHORN VENTURES LTD. MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020**

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**Cash flows provided by financing activities** were \$Nil for the year ended December 31, 2020 as compared to \$25,000 during the period from incorporation on March 25, 2019 to December 31, 2019. The cash from fiscal 2019 is the result of an issuance of common shares.

As a result of the above activities, at December 31, 2020, the Company has \$830 of cash to settle current liabilities of \$494,849. As such, the Company has insufficient cash to fund corporate overhead costs and the repayment of the Company's debt obligations for the next year.

Until such time as the Company's investments increase in value or begin generating significant dividend income, the Company will remain dependent upon the financial support of its shareholders and debt holders. If the Company is unable to finance itself through these means, it is possible that the Company will be unable to continue as a going concern.

Additionally, the Company likely has insufficient funds from which to finance any identified business acquisition and as such will require additional financing to accomplish the Company's long-term strategic objectives. Future funding may be obtained by means of issuing share capital and/or debt financing. There can be no certainty of the Company's ability to raise additional financing through these means. If the Company is unable to continue to finance itself through these means, it is possible that the Company will be unable to continue as a going concern.

The Financial Statements have been prepared in accordance with IFRS applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. The accompanying interim financial statements do not reflect adjustments that may be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate, adjustments may be necessary to the carrying amounts and/or classification of assets and/or liabilities and the reported expenses in these financial statements. Such adjustments could be material.

### **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. 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.

The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them are recorded at their exchange amounts as agreed upon by transacting parties.

During the year ended December 31, 2020 the Company recorded \$nil (\$6,692 for the period from incorporation on March 25, 2019 to December 31, 2019) as share-based compensation costs for key management personnel, and \$nil in management fees to ECC (\$20,000 for the period from incorporation on March 25, 2019 to December 31, 2019).

Summary of expenses incurred:

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Nature	Relationship	For the year ended December 31, 2020	For the period from incorporation on March 25, 2019 to December 30, 2019
		\$	\$
Share-based payments	A shareholder of the Company	-	5,375
Management fees	A shareholder of the Company	-	20,000
Interest on promissory notes	Due to shareholders of the Company	<b>26,597</b>	9,716

The Company has secured promissory notes with different related parties; ECC and The Emprise Special Opportunities Fund (2017) (“ESOF2017”) are both shareholders of the Company. During fiscal 2020, \$5,250 was secured as an additional loan from ESOF2017. See Promissory Notes and Loan Payable section for details relating to these promissory notes and loan.

During the year ended December 31, 2020, the Company repaid a portion of a secured a promissory note with ECC.

Amount due to related parties included in promissory notes payable:

Nature	Relationship	September 30, 2020	December 31, 2019
Promissory note (ECC)	Shareholder of the Company	<b>\$ 18,535</b>	\$ 22,778
Promissory note (ESOF2017)	Shareholder of the Company	<b>\$ 237,878</b>	\$ 208,088

## **RISKS AND UNCERTAINTIES**

### **Strategic Risk**

At present, the Company has very limited sources of funding from which to repay its existing obligations and fund on-going operating costs. If the Company is unable to obtain adequate additional financing, management might be required to curtail the Company’s operations. If future financing is unavailable, the Company may not be able to meet its ongoing obligations, in which case its ability to continue as a going concern may be adversely affected.

There is also no guarantee that the Company will be able to complete the acquisition of or participation in a new business opportunity. If an acquisition of or the participation in corporations, properties, assets or businesses is identified, the Company may find that even if the terms of an acquisition or participation are economic, it may not be able to finance such acquisition or participation and additional funds will be required to enable the Company to pursue such an initiative. There is no guarantee that additional financing will be available or that it will be available on terms acceptable to management of the Company. The Company will be competing with other companies, many of which will have far greater resources and experience than the Company. No assurance can be given that the Company will be successful in raising the funds required for an acquisition.

# **DUCKHORN VENTURES LTD.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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#### **Fluctuation in Investments**

The Company's investments in securities of public companies are subject to volatility in the share prices of the companies. There can be no assurance that an active trading market for any of the subject shares is sustainable. The trading prices of the subject shares could be subject to wide fluctuations in response to various factors beyond the Company's control, including, quarterly variations in the subject companies' results of operations, changes in earnings (if any), estimates by analysts, conditions in the industry of the subject companies and general market or economic conditions. In recent years equity markets have experienced extreme price and volume fluctuations. These fluctuations have had a substantial effect on market prices, often unrelated to the operating performance of the specific companies. Such market fluctuations could adversely affect the market price of the Company's investments.

#### **Private Issuers and Illiquid Securities**

The Company may invest in securities of private companies, illiquid securities of public companies and publicly-traded securities that have low trading volumes. The value of these investments may be affected by factors such as investor demand, resale restrictions, general market trends and regulatory restrictions. Fluctuation in the market value of such investments may occur for a number of reasons beyond the control of the Company and there is no assurance that an adequate market will exist for investments made by the Company.

#### **Lack of Dividend Policy**

The Company does not presently intend to pay cash dividends in the foreseeable future, as any earnings are expected to be retained for use in developing and expanding its business. However, the actual amount of dividends received from the Company will remain subject to the discretion of the Company's Board of Directors and will depend on results of operations, cash requirements and future prospects of the Company and other factors.

#### **Possible Dilution to Present and Prospective Shareholders**

The Company's plan of operation, in part, contemplates the accomplishment of business negotiations by the issuance of cash, securities of the Company, or a combination of the two, and possibly, incurring debt. Any transaction involving the issuance of previously authorized but unissued common shares would result in dilution, possibly substantial, to present and prospective holders of common shares.

#### **Dependence of Key Personnel**

The Company strongly depends on the business and technical expertise of its management and key personnel. There is little possibility that this dependence will decrease in the near term. As the Company's operations expand, additional general management resources will be required, especially since the Company encounters risks that are inherent in doing business in several countries.

## **FINANCIAL INSTRUMENTS**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

# **DUCKHORN VENTURES LTD.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FOR THE YEAR ENDED DECEMBER 31, 2020**

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#### **Market Risk**

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk and are disclosed as follows:

##### **(i) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds no financial instruments that are denominated in a currency other than Canadian dollars. As at December 31, 2020, the Company is not exposed to currency risk.

##### **(ii) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. The Company's sensitivity to interest rates relative to its cash balances is currently immaterial. The Company also has no long-term debt with variable interest rates, so it has no negative exposure to changes in the market interest rate.

##### **(iii) Price rate risk**

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Management closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Given the Company's limited market exposure at this time it has assessed there to be a low level of price rate risk.

#### **Credit Risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions. Management believes that the credit risk related to its cash is negligible.

#### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At December 31, 2020, the Company has limited sources of revenue and has a cash balance of \$830 to settle current liabilities of \$494,849. As such, the Company has insufficient cash to fund corporate overhead costs and the repayment of the Company's debt obligations for the next year. Until such time as the Company's investments increase in value or begin generating significant dividend income, the

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Company will remain dependent upon the financial support of its shareholders and debt holders or the sale of investments. If the Company is unable to finance itself through these means, it is possible that the Company will be unable to continue as a going concern.

Additionally, the Company likely has insufficient funds from which to finance any identified business acquisition and as such will require additional financing to accomplish the Company's long-term strategic objectives. Future funding may be obtained by means of issuing share capital and/or debt financing. There can be no certainty of the Company's ability to raise additional financing through these means. If the Company is unable to continue to finance itself through these means, it is possible that the Company will be unable to continue as a going concern.

Consequently, the Company is exposed to liquidity risk as at December 31, 2020.

**Fair Value Risk**

When participating in investment activities, the Company may incur losses if it is unable to resell the securities it has purchased or if it is forced to liquidate its holdings at less than their respective carrying values. The Company is also exposed to fair value risk as a result of its trading activities in publicly traded securities. All of the Company's investments are carried on a FVTPL basis and are recorded at their fair value. As such, changes in fair value affect earnings as they occur.

The fair value of cash, accounts receivable, accounts payable and accrued liabilities, and promissory notes and loan payable at December 31, 2020 approximate their carrying values due to their short term to maturity.

**CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

**CRITICAL ACCOUNTING ESTIMATES**

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year included:

**Income tax**

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient

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taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

**Valuation of investments at fair value**

The Company recognizes its investments at fair value. Fair value is determined on the basis of market prices from independent sources, if available. If there is no market price, then the fair value is determined by using valuation models. The inputs to these models are derived from observable market data where possible, but where observable data is not available, judgment is required to establish fair values. There is inherent uncertainty and imprecision in estimating the factors that can affect fair value, and in estimating fair values generally, when observable data is not available. Changes in assumptions and inputs used in valuing financial instruments could affect reported fair values.

**Stock options**

Determining the fair value of stock options requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company's future operating results or on other components of shareholders' equity.

**CRITICAL ACCOUNTING JUDGEMENT**

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the statements are, but are not limited to, the following:

**Going Concern**

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. The factors considered by management are disclosed in Note 1 of the interim financial statements.

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company currently has no off-balance sheet arrangements.

**DUCKHORN VENTURES LTD.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE SIX MONTHS ENDED JUNE 30, 2021**

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**Dated: August 26, 2021**

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

This management's discussion and analysis ("MD&A") reports on the operating results and financial condition of Duckhorn Ventures Ltd., for the six months ended June 30, 2021 and is prepared as at August 26, 2021. Throughout this MD&A, unless otherwise specified, "Duckhorn" or "Company" refer to Duckhorn Ventures Ltd. This MD&A should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2020 and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"). Other information contained in these documents has also been prepared by management and is consistent with the data contained in the Financial Statements. All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are responsible to ensure that this MD&A does not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the periods covered. The financial statements together with the other financial information included in this MD&A fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date hereof and for the periods presented herein. The Board of Directors approves the Financial Statements and MD&A and ensures that management has discharged its financial responsibilities. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION**

This MD&A includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein.

Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These forward-looking statements include but are not limited to statements concerning:

## **DUCKHORN VENTURES LTD. MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED JUNE 30, 2021**

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- The Company's ability to identify, successfully negotiate and/or finance an acquisition of a new business opportunity
- The Company's success at completing future financings
- The Company's strategies and objectives
- General business and economic conditions
- The Company's ability to meet its financial obligations as they become due
- The positive cash flows and financial viability of new business opportunities
- The Company's ability to manage growth with respect to a new business opportunity
- The Company's tax position, anticipated tax refunds and the tax rates applicable to the Company

Readers are cautioned that the preceding list of risks, uncertainties, assumptions, and other factors are not exhaustive. Events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in or implied by these forward-looking statements. Due to the risks, uncertainties, and assumptions inherent in forward-looking statements, investors in securities of the Company should not place undue reliance on these forward-looking statements.

### **CORPORATE OVERVIEW AND OUTLOOK**

Duckhorn was incorporated under the British Columbia Business Corporations Act on March 25, 2019. The Company's head office and records and registered office is located at 1600 – 609 Granville Street, Vancouver, British Columbia V7Y 1C3.

The Company is currently managing its investment portfolio and is investigating and evaluating business opportunities to either acquire or in which to participate.

On May 29, 2019, ECC Diversified Inc. ("ECC") completed a strategic reorganization of its assets in which it spun out certain assets into Duckhorn. The transaction was carried out by way of statutory plan of arrangement (the "Arrangement") pursuant to the *Business Corporations Act* (British Columbia). Under the terms of the Arrangement, shareholders of ECC received one common share of the Company for every common share of ECC they held as of April 17, 2019. See Plan of Arrangement section for further details of this transaction.

In August 2019, the Company entered into a non-binding letter of intent (the "LOI") with Enosi Pharmaceuticals Corp. ("Enosi") with respect to the proposed acquisition by the Company of all the issued and outstanding equity securities of Enosi, and pursuant to which the Company loaned \$200,000 to Enosi. In January 2020, the parties mutually agreed to terminate the LOI, and the Company converted the loan into an equity interest in Enosi. See Investment in Enosi section for details of this transaction.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. To date, COVID-19 has not had an adverse impact on the Company.

**DUCKHORN VENTURES LTD.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE SIX MONTHS ENDED JUNE 30, 2021**

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**SELECTED ANNUAL INFORMATION<sup>1</sup>**

	For the year ended December 31, 2020	For the period from incorporation on March 25, 2019 to December 31, 2019
Loss and comprehensive loss	\$ 170,873	\$ 235,722
Basic and diluted loss per share	\$ 0.01	\$ 0.01
Total assets	\$ 219,599	\$ 225,044

<sup>1</sup> Financial information prepared in accordance with IFRS.

**SUMMARY OF QUARTERLY RESULTS<sup>1</sup>**

	For the three months ended June 30, 2021	For the three months ended March 31, 2021	For the three months ended December 31, 2020	For the three months ended September 30, 2020
Loss for the period	\$(8,727)	\$(39,540)	\$(43,088)	\$(40,686)
Investments at fair value	\$-	\$-	\$-	\$4,500
Total assets	\$20,865	\$221,028	\$219,599	\$222,523
Basic/diluted loss per share	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)
	For the three months ended June 30, 2020	For the three months ended March 31, 2020	For the three months ended December 31, 2019	For the three months ended September 30, 2019
Loss for the period	\$(41,038)	\$(46,061)	\$(127,038)	\$(41,050)
Investments at fair value	\$5,400	\$3,600	\$10,800	\$11,700
Total assets	\$222,138	\$220,189	\$225,044	\$219,642
Basic/diluted loss per share	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)

<sup>1</sup> Unaudited financial information prepared in accordance with IFRS

**DUCKHORN VENTURES LTD.  
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**RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 COMPARED TO THE THREE AND SIX MONTHS ENDED JUNE 30, 2020**

**Changes in fair value of investment** for the three and six months ended June 30, 2021 were \$Nil and \$Nil respectively, compared to the three and six months ended June 30, 2020 of \$1,800 and \$(5,400) respectively. The unrealized loss resulted from investing activities of the Company in its publicly traded securities portfolio.

**Interest income** for the three and six months ended June 30, 2021 was \$Nil and \$Nil respectively, compared to the three and six months ended June 30, 2020 of \$Nil and \$712 respectively. Interest income was comprised of the interest accrual on the promissory note from Enosi.

**Administration expenses** for the three and six months ended June 30, 2021 were \$3,019 and \$6,039 respectively, compared to \$3,338 and \$6,357 for the three and six months ended June 30, 2020, respectively. These charges were for administration of the Company's office, maintenance of the Company's bank account and for rent.

**Filing fees** for the three and six months ended June 30, 2021 were \$1,824 and \$1,824, respectively compared to \$1,801 and \$1,844 for the three and six months ended June 30, 2020, respectively. These are expenses related to the filing requirements of the Company.

**Finance expenses** for the three and six months ended June 30, 2021 were \$819 and \$7,339 respectively, compared to \$6,668 and \$13,179 for the three and six months ended June 30, 2020, respectively. Finance expense is comprised of accrued interest on the outstanding promissory notes.

**Professional fees** for the three and six months ended June 30, 2021 were \$33,736 and \$63,736 respectively, compared to \$31,030 and \$61,030 for the three and six months ended June 30, 2020, respectively. These fees were incurred for accounting and legal services.

**Loss and comprehensive loss for the period**

As a result of the activities discussed above, the Company experienced a loss and comprehensive loss for the three and six months ended June 30, 2021 of \$8,727 and \$48,267 respectively, compared to \$41,037 and \$87,098 for the three and six months ended June 30, 2020, respectively.

**PLAN OF ARRANGEMENT**

On May 29, 2019, ECC completed a strategic reorganization of its assets by way of a plan of arrangement (the "Arrangement") in which it spun out Duckhorn and other investee subsidiaries. This Arrangement involved the transfer of certain assets into Duckhorn. The Arrangement was approved by the shareholders of ECC at an annual general and special meeting held on May 17, 2019 and the Supreme Court of British Columbia issued its final order approving the Arrangement on May 28, 2019.

Pursuant to the terms of the Arrangement, ECC distributed to each shareholder of ECC, as of April 17, 2019, one common share in the capital of Duckhorn and its other investee subsidiaries for every common

**DUCKHORN VENTURES LTD.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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share in the capital of ECC held. As a result, 19,930,500 common shares of the Company were issued. The value of each share is deemed to be \$0.005 for a total of \$99,653.

**INVESTING ACTIVITIES**

Changes in the Company's investment at fair value were as follows:

	June 30, 2021	December 31, 2020
	\$	\$
<b>Opening Balance</b>	-	10,800
Disposal of investment	-	(3,600)
Changes in fair value of investment	-	(7,200)
<b>Ending Balance</b>	-	-

**Publicly traded securities**

The Company's publicly traded securities can be sold at any time at the Company's discretion subject to market conditions and from time to time hold period restrictions of not more than four months pursuant to the terms of each respective private placement subscription agreement, as well as escrow restrictions, if applicable. During fiscal 2020, the Company sold 180,000 common shares of World Class Extractions Inc. ("WCE") with a fair value of \$3,600 to ECC. As consideration, the promissory note between ECC and the Company was reduced by \$6,300, resulting in a gain of \$2,700. As at December 31, 2020 the Company did not own any investments in publicly traded securities.

See also Promissory Notes Payable section.

**INVESTMENT IN ENOSI**

Pursuant to an agreement dated August 30, 2019, the Company loaned \$200,000, receivable by promissory note to Enosi in conjunction with the LOI. The principal outstanding under this promissory note bore interest at the simple rate of 10% per annum. On January 13, 2020, the Company and Enosi entered into an agreement to restructure their proposed transaction (the "Settlement Agreement"), resulting in the Company acquiring an equity interest in Enosi. Pursuant to the Settlement Agreement, Enosi issued 82,500 common shares in its capital to the Company in full satisfaction of all obligations owing by Enosi to the Company. Enosi is a private biotechnology company that is focused on translating novel technologies into valuable therapeutics in the treatment of cancer and autoimmune disease. In the current quarter, the Company transferred the 82,500 common shares to ESOF 2017 for full and final settlement of the \$200,000 note as well as \$38,123 in interest payable, thereby recording a gain of \$30,671.

**DUCKHORN VENTURES LTD.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE SIX MONTHS ENDED JUNE 30, 2021**

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**PROMISSORY NOTES PAYABLE**

**ECC**

Pursuant to an agreement dated March 25, 2019, the Company purchased 90,000 common shares (subsequently split 2:1 resulting in 180,000 common shares) of WCE from ECC for an aggregate price of \$21,150, payable by promissory note. The principal outstanding under this promissory note bears interest at the simple rate of 10% per annum. The entire unpaid principal and any interest is fully and immediately payable upon demand. The Company may repay the principal and all accrued interest thereon at any time and from time to time without notice or penalty. During the year ended December 31, 2020, the Company sold its investment in WCE to ECC. As consideration for the transfer, the promissory note was reduced by \$6,300, resulting in a gain on debt settlement of \$2,700. The Company incurred interest expense of \$900 on the promissory note during the period ended June 30, 2021 (2020 - \$1,054). As of June 30, 2021, the promissory note had a balance of \$19,435 (December 31, 2020 - \$18,535) including accrued interest payable of \$1,288 (December 31, 2020 - \$388).

**THE EMPRISE SPECIAL OPPORTUNITIES FUND (2017) LIMITED PARTNERSHIP ("ESOF2017")**

Pursuant to an agreement dated August 30, 2019, the Company received \$200,000 from ESOF2017, payable by promissory note. The promissory note bears interest at the simple rate of 12% per annum and is unsecured. The entire unpaid principal and any interest is fully and immediately payable upon demand. The Company may repay the principal and all accrued interest thereon at any time and from time to time without notice or penalty.

In fiscal 2020, ESOF 2017 advanced a further \$5,250, and in fiscal 2021, a further \$7,000.

In the current quarter, with the transfer of the 82,500 Enosi shares, the Company repaid the promissory note of \$200,000 plus interest of \$38,123, thereby recognizing a gain of \$30,671.

The Company incurred interest expense of \$6,440 on the promissory note during the period ended June 30, 2021 (December 31, 2020 - \$24,540). As at June 30, 2021, the promissory note had a balance of \$13,194 (2020 - \$237,878 ) including accrued interest payable of \$944 (2020 - \$32,628).

**SHARE CAPITAL**

**Authorized**

Unlimited number of common and preferred shares without par value. There are no preferred shares issued and outstanding.

**Issued and outstanding**

As at December 31, 2020, June 30, 2021 and as of the date of this MD&A, the Company had 24,930,500 common shares issued and outstanding.

On March 25, 2019, the Company received \$25,000 through the issuance of 5,000,000 common shares at \$0.005 per share.

**DUCKHORN VENTURES LTD.  
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On May 29, 2019, ECC completed a strategic reorganization of its assets in which it spun out certain assets into Duckhorn. The transaction was carried out by way of an Arrangement pursuant to the *Business Corporations Act* (British Columbia). Under the terms of the Arrangement, shareholders of ECC received one common share of the Company for every common share of ECC they held as of April 17, 2019; as a result, 19,930,500 common shares of the Company were issued. The value of each share is deemed to be \$0.005 for a total of \$99,653.

	Number of Shares	Amount
		\$
<b>Balance, (incorporation) - March 25, 2019</b>	-	-
March 25, 2019 – share issuance	5,000,000	25,000
May 29, 2019 – share issuance re Arrangement	19,930,500	99,653
<b>Balance, December 31, 2019, 2020, June 30, 2021, and as of the date of this MD&amp;A</b>	<b>24,930,500</b>	<b>124,653</b>

**Stock options**

On March 25, 2019, the Company adopted a stock option plan (the “Stock Option Plan”) whereby it can grant incentive stock options to directors, officers, employees, and technical consultants of the Company. The maximum numbers of shares that may be reserved for issuance under the Stock Option Plan is limited to 10% of the issued common shares of the Company at any time. The vesting period for all options is at the discretion of the Board of Directors. The exercise price will be set by the Board of Directors at the time of grant and cannot be less than the discounted market price (if any) of the Company’s common shares.

The Stock Option Plan provides that the number of common shares that may be reserved for the issuance to any one individual upon exercise of all stock options held by such an individual may not exceed 5% of the issued common shares, if the individual is a director or officer, or 2% of the issued common shares, if the individual is a consultant or engaged in providing investor relations services, on a yearly basis. All options granted under the Stock Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability. Options granted under the Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

On May 29, 2019 the Company granted stock options to officers and a consultant of the Company to acquire up to an aggregate of 2,490,000 common shares. Each option is exercisable to acquire one common share at a price of \$0.02 any time prior to May 29, 2024.

**DUCKHORN VENTURES LTD.  
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A summary of the Company's stock option activity is as follows:

	Number of Options	Weighted average Exercise Price
<b>Balance, as of March 25, 2019</b>	-	\$ -
Grants	2,490,000	0.02
<b>Balance, December 31, 2019, 2020, June 30, 2021, and as at the date of this MD&amp;A</b>	<b>2,490,000</b>	<b>\$0.02</b>

At June 30, 2021 and the date of this MD&A, stock options outstanding and exercisable are as follows:

Grant Date	Number of options Outstanding and Exercisable	Exercise Price	Expiry date	Remaining contractual life (years)
May 29, 2019	2,490,000	\$0.02	May 29, 2024	2.92
<b>Total</b>	<b>2,490,000</b>	<b>\$0.02</b>		

**LIQUIDITY AND CAPITAL RESOURCES**

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 ongoing 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.

A summary of the Company's cash flows during the six months ended June 30, 2021 and June 30, 2020 is as follows:

	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Cash flows provided/(used) in operating activities	\$ 4,981	\$ (1,816)
Increase (decrease) in cash for the period	4,981	(1,816)
Cash, beginning of the period	830	3,095
Cash, end of the period	\$ 5,811	\$ 1,279

**Cash flows provided/(used) in operating activities** were \$4,981 for the six months ended June 30, 2021 as compared to \$(1,816) for the six months ended June 30, 2020. The cash was used to pay for administrative expenditures.

As a result of the above activities, at June 30, 2021, the Company has \$5,811 of cash to settle current liabilities of \$344,382. As such, the Company has insufficient cash to fund corporate overhead costs and the repayment of the Company's debt obligations for the next year.

## DUCKHORN VENTURES LTD. MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED JUNE 30, 2021

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The Company will remain dependent upon the financial support of its shareholders and debt holders. If the Company is unable to finance itself through these means, it is possible that the Company will be unable to continue as a going concern.

Additionally, the Company likely has insufficient funds from which to finance any identified business acquisition and as such will require additional financing to accomplish the Company's long-term strategic objectives. Future funding may be obtained by means of issuing share capital and/or debt financing. There can be no certainty of the Company's ability to raise additional financing through these means.

The Financial Statements have been prepared in accordance with IFRS applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. The accompanying interim financial statements do not reflect adjustments that may be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate, adjustments may be necessary to the carrying amounts and/or classification of assets and/or liabilities and the reported expenses in these financial statements. Such adjustments could be material.

### 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. 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.

The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them are recorded at their exchange amounts as agreed upon by transacting parties.

Summary of expenses incurred:

<b>Nature</b>	<b>Relationship</b>	<b>For the six months ended June 30, 2021 \$</b>	<b>For the six months ended June 30, 2020 \$</b>
Interest on promissory notes	Due to shareholders of the Company	<b>7,339</b>	13,179

The Company has secured promissory notes with different related parties; ECC and The Emprise Special Opportunities Fund (2017) ("ESOF2017") are both shareholders of the Company. During fiscal 2020, \$5,250 was secured as an additional loan from ESOF2017. During fiscal 2021, an additional \$7,000 was secured as an additional loan from ESOF2017. See Promissory Notes and Loan Payable section for details relating to these promissory notes and loan.

**DUCKHORN VENTURES LTD.  
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Amount due to related parties included in promissory notes payable:

<b>Nature</b>	<b>Relationship</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>
Promissory note (ECC)	Shareholder of the Company	\$ 19,435	\$ 18,535
Promissory note (ESOF2017)	Shareholder of the Company	\$ 13,149	\$ 237,878

**RISKS AND UNCERTAINTIES**

**Strategic Risk**

At present, the Company has very limited sources of funding from which to repay its existing obligations and fund on-going operating costs. If the Company is unable to obtain adequate additional financing, management might be required to curtail the Company's operations. If future financing is unavailable, the Company may not be able to meet its ongoing obligations, in which case its ability to continue as a going concern may be adversely affected.

There is also no guarantee that the Company will be able to complete the acquisition of or participation in a new business opportunity. If an acquisition of or the participation in corporations, properties, assets or businesses is identified, the Company may find that even if the terms of an acquisition or participation are economic, it may not be able to finance such acquisition or participation and additional funds will be required to enable the Company to pursue such an initiative. There is no guarantee that additional financing will be available or that it will be available on terms acceptable to management of the Company. The Company will be competing with other companies, many of which will have far greater resources and experience than the Company. No assurance can be given that the Company will be successful in raising the funds required for an acquisition.

**Fluctuation in Investments**

The Company's investments in securities of public companies are subject to volatility in the share prices of the companies. There can be no assurance that an active trading market for any of the subject shares is sustainable. The trading prices of the subject shares could be subject to wide fluctuations in response to various factors beyond the Company's control, including, quarterly variations in the subject companies' results of operations, changes in earnings (if any), estimates by analysts, conditions in the industry of the subject companies and general market or economic conditions. In recent years equity markets have experienced extreme price and volume fluctuations. These fluctuations have had a substantial effect on market prices, often unrelated to the operating performance of the specific companies. Such market fluctuations could adversely affect the market price of the Company's investments. As at June 30, 2021, the Company does not hold any investments in public companies.

**Private Issuers and Illiquid Securities**

The Company may invest in securities of private companies, illiquid securities of public companies and publicly-traded securities that have low trading volumes. The value of these investments may be affected by factors such as investor demand, resale restrictions, general market trends and regulatory restrictions. Fluctuation in the market value of such investments may occur for a number of reasons beyond the control of the Company and there is no assurance that an adequate market will exist for investments made by the Company.

# **DUCKHORN VENTURES LTD.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FOR THE SIX MONTHS ENDED JUNE 30, 2021**

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#### **Lack of Dividend Policy**

The Company does not presently intend to pay cash dividends in the foreseeable future, as any earnings are expected to be retained for use in developing and expanding its business. However, the actual amount of dividends received from the Company will remain subject to the discretion of the Company's Board of Directors and will depend on results of operations, cash requirements and future prospects of the Company and other factors.

#### **Possible Dilution to Present and Prospective Shareholders**

The Company's plan of operation, in part, contemplates the accomplishment of business negotiations by the issuance of cash, securities of the Company, or a combination of the two, and possibly, incurring debt. Any transaction involving the issuance of previously authorized but unissued common shares would result in dilution, possibly substantial, to present and prospective holders of common shares.

#### **Dependence of Key Personnel**

The Company strongly depends on the business and technical expertise of its management and key personnel. There is little possibility that this dependence will decrease in the near term. As the Company's operations expand, additional general management resources will be required, especially since the Company encounters risks that are inherent in doing business in several countries.

## **FINANCIAL INSTRUMENTS**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

#### **Market Risk**

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk and are disclosed as follows:

##### **(i) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds no financial instruments that are denominated in a currency other than Canadian dollars. As at June 30, 2021, the Company is not exposed to currency risk.

##### **(ii) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. The Company's sensitivity to interest rates relative to its cash balances is currently immaterial. The Company also has no long-term debt with variable interest rates, so it has no negative exposure to changes in the market interest rate.

**DUCKHORN VENTURES LTD.  
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**(iii) Price rate risk**

The Company has no exposure to price risk with respect to equity prices as the Company is not listed. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market.

**Credit Risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions. Management believes that the credit risk related to its cash is negligible.

**Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At June 30, 2021, the Company has limited sources of revenue and has a cash balance of \$5,811 to settle current liabilities of \$344,382. As such, the Company has insufficient cash to fund corporate overhead costs and the repayment of the Company's debt obligations for the next year. Until such time as the Company's investments increase in value or begin generating significant dividend income, the Company will remain dependent upon the financial support of its shareholders and debt holders or the sale of investments. If the Company is unable to finance itself through these means, it is possible that the Company will be unable to continue as a going concern.

Additionally, the Company likely has insufficient funds from which to finance any identified business acquisition and as such will require additional financing to accomplish the Company's long-term strategic objectives. Future funding may be obtained by means of issuing share capital and/or debt financing. There can be no certainty of the Company's ability to raise additional financing through these means. If the Company is unable to continue to finance itself through these means, it is possible that the Company will be unable to continue as a going concern.

Consequently, the Company is exposed to liquidity risk as at June 30, 2021.

**Fair Value Risk**

When participating in investment activities, the Company may incur losses if it is unable to resell the securities it has purchased or if it is forced to liquidate its holdings at less than their respective carrying values. The Company is also exposed to fair value risk as a result of its trading activities in publicly traded securities. All the Company's investments are carried on a FVTPL basis and are recorded at their fair value. As such, changes in fair value affect earnings as they occur.

The fair value of cash, accounts receivable, accounts payable and accrued liabilities, and promissory notes and loan payable at June 30, 2021 approximate their carrying values due to their short term to maturity.

**DUCKHORN VENTURES LTD.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE SIX MONTHS ENDED JUNE 30, 2021**

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**CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

**CRITICAL ACCOUNTING ESTIMATES**

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year included:

**Income tax**

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

**Valuation of investments at fair value**

The Company recognizes its investments at fair value. Fair value is determined on the basis of market prices from independent sources, if available. If there is no market price, then the fair value is determined by using valuation models. The inputs to these models are derived from observable market data where possible, but where observable data is not available, judgment is required to establish fair values. There is inherent uncertainty and imprecision in estimating the factors that can affect fair value, and in estimating fair values generally, when observable data is not available. Changes in assumptions and inputs used in valuing financial instruments could affect reported fair values.

**Stock options**

Determining the fair value of stock options requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company's future operating results or on other components of shareholders' equity.

**DUCKHORN VENTURES LTD.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE SIX MONTHS ENDED JUNE 30, 2021**

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**CRITICAL ACCOUNTING JUDGEMENT**

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the statements are, but are not limited to, the following:

**Going Concern**

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. The factors considered by management are disclosed in Note 1 of the interim financial statements.

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company currently has no off-balance sheet arrangements.

**SCHEDULE "C"**

**HELIUM EVOLUTION FINANCIAL STATEMENTS**



# Helium Evolution Incorporated

## Financial Statements

**As at August 31, 2021 and for the period from incorporation on January 14, 2021  
to August 31, 2021**

## Helium Evolution Incorporated

### Statement of Financial Position

(thousands of Canadian Dollars)	August 31, 2021
<b>Assets</b>	
Current Assets	
Cash	\$ 802
Accounts receivable (note 11)	21
	823
Exploration and evaluation assets (note 5)	392
<b>Total Assets</b>	<b>\$ 1,215</b>
<b>Liabilities and Shareholders' Equity</b>	
Current Liabilities	
Accounts payable and accrued liabilities (note 11)	\$ 139
Shareholders' Equity	
Share capital (note 6)	1,915
Warrants (note 6)	85
Deficit	(924)
<b>Total Shareholders' Equity</b>	<b>1,076</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 1,215</b>

See accompanying notes to the financial statements

Commitments (notes 5 and 12)

Subsequent events (note 14)

Approved by the Board of Directors

“signed Greg Robb”, Director

“signed Jim Baker”, Director

## Helium Evolution Incorporated

### Statement of Loss and Comprehensive Loss

Period from incorporation on January 14, 2021 to August 31, 2021

	Period ended August 31, 2021
(thousands of Canadian Dollars, except number of shares and per share amounts)	
<b>Expenses</b>	
Exploration and evaluation ( <i>note 13</i> )	\$ 724
General and administrative ( <i>note 9</i> )	200
	924
<b>Net loss and comprehensive loss</b>	\$ 924
Weighted average number of shares outstanding	20,965,066
Net loss per common share ( <i>note 6</i> )	\$ (0.04)

See accompanying notes to the financial statements

## Helium Evolution Incorporated

### Statement of Cash Flows

Period from incorporation on January 14, 2021 to August 31, 2021

	Period ended August 31, 2021
(thousands of Canadian Dollars)	
Cash was provided by (used in):	
<b>Operating activities:</b>	
Net loss for the period	\$ (924)
Exploration and evaluation ( <i>notes 3 and 13</i> )	720
General and administrative ( <i>note 6</i> )	10
Change in non-cash working capital ( <i>note 10</i> )	84
Cash used in operating activities	(110)
<b>Financing activities:</b>	
Shares and units issued ( <i>note 6</i> )	1,270
Cash provided by financing activities	1,270
<b>Investing activities:</b>	
Exploration and evaluation assets ( <i>note 5</i> )	(392)
Change in non-cash working capital ( <i>note 10</i> )	34
Cash used in investing activities	(358)
<b>Net change in cash</b>	<b>802</b>
<b>Cash, beginning of period</b>	<b>-</b>
<b>Cash, end of period</b>	<b>\$ 802</b>

See accompanying notes to the financial statements

## Helium Evolution Incorporated

### Statement of Changes in Shareholders' Equity

Period from incorporation on January 14, 2021 to August 31, 2021

(thousands of Canadian Dollars, except number of shares)	Number of Shares	Share Capital	Deficit	Total Shareholders' Equity
Balance, January 14, 2021	-	\$ -	\$ -	\$ -
Shares Issued ( <i>note 6</i> )	34,000,000	1,915	-	1,915
Warrants Issued ( <i>note 6</i> )	-	85	-	85
Net Loss for the period	-	-	(924)	(924)
<b>August 31, 2021</b>	<b>34,000,000</b>	<b>\$ 2,000</b>	<b>\$ (924)</b>	<b>\$ 1,076</b>

See accompanying notes to the financial statements

## Helium Evolution Incorporated

### Notes to the Financial Statements

As at August 31, 2021 and for the period from incorporation on January 14, 2021 to August 31, 2021

(tabular amounts expressed in thousands of Canadian Dollars, except number of shares and warrants)

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#### 1. Organization and Nature of the Business

Helium Evolution Incorporated (the “Company” or “HEI”) was incorporated under the laws of the Province of Alberta, Canada on January 14, 2021. The Company’s principal address and address of its registered and records office is 1214 – 20 Street NW, Calgary, Alberta, Canada, T2N 2K4.

The Company is an early-stage helium exploration Company that has not yet determined whether its helium properties contain deposits that are economically recoverable.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, have adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time but may impact the Company’s ability to obtain additional financing to support exploration activities.

#### 2. Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Significant accounting policies and methods of computation are presented in note 3.

The presentation currency is Canadian dollars (“CAD”), which is the functional currency of the Company.

These financial statements have been prepared using the historical cost convention on an accrual basis except for, when outstanding, certain financial instruments which have been measured at fair value. In the opinion of management, all adjustments, including accruals, considered necessary for a fair presentation have been included.

The financial statements were authorized for issue by the Board of Directors on November 16, 2021.

#### Use of Judgements and Key Sources of Estimation Uncertainty

The timely preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the year. These estimates are subject to measurement uncertainty and the effect on the financial statements of changes in these estimates could be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

##### *Critical Judgments*

##### *(i) Identification of cash generating units (“CGUs”)*

The Company’s assets are aggregated into CGUs for the purpose of calculating impairment. CGUs are based on an assessment of the unit’s ability to generate independent cash inflows. The determination of these CGUs was based on management’s judgment regarding shared infrastructure, geographical proximity, and similar exposure to market risk and materiality.

##### *(ii) Exploration and evaluation (“E&E”) assets*

The application of the Company’s accounting policy for E&E requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found in assessing economic and technical feasibility.

## Helium Evolution Incorporated

### Notes to the Financial Statements

As at August 31, 2021 and for the period from incorporation on January 14, 2021 to August 31, 2021

(tabular amounts expressed in thousands of Canadian Dollars, except number of shares and warrants)

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#### *(iii) Deferred income taxes*

Judgments are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable income. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in earnings or loss in the period in which the change occurs.

#### *Key Sources of Estimation Uncertainty*

##### *(i) Taxation*

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets, if any, are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse.

##### *(ii) Warrants*

The estimated fair value of the warrants as part of the share and warrant issuance uses the Black-Scholes pricing model incorporating assumptions on volatility, risk-free interest rate, and the expected term.

### **3. Significant Accounting Policies**

The following accounting policies have been applied in these financial statements:

#### **(a) Financial instruments**

##### *(i) Non-derivative financial instruments*

Non-derivative financial instruments are comprised of cash, accounts receivable, and accounts payable and accrued liabilities. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. After initial recognition, non-derivative financial instruments are measured based on their classifications:

- Cash and accounts receivable are classified as loans and receivables and are measured at amortized cost using the effective interest method, less any impairment.
- Accounts payable and accrued liabilities are measured at amortized cost using the effective interest method.

##### *(ii) Common shares and warrants*

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issuance of common units are recognized as a deduction from equity, net of any tax effects.

#### **(b) Property, plant and equipment and exploration and evaluation assets**

##### *(i) Recognition and measurement*

###### *Exploration and evaluation expenditures*

Pre-licence costs are recognized in earnings as incurred. Exploration and evaluation (“E&E”) costs, including the costs of acquiring licences and directly attributable general and administrative costs, are initially capitalized as exploration and evaluation assets. The costs are accumulated in cost centers by well, field or exploration area pending determination of technical feasibility and commercial viability.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units.

## Helium Evolution Incorporated

### Notes to the Financial Statements

As at August 31, 2021 and for the period from incorporation on January 14, 2021 to August 31, 2021

(tabular amounts expressed in thousands of Canadian Dollars, except number of shares and warrants)

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A review of each exploration CGU is conducted, at least annually, to ascertain whether technical feasibility and commercial viability have been achieved. Upon determination of technical feasibility and commercial viability, the CGU within which the exploration and evaluation assets attributable to those reserves is first tested for impairment and then the applicable value is reclassified from exploration and evaluation assets to property, plant and equipment.

#### *Development and production costs*

Items of property, plant and equipment ("PP&E"), which include helium development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into CGUs for impairment testing. When significant parts of an item of PP&E, including helium interests, have different useful lives, they are accounted for as separate components.

Gains and losses on disposal of an item of property, plant and equipment, including helium interests, are determined by comparing the proceeds from disposal with the carrying amount of PP&E and are recognized in earnings.

#### *(ii) Subsequent costs*

Costs incurred after the determination of technical feasibility and commercial viability and the costs of replacing parts of PP&E are recognized as helium interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in earnings as incurred. Such capitalized helium interests generally represent costs incurred in developing helium properties and bringing on or enhancing production from these helium properties and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in earnings as incurred.

#### *(iii) Depletion and depreciation*

The net carrying value of development or production assets is depleted using the unit of production method by reference to the ratio of production in the year to the related proved plus probable reserves, considering estimated future development costs necessary to bring those reserves into production. Future development costs are estimated considering the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually. Other corporate assets are recorded at cost on acquisition and amortized on a declining-balance basis at rates of 20 to 50 percent per year.

#### *(iv) Exploration and evaluation expense*

Pre-license costs are recognized in exploration and evaluation expense as incurred. Upon determination that an exploration and evaluation asset is impaired, the Company will transfer costs associated with the applicable asset to exploration and evaluation expense in the period.

### **(c) Impairment**

#### *(i) Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired by measuring the asset's expected credit loss ("ECL"). Accounts receivable are due within one year or less; therefore, these financial assets are not considered to have a significant financing component and a lifetime ECL is measured at the date of initial recognition of the accounts receivable.

The ECL pertaining to accounts receivable is assessed at initial recognition and this provision is re-assessed at each reporting date. ECLs are a probability-weighted estimate of all possible default events related to the financial asset (over the lifetime or within 12 months after the reporting period, as applicable) and are measured as the difference between the present value of the cash flows due to HEI and the cash flows the Company expects to receive.

## Helium Evolution Incorporated

### Notes to the Financial Statements

As at August 31, 2021 and for the period from incorporation on January 14, 2021 to August 31, 2021

(tabular amounts expressed in thousands of Canadian Dollars, except number of shares and warrants)

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In making an assessment as to whether financial assets are credit-impaired, the Company considers historically realized bad debts, evidence of a debtor's present financial condition and whether a debtor has breached certain contracts, the probability that a debtor will enter bankruptcy or other financial reorganization, changes in economic conditions that correlate to increased levels of default, the number of days a debtor is past due in making a contractual payment, and the term to maturity of the specified receivable. The carrying amounts of financial assets are reduced by the amount of the ECL through an allowance account and losses are recognized in the statements of income.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the statements of income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

#### *(ii) Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than E&E assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated via an impairment test.

E&E assets are assessed for impairment when they are reclassified to property, plant and equipment, and if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets, or CGUs. The recoverable amount of an asset or a CGU is the greater of its value-in-use ("VIU") and its fair value less costs of disposal ("FVLCD"). FVLCD is determined as the amount that would be obtained from the sale of the assets 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. Value-in-use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved plus probable reserves. E&E assets are allocated to related CGUs when they are assessed for impairment, both at the time of any triggering facts and circumstances as well as upon their eventual reclassification to PP&E.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in earnings. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets in the unit (group of units) on a pro-rata basis.

An impairment loss in respect of PP&E and E&E assets, recognized in prior years, is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

#### **(d) Leased assets**

When HEI is party to a lease arrangement as the lessee, it recognizes a right-of-use asset ("ROU asset") and a corresponding lease obligation on the date that a leased asset becomes available for use. Interest associated with the lease obligation is recognized over the lease period with a corresponding increase to the underlying lease obligation. ROU assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. Depreciation on ROU assets is recognized in depletion and depreciation. ROU assets and lease obligations are initially measured on a present value basis. Lease obligations are measured as the net present value of the lease payments which may include fixed lease payments, variable lease payments based on an index or a rate, and amounts expected

## Helium Evolution Incorporated

### Notes to the Financial Statements

As at August 31, 2021 and for the period from incorporation on January 14, 2021 to August 31, 2021

(tabular amounts expressed in thousands of Canadian Dollars, except number of shares and warrants)

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to be payable under residual value guarantees and payments to exercise an extension or termination option, if HEI is reasonably certain to exercise either of those options. ROU assets are measured at cost, which is composed of the amount of the initial measurement of the lease obligation, less any incentives received, plus any lease payments made at, or before, the commencement date and initial direct costs and asset restoration costs, if any.

The rate implicit in the lease is used to determine the present value of the liability and ROU asset arising from a lease, unless this rate is not readily determinable, in which case the Company's incremental borrowing rate is used.

Short-term leases and leases of low-value assets are not recognized on the statement of financial position and lease payments are instead recognized in the financial statements as incurred. For certain classes of leases, HEI does not separate lease and non-lease components, accounting for these leases as a single lease component.

#### (e) Share based compensation

The grant date fair value of options granted to employees is recognized as compensation expense, with a corresponding increase in contributed surplus, over the vesting period. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of instruments that vest.

#### (f) Provisions

A provision is recognized if, because of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

##### *(i) Decommissioning obligations:*

The Company's activities give rise to dismantling, decommissioning and site disturbance re-mediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category. Decommissioning obligations are measured at the present value of management's best estimate of expenditure required to settle the obligation, using a risk-free interest rate. After the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

#### (g) Revenue

Revenue from the sale of helium is measured based on the consideration specified in contracts with customers and is recognized as revenue when the Company transfers control of the product to the buyer. This is generally at the time the customer obtains legal title to the product and when it is physically transferred to the delivery mechanism agreed with the customer.

The Company evaluates its arrangements with 3rd parties and partners to determine if the Company acts as the principal or as an agent. In making this evaluation, management considers if the Company obtains control of the product delivered, which is indicated by the Company having the primary responsibility for the delivery of the product, having the ability to establish prices or having inventory risk. If the Company acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net-basis, only reflecting the fee, if any, realized by the entity from the transaction.

Tariffs, tolls and other fees charged to other entities for use of pipelines and facilities owned by the Company are evaluated by management to determine if these originate from contracts with customers or from incidental or collaborative arrangements. Fees charged to other entities that are from contracts with customers are recognized in revenue when the related services are provided.

## Helium Evolution Incorporated

### Notes to the Financial Statements

As at August 31, 2021 and for the period from incorporation on January 14, 2021 to August 31, 2021

(tabular amounts expressed in thousands of Canadian Dollars, except number of shares and warrants)

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#### (h) Interest expense and accretion

Interest expense is comprised of interest on borrowings

Borrowing costs incurred for the construction of qualifying assets are capitalized during the period that is required to complete and prepare the assets for their intended use or sale. All other borrowing costs are recognized in earnings using the effective interest method. The capitalization rate used to determine the amount of borrowing costs to be capitalized is the weighted average interest rate applicable to the Company's outstanding borrowings during the period.

#### (i) Income tax

The income tax consequences for a Company are deemed to be those of the partners individually and, as such, are not reflected in the financial statements. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination.

Current tax is the expected taxes payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference 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.

#### (j) Earnings per share

Basic earnings per share is calculated by dividing the net income or loss attributable to shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per common share is determined by adjusting the net income or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options or warrants.

### 4. Determination of Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods described below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### (i) Property, plant and equipment ("PP&E") and exploration and evaluation ("E&E") assets

The fair value of PP&E recognized in an acquisition, is based on market values. The market value of PP&E is the estimated amount for which property, plant & equipment could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of helium interests (included in PP&E) is estimated with reference to the discounted cash flows expected to be derived from helium production based on externally prepared reserve reports. The risk-adjusted discount rate is specific to the asset with reference to general market conditions. The market value of exploration and evaluation assets is estimated based on either internally or externally prepared evaluations of these assets.

## Helium Evolution Incorporated

### Notes to the Financial Statements

As at August 31, 2021 and for the period from incorporation on January 14, 2021 to August 31, 2021

(tabular amounts expressed in thousands of Canadian Dollars, except number of shares and warrants)

#### (ii) Cash, accounts receivable, and accounts payable and accrued liabilities

The fair value of cash, accounts receivable, and accounts payable and accrued liabilities are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At August 31, 2021, the fair value of these balances approximated their carrying values due to their short term to maturity.

#### (iii) Measurement

Non-derivative financial instruments carried at fair value are assessed using the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations are those with inputs for the asset or liability that are not based on observable market data.

#### (iv) Share based compensation

The fair value of options and warrants is measured using the Black Scholes pricing model. Measurement inputs include the share price on measurement date, exercise price of the instrument, expected volatility based on publicly available information for similar companies, weighted average expected life, and the risk-free interest rate.

## 5. Exploration and Evaluation (“E&E”) Assets

Cost	Total
Balance, January 14, 2021	\$ -
Additions	392
<b>Balance, August 31, 2021</b>	<b>\$ 392</b>

The Company holds helium exploration permits in Saskatchewan and spent \$0.4 million on exploration and evaluation activities in the period ended August 31, 2021. The Company has annual lease expenditure commitments of approximately \$32,000 and annual permit expenditure commitments as follows: 2022 - \$0.3 million, 2023 - \$0.3 million, and 2024 - \$0.7 million.

Pursuant to a Royalty Agreement between HEI and certain HEI founders, a 3.0% gross overriding royalty (“GORR”) on the Company’s Saskatchewan helium permits was granted to executive members and companies controlled by directors and officers of the Company. As a result, the Company assigned a value of \$4,000 to E&E expense.

## 6. Share Capital

The authorized capital of HEI consists of an unlimited number of Class A common shares, Class B common shares, Class C common shares, Class D common shares, Class E common shares, Class F common shares, Class G common shares, Class H common shares, Class I common shares, Class J common shares, Class K common shares, Class L common shares, Class M common shares, Class N common shares, Class O common shares, Class P preferred shares, Class Q preferred shares, Class R preferred shares, Class S preferred shares, Class T preferred shares, Class U preferred shares, Class V preferred shares, Class W preferred shares, Class X preferred shares and Class Y preferred shares.

The rights, privileges, restrictions and conditions attached to the Class A through Class I common shares and the Class P through Class T preferred shares include the right to vote at any meeting of shareholders of HEI.

## Helium Evolution Incorporated

### Notes to the Financial Statements

As at August 31, 2021 and for the period from incorporation on January 14, 2021 to August 31, 2021

(tabular amounts expressed in thousands of Canadian Dollars, except number of shares and warrants)

The rights, privileges, restrictions and conditions attached to the Class A through Class O common shares include the following:

- the right to receive the remaining property of HEI on dissolution and for such purpose each class of common share issued shall rank pari passu with each other; and
- the right to receive such dividends as may be declared by Helium on that class; provided that such dividends may be declared on any class of common shares, or on any combination of issued classes of common shares, to the exclusion of any issued class or classes of common shares, or in part on each such class.

The Class K through Class O common shares shall not be entitled to receive notice of or to attend any meetings of shareholders or to vote at any such meetings, subject to the provisions of the ABCA. In all other respects the Class K through Class O Common shares shall rank pari passu with the Class A through Class J common shares.

The foregoing rights, privileges, restrictions, and conditions attached to the Class A through Class O Common shares are subject to the rights, privileges, restrictions and conditions attaching to any other class of shares now or hereinafter created and expressed to rank in priority to the Class A through Class O common shares respectively.

The Class P through Class Y preferred shares shall be non-cumulative redeemable retractable shares which may be issued for such consideration and bearing such rights, privileges, restrictions and conditions, in addition to the following, as determined by the Helium Board before issue.

The following table details the number of common shares issued and outstanding at August 31, 2021:

	Number of Class A Common Shares	Equity
Issued for cash and E&E expense <sup>1</sup>	15,000,000	\$ 750
Issued for services rendered <sup>2</sup>	200,000	10
Issued for cash <sup>3</sup>	15,800,000	790
Issued for cash <sup>4</sup>	1,000,000	150
Issued for cash <sup>5</sup>	2,000,000	215
<b>Balance, August 31, 2021</b>	<b>34,000,000</b>	<b>\$ 1,915</b>

<sup>1</sup> On January 14, 2021, the Company closed a non-brokered private placement with management and executive members of the Company. Under the terms of the private placement, the Company issued 15 million Class A common shares at \$0.05 per share. Payment consisted of \$30,000 in cash and the settlement of intellectual property obligations and other rights totaling \$720,000 which was pre-exploration and recorded as exploration and evaluation expense.

<sup>2</sup> On May 14, 2021, the Company settled a \$10,000 G&A expenditure through the issuance of 200,000 Class A common shares at \$0.05 per share.

<sup>3</sup> Between May 14, 2021 and August 9, 2021, the Company closed a non-brokered private placement for gross proceeds of \$790,000. Under the terms of the private placement, the Company issued 15.8 million Class A common shares at \$0.05 per share.

<sup>4</sup> On August 18, 2021, the Company closed a non-brokered private placement for gross proceeds of \$150,000. Under the terms of the private placement, the Company issued 1 million Class A common shares at \$0.15 per share.

<sup>5</sup> On August 30, 2021, the Company closed a non-brokered private placement which raised gross proceeds of \$300,000. Under the terms of the private placement, the Company issued 2 million units at \$0.15 per unit, comprised of 2 million Class A common shares and 2 million warrants with an exercise price of \$0.30 per share and a term of 24 months. The warrants contain an acceleration option whereby management can notify the warrant holders of the Company's intent to convert the warrants into common shares should the common shares trade at a price greater than \$0.75 per share over a period of 10 days on a public exchange. Based on the relative fair value of the unit, \$215,000 was ascribed to share capital and \$85,000 was ascribed to warrant capital.

## Helium Evolution Incorporated

### Notes to the Financial Statements

As at August 31, 2021 and for the period from incorporation on January 14, 2021 to August 31, 2021

(tabular amounts expressed in thousands of Canadian Dollars, except number of shares and warrants)

	Number of Warrants	Equity
Balance, January 14, 2021	-	\$ -
Issued for cash	2,000,000	85
<b>Balance, August 31, 2021</b>	<b>2,000,000</b>	<b>\$ 85</b>

The warrants were valued using the Black-Scholes model and the following inputs: exercise price of \$0.30 per share, expected term of 24 months, annualized volatility based on publicly traded peer companies of 107%, a risk-free rate of 0.43%, and zero expected dividends. The Black-Scholes fair value is \$0.06 per warrant, with the relative fair value ascribed to the warrants totaling \$85,000.

#### 7. Share Option Plan

The Company has an incentive Stock Option Plan (the "Plan") for directors, officers, employees and consultants, under which the Company may issue stock options to purchase common shares of the Company provided that the amount of incentive stock options which may be granted and outstanding under the Plan at any time shall not exceed 10% of the then issued and outstanding common shares of the Company.

There are no options outstanding as at August 31, 2021.

#### 8. Income Taxes

A reconciliation of the expected tax expense (recovery) to the actual provision for deferred taxes is as follows:

	August 31, 2021
Loss before taxes	\$ (924)
Combined federal and provincial tax rate	23%
Expected income tax expense (recovery)	(213)
Change in unrecognized deferred tax assets	47
Non-deductible E&E additions	166
Deferred income tax expense (recovery)	\$ -

Under the terms of the January 14, 2021 share issuance as detailed in note 6, the Company acquired property without tax basis in the amount of \$720,000. The Company has not recognized taxable temporary differences related to this acquisition because the transaction is subject to the initial recognition exemption under IAS 12 "Income Taxes". Deferred income tax assets and liabilities are not recognized for temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable benefit.

The temporary differences that determine the unrecognized deferred tax asset are as follows:

	August 31, 2021
Non-capital losses and other	\$ 204

Deferred tax assets have not been recognized in respect of these items because it is not considered probable that future taxable profits will be available against which these temporary differences could be utilized.

The Company has tax pools of approximately \$0.6 million at August 31, 2021, available for deduction against future taxable income.

## Helium Evolution Incorporated

### Notes to the Financial Statements

As at August 31, 2021 and for the period from incorporation on January 14, 2021 to August 31, 2021

(tabular amounts expressed in thousands of Canadian Dollars, except number of shares and warrants)

A continuity of the deferred income tax asset as at August 31, 2021 is detailed in the following table:

Movement in temporary differences during the year	January 14, 2021	Recognized in profit or loss	August 31, 2021
Non-capital losses and other	\$ -	\$ 204	\$ 204
Unrecognized deferred tax asset	-	(204)	(204)
	\$ -	\$ -	\$ -

### 9. General and Administrative (“G&A”) Expense

Details of the Company’s G&A expenditures for the period from incorporation on January 14, 2021 to August 31, 2021 are as follows:

	August 31, 2021
Consulting	\$ 41
Legal	120
Office	21
Salaries and wages	12
Travel	6
	\$ 200

### 10. Supplemental Cash Flow Information

	August 31, 2021
Change in non-cash working capital:	
Accounts receivable	\$ (21)
Accounts payable and accrued liabilities	139
	\$ 118
Allocated to:	
Operating	\$ 84
Investing	34
	\$ 118

### 11. Financial Risk Management

The Company’s activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as:

- Credit risk
- Market risk
- Liquidity risk

This note presents information about the Company’s exposure to each of the above risks, the objectives, policies, and processes for measuring and managing risk, and the Company’s management of capital. Further quantitative disclosures are included throughout the financial statements.

## Helium Evolution Incorporated

### Notes to the Financial Statements

As at August 31, 2021 and for the period from incorporation on January 14, 2021 to August 31, 2021

(tabular amounts expressed in thousands of Canadian Dollars, except number of shares and warrants)

HEI is exposed to normal market risks inherent in the helium business, including, but not limited to, commodity price risk, foreign currency rate risk, credit risk, liquidity risk and interest rate risk. The Company seeks to mitigate these risks through various business processes and management controls and from time to time by using various derivative financial instruments and physical delivery sales contracts.

#### (a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and accounts receivable.

The carrying amount of cash on hand and accounts receivable represents the maximum credit exposure. As at August 31, 2021, the Company's receivables consisted of sales taxes paid on general and administrative and capital expenditures.

#### (b) Market risk

Market risk is the risk that changes in market conditions, such as commodity prices, foreign exchange rates and interest rates will affect the Company's income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the Company's return.

##### *Interest rate risk:*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any interest rate exposure as at August 31, 2021.

##### *Foreign exchange risk:*

Helium prices are based on US dollar denominated commodity prices. As a result, the Canadian dollar price received by the Company will be affected by the Canadian and US dollar exchange rates once helium revenues are realized.

#### (c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's financial liabilities consist of accounts payable and accrued liabilities.

Accounts payable consists of invoices payable to trade suppliers for general and administrative activities and exploration and evaluation expenditures. The Company processes invoices within a normal payment period. Accounts payable have contractual maturities of less than one year. The Company maintains and monitors a certain level of cash which is used to finance all operating and capital expenditures.

HEI anticipates having adequate funds flow to meet its contractual obligations and commitments and discharge its liabilities as they come due. In order to ensure it has sufficient liquidity, the Company may access capital markets. Management anticipates that these efforts will provide enough financial flexibility to meet the Company's contractual obligations and commitments and discharge its liabilities, until it generates cashflow from operations. See subsequent event note 14.

The timing of undiscounted cash outflows relating to the financial liabilities outstanding at August 31, 2021 is outlined in the table below:

	1 year	2 years	3 years	> 3 years	Total
Accounts payable and accrued liabilities	\$ 139	\$ -	\$ -	\$ -	\$ 139

##### *Capital management:*

The Company's capital structure includes shareholders' equity and working capital. HEI's general policy is to maintain a strong financial position to allow for exploration of its existing land base. The Company's objective is to maintain a capital structure that allows it to finance its business strategy using primarily internally generated cash flow and equity markets, and to optimize the use of its capital to provide an appropriate investment return to its shareholders.

## Helium Evolution Incorporated

### Notes to the Financial Statements

As at August 31, 2021 and for the period from incorporation on January 14, 2021 to August 31, 2021

(tabular amounts expressed in thousands of Canadian Dollars, except number of shares and warrants)

HEI monitors its capital structure and makes adjustments on an ongoing basis in order to maintain the flexibility needed to achieve the Company's long-term objectives. To manage its capital structure, the Company may adjust capital spending, issue new equity, issue new debt, or obtain alternative financing. See subsequent event note 14.

The Company is in the process of exploring its helium properties and has not yet determined whether these properties contain deposits that are economically recoverable. As the Company does not yet have cash flow from operations, it must rely on equity financing to fund operations. To date the Company's main source of funding has been the issuance of equity and warrant securities for cash, through private placements to sophisticated investors.

The Company's continuing operations and underlying value and recoverability of the amounts shown for exploration and evaluation assets are entirely dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its helium property interests and on future profitable production or proceeds from the disposition of the helium property interests.

As at August 31, 2021 the Company had positive working capital of \$0.7 million.

These and other factors may adversely affect the Company's liquidity and ability to generate income and cash flows in the future.

#### 12. Commitments

The Company holds helium permits that require minimum expenditures on an annual basis (see note 5).

#### 13. Related Party Transactions

The following table summarizes transactions with related parties:

	August 31, 2021
Exploration and evaluation expense – management	\$ 724

Under the terms of the January 14, 2021 share issuance as detailed in note 6, the Company acquired property and other rights totaling \$720,000 from management and recorded this acquisition as a pre-exploration expenditure under E&E expense.

Pursuant to a Royalty Agreement between HEI and certain HEI founders, a 3.0% GORR on the Company's Saskatchewan helium permits was granted to executive members and companies controlled by directors and officers of the Company. As a result, the Company assigned a value of \$4,000 to E&E expense.

#### Compensation of key management personnel of the Company

The remuneration of directors and other members of key management personnel during the years presented were as follows:

	August 31, 2021
Salaries and wages	\$ 24

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors and executive employees of the Company. See notes 6 and 14.

## Helium Evolution Incorporated

### Notes to the Financial Statements

As at August 31, 2021 and for the period from incorporation on January 14, 2021 to August 31, 2021

(tabular amounts expressed in thousands of Canadian Dollars, except number of shares and warrants)

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#### 14. Subsequent Events

On September 19, 2021, the Company entered into a definitive agreement (the "Agreement") as part of a reverse takeover transaction with a Duckhorn Ventures Ltd. ("Duckhorn"), a reporting issuer in the province of British Columbia. The purpose of this transaction is to effect a public listing on the TSX Venture Exchange and to raise capital for exploration and evaluation activities on the Company's helium permits.

On November 10, 2021, the Company closed a non-brokered private placement (the "Offering") of subscription receipts (the "Subscription Receipts") for total gross proceeds of \$12.3 million. In connection with the Offering, Helium Evolution issued 40,998,636 Subscription Receipts at a price of \$0.30 per Subscription Receipt, with each Subscription Receipt automatically converting into one common share in the capital of Helium Evolution ("HEI Share") for no additional consideration or action on the part of the holder, concurrently with the release of funds to the Company from escrow, pending the satisfaction of certain escrow release conditions, being: (a) the conditions set forth in the Agreement having been satisfied or waived, and (b) the Company and Duckhorn having delivered a joint notice and direction to the Subscription Receipt Agent (as defined in the Agreement) confirming that the conditions referenced have been met on or prior to 5:00 p.m. (Calgary time) on December 15, 2021, or such later date as may be determined by the Company and Duckhorn in accordance with the terms of the Agreement (provided that date is not later than February 15, 2021). Each HEI Share will be subsequently exchanged for 1.00542 common shares in the capital of Duckhorn in accordance with the terms of the Agreement.

Subsequent to August 31, 2021, the Company was awarded additional helium permits by the Government of Saskatchewan with first year lease rental amounts required in the amount of \$44,000. The annual lease rental payment will be due and payable at the start of each term year for the remainder of the three-year term. The first-year spending commitments on these helium permits totaling approximately \$324,000.

On October 1, 2021, the Company entered into a 2-year office lease agreement, commencing November 1, 2021 and ending October 31, 2023. The lease commitment is \$31,000 per year plus operating costs.

**SCHEDULE "D"**

**MD&A OF HELIUM EVOLUTION**



## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the period from incorporation on January 14, 2021 to August 31, 2021  
(tabular amounts in thousands of Canadian Dollars, except share and per share amounts)

The following Management's Discussion and Analysis ("MD&A") as provided by the management of Helium Evolution Incorporated ("HEI" or the "Company") is dated as of November 16, 2021 and should be read in conjunction with HEI's financial statements and related notes for the period from incorporation on January 14, 2021 to August 31, 2021. The reporting currency is the Canadian Dollar.

### Basis of Presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as at and for the period from incorporation on January 14, 2021 to August 31, 2021, and have been prepared in accordance with the accounting policies and methods of computation as set forth in note 3 of the audited financial statements.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the revenues and expenses during the reporting period. Management reviews these estimates, including those related to accruals and income taxes at each financial reporting period. Changes in facts and circumstances may result in revised estimates and actual results may differ from these estimates. Readers should be aware that historical results are not necessarily indicative of future performance.

### Forward-looking Statements

Certain information included in this MD&A constitutes forward-looking information under applicable securities legislation. Such forward looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements, or developments in the industry to differ materially from the anticipated results, performance or achievements expressed or implied by such forward-looking statements. Forward looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects," "plans," "anticipates," "believes," "intends," "estimates," "projects," "potential" and similar expressions, or that events or conditions "will," "would," "may," "could" or "should" occur.

Forward-looking statements in this document include statements regarding the Company's expectations regarding the completion of the Amalgamation, the listing of the Resulting Issuer's shares on a Canadian stock exchange, the granting of additional permits over lands under application and other statements that are not historical facts. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors and risks include, among others:

- that there is no assurance that the parties will obtain the requisite shareholder and regulatory approvals for the Amalgamation;
- there is no assurance that the Amalgamation will close on the terms anticipated or at all;
- following completion of the Amalgamation, the Resulting Issuer may require additional financing from time to time in order to continue its operations; financing may not be available when needed or on terms and conditions acceptable to the combined company;
- new laws or regulations could adversely affect the Resulting Issuer's business and results of operations;
- stock markets have experienced volatility that often has been unrelated to the performance of companies. These fluctuations may adversely affect the price of the Resulting Issuer's securities regardless of its operating performance;
- there can be no assurance that a Canadian stock exchange will approve a listing of the Resulting Issuer's securities; and
- the granting of additional permits is subject to a competitive process over which the Company has no control.



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the period from incorporation on January 14, 2021 to August 31, 2021  
(tabular amounts in thousands of Canadian Dollars, except share and per share amounts)

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When relying on forward-looking statements and information to make decisions, investors and others should carefully consider the foregoing factors and risks and other uncertainties and potential events. The Company has assumed that the material factors referred to in the previous paragraphs will not cause such forward-looking statements and information to differ materially from actual results or events. However, the list of these factors is not exhaustive and is subject to change and there can be no assurance that such assumptions will reflect the actual outcome of such items or factors.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the period from incorporation on January 14, 2021 to August 31, 2021  
(tabular amounts in thousands of Canadian Dollars, except share and per share amounts)

### Selected Financial Information

	For the period from incorporation on January 14, 2021 to August 31, 2021
<b>Financial</b>	
Net loss	\$ 924
Per share, basic and diluted	(0.04)
Cash	\$ 802
Working capital	\$ 684
Total assets	\$ 1,215
Total liabilities	\$ 139
Weighted average shares outstanding Basic and diluted (thousands) <sup>1</sup>	20,965,066

### Outstanding Share Data

	August 31, 2021
Common shares	34,000,000
Warrants	2,000,000
Fully Diluted	36,000,000

On January 14, 2021, the Company closed a non-brokered private placement with management and executive members of the Company. Under the terms of the private placement, the Company issued 15 million Class A common shares at \$0.05 per share. Payment consisted of \$30,000 in cash and the settlement of intellectual property obligations and other rights totaling \$720,000 which was pre-exploration and recorded as exploration and evaluation expense.

On May 14, 2021, the Company settled a \$10,000 G&A expenditure through the issuance of 200,000 Class A common shares at \$0.05 per share.

Between May 14, 2021 and August 9, 2021, the Company closed a non-brokered private placement for gross proceeds of \$790,000. Under the terms of the private placement, the Company issued 15.8 million Class A common shares at \$0.05 per share.

On August 18, 2021, the Company closed a non-brokered private placement for gross proceeds of \$150,000. Under the terms of the private placement, the Company issued 1 million Class A common shares at \$0.15 per share.

On August 30, 2021, the Company closed a non-brokered private placement which raised gross proceeds of \$300,000. Under the terms of the private placement, the Company issued 2 million units at \$0.15 per unit, comprised of 2 million Class A common shares and 2 million warrants with an exercise price of \$0.30 per share and a term of 24 months. The warrants contain an acceleration option whereby management can notify the warrant holders of the Company's intent to convert the warrants into common shares should the common shares trade at a price greater than \$0.75 per share over a period of 10 days on a public exchange. Based on the relative fair value of the unit, \$215,000 was ascribed to share capital and \$85,000 was ascribed to warrants.

<sup>1</sup> The weighted average number of common shares outstanding is not increased for outstanding stock options and warrants when the effect is anti-dilutive.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the period from incorporation on January 14, 2021 to August 31, 2021  
(tabular amounts in thousands of Canadian Dollars, except share and per share amounts)

### The Company

Helium Evolution Incorporated was formed on January 14, 2021, and is currently engaged in the exploration for helium in Saskatchewan. The Company has significant land holdings in Saskatchewan's "helium fairway" having been granted helium permits by the Government of Saskatchewan covering 1,591,176 acres of land. HEI holds a 100% working interest in these permits, encumbered by a 4.25% government royalty and a 3.0% gross overriding royalty ("GORR").

On September 19, 2021, the Company entered into a definitive agreement with Duckhorn Ventures Ltd. ("Duckhorn") and 2374154 Alberta Ltd. ("Subco") (the "Amalgamation Agreement"), pursuant to which HEI will amalgamate with and into Subco. Although the Amalgamation will result in HEI becoming a wholly owned subsidiary of Duckhorn, it constitutes a reverse takeover ("RTO") for accounting purposes as the former HEI shareholders will own a substantial majority of the common shares of the Resulting Issuer, and most of the Board of Directors and the entire executive team of the Resulting Issuer will be designees of HEI. Upon completion of the Amalgamation, the business of the entity will be the continuation of the business of HEI. Completion of the Amalgamation is subject to various conditions, including, but not limited to, receipt of approval of the TSX Venture Exchange (the "TSXV") for the listing of the Resulting Issuer's common shares.

On November 10, 2021, the Company completed a subscription receipt financing for gross proceeds of \$12,299,591 by issuing 40,998,636 subscription receipts (the "Subscription Receipts") at a price of \$0.30 per Subscription Receipt. Upon closing of the transactions contemplated in the Amalgamation Agreement, each Subscription Receipt will, for no additional consideration, automatically be converted into one Class A common share of HEI, prior to Amalgamation. Advisor fees totalling \$846,000 will be paid on release of the Subscription Receipt funds to HEI and 2,820,000 advisor warrants were issued on closing of the subscription receipt financing. The value ascribed to the advisor warrants is \$469,000.

Upon completion of the Amalgamation, each Class A common share of HEI will, for no additional consideration, automatically be converted into 1.00542 common shares of Duckhorn.

### Outlook

The Company continues to execute its strategy of acquiring a significant land base in Saskatchewan for helium exploration and production. The total permits under an initial 3-year term with the Government of Saskatchewan as of August 31, 2021, is approximately 1.6 million acres. Additional acreage continues to be added in Saskatchewan (see subsequent events on page 8).

The Company is undertaking extensive geological and geophysical modelling, which will include the purchase of existing 2D seismic lines, shooting additional 2D seismic lines, seismic reprocessing and interpretation, and well log integration to refine and mold the Company's geological model, and select initial drilling targets. HEI expects to commence drilling operations in 2022, results of which will be further incorporated into the geological model.

The Company expects to provide further guidance on anticipated capital expenditures and potential timing of helium production volumes in 2022 once additional geological and geophysical work is completed.

### Results of Operations

	Period ended August 31, 2021
Exploration and evaluation expense	724
General and administrative expense	200
Net loss	\$ (924)



## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the period from incorporation on January 14, 2021 to August 31, 2021  
(tabular amounts in thousands of Canadian Dollars, except share and per share amounts)

### Exploration and Evaluation (E&E) Expense

	Period ended August 31, 2021
Exploration and evaluation expense	\$ 724

During the period from incorporation on January 14, 2021 to August 31, 2021, the Company incurred \$724,000 of exploration and evaluation expenditures. \$720,000 of this amount was incurred upon incorporation on January 14, 2021, as settlement of intellectual property obligations and other rights through the issuance of 14.4 million Class A common shares.

Pursuant to a Royalty Agreement between HEI and certain HEI founders, a 3.0% GORR on the Company's Saskatchewan helium permits was granted to executive members and companies controlled by directors and officers of the Company. As a result, the Company assigned a value of \$4,000 to E&E expense.

### General and Administrative Expense

	Period ended August 31, 2021
General and administrative expense	\$ 200

General and administrative expenses for the period from incorporation on January 14, 2021 to August 31, 2021 totaled \$200,000. The Company has incurred costs associated with startup of a new entity including management salaries, consulting fees, software fees, office related expenses and legal fees as part of the Amalgamation Agreement.

On May 14, 2021, the Company settled a \$10,000 G&A expenditure through the issuance of 200,000 Class A common shares at \$0.05 per share.

### Capital Expenditures

The following summarizes the Company's capital spending:

	Period ended August 31, 2021
Seismic	\$ 325
Geological and geophysical	15
Land	52
Total	\$ 392

Capital spending for the period from incorporation on January 14, 2021 to August 31, 2021 totaled \$392,000. The main focus of the Company was on acquiring helium permits in Saskatchewan and commencing evaluation of prospects on helium permits granted to HEI.

### Share Capital

	Number of Shares	Equity
Class A Common Shares		
Balance, August 31, 2021	34,000,000	\$ 1,915



## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the period from incorporation on January 14, 2021 to August 31, 2021  
(tabular amounts in thousands of Canadian Dollars, except share and per share amounts)

	Number of Warrants	Equity
Warrants		
Balance, August 31, 2021	2,000,000	\$ 85

The warrants were valued using the Black-Scholes model and the following inputs: exercise price of \$0.30 per share, expected term of 24 months, annualized volatility based on publicly traded peer companies of 107%, a risk-free rate of 0.43%, and zero expected dividends. The Black-Scholes fair value is \$0.06 per warrant, with the relative fair value ascribed to warrant capital totaling \$85,000.

As at November 16, 2021, the Resulting Issuer has 78,738,462 common shares, after conversion of 40,998,636 Subscription Receipts into common shares and 4,846,124 warrants outstanding (see subsequent events on page 8).

### Liquidity, Financing and Capital Resources

	Period ended August 31, 2021
<b>Opening cash position</b>	\$ -
<b>Inflow of funds</b>	
Proceeds from share and warrant issuance	1,270
Changes in working capital	118
	<b>1,388</b>
<b>Outflow of funds</b>	
Capital expenditures	(392)
Cash flow from operations	(194)
	<b>(586)</b>
<b>Closing cash position</b>	\$ 802

### Capital Funding and Resources

As at August 31, 2021, the Company's working capital balance was \$684,000 including a cash balance of \$802,000.

### Financial Capacity

At August 31, 2021, the Company's working capital balance was \$684,000. The combination of this working capital plus financing funds held in escrow is expected to be sufficient to fund the Company's target capital program in 2022 of up to \$10.0 million. The Company has considerable flexibility in managing capital given the terms of helium permits granted by the Government of Saskatchewan. Any commitments related to the lease and permit terms are incorporated into the capital budget.

### Financial Risk Management

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as:

- Credit risk
- Market risk
- Liquidity risk

HEI is exposed to normal market risks inherent in the helium business, including, but not limited to, commodity price risk, foreign currency rate risk, credit risk, liquidity risk and interest rate risk. The Company seeks to mitigate these risks through various business processes and management controls and from time to time by using various derivative financial instruments and physical delivery sales contracts.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the period from incorporation on January 14, 2021 to August 31, 2021  
(tabular amounts in thousands of Canadian Dollars, except share and per share amounts)

### (a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and accounts receivable.

The carrying amount of cash on hand and accounts receivable represents the maximum credit exposure. As at August 31, 2021, the Company's receivables consisted of sales taxes paid on general and administrative and capital expenditures.

### (b) Market risk

Market risk is the risk that changes in market conditions, such as commodity prices, foreign exchange rates and interest rates will affect the Company's income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the Company's return.

#### *Interest rate risk:*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any interest rate exposure as at August 31, 2021.

#### *Foreign exchange risk:*

Helium prices are based on US dollar denominated commodity prices. As a result, the Canadian dollar price received by the Company will be affected by the Canadian and US dollar exchange rates once helium revenues are realized.

### (c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's financial liabilities consist of accounts payable and accrued liabilities.

Accounts payable consists of invoices payable to trade suppliers for general and administrative activities and exploration and evaluation expenditures. The Company processes invoices within a normal payment period. Accounts payable have contractual maturities of less than one year. The Company maintains and monitors a certain level of cash which is used to finance all operating and capital expenditures.

HEI anticipates having adequate funds flow to meet its contractual obligations and commitments and discharge its liabilities as they come due. In order to ensure it has sufficient liquidity, the Company may access capital markets. Management anticipates that these efforts will provide enough financial flexibility to meet the Company's contractual obligations and commitments and discharge its liabilities, until it generates cashflow from operations.

### Capital Management

The Company's capital structure includes shareholders' equity and working capital. HEI's general policy is to maintain a strong financial position to allow for exploration of its existing land base. The Company's objective is to maintain a capital structure that allows it to finance its business strategy using primarily internally generated cash flow and equity markets, and to optimize the use of its capital to provide an appropriate investment return to its shareholders.

HEI monitors its capital structure and makes adjustments on an ongoing basis in order to maintain the flexibility needed to achieve the Company's long-term objectives. To manage its capital structure, the Company may adjust capital spending, issue new equity, issue new debt, or obtain alternative financing.

The Company is in the process of exploring its helium properties and has not yet determined whether these properties contain deposits that are economically recoverable. As the Company does not yet have cash flow from operations, it must rely on equity financing to fund operations. To date the Company's main source of funding has been the issuance of equity and warrant securities for cash, through private placements to sophisticated investors.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the period from incorporation on January 14, 2021 to August 31, 2021  
(tabular amounts in thousands of Canadian Dollars, except share and per share amounts)

The Company's continuing operations and underlying value and recoverability of the amounts shown for exploration and evaluation assets are entirely dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its helium property interests and on future profitable production or proceeds from the disposition of the helium property interests.

As at August 31, 2021, the Company had positive working capital of \$0.7 million. HEI has not utilized bank loans or debt capital to finance capital expenditures to date.

These and other factors may adversely affect the Company's liquidity and ability to generate income and cash flows in the future.

### Commitments

The Company holds helium exploration permits in Saskatchewan and spent \$0.4 million on exploration and evaluation activities in the period ended August 31, 2021. The Company has annual lease expenditure commitments of approximately \$32,000 and annual permit expenditure commitments as follows: 2022 - \$0.3 million, 2023 - \$0.3 million, and 2024 - \$0.7 million.

### Related Party Transactions

The following table summarizes transactions with related parties:

	August 31, 2021
Exploration and evaluation expense – management	\$ 724

Under the terms of the January 14, 2021 share issuance as detailed above on page 3, the Company acquired property and other rights totaling \$720,000 from management and recorded this acquisition as a pre-exploration expenditure under E&E expense.

Pursuant to a Royalty Agreement between HEI and certain HEI founders, a 3.0% GORR on the Company's Saskatchewan helium permits was granted to executive members and companies controlled by directors and officers of the Company. As a result, the Company assigned a value of \$4,000 to E&E expense.

### Subsequent Events

On September 19, 2021, the Company entered into a definitive agreement (the "Agreement") as part of a reverse takeover transaction with a Duckhorn Ventures Ltd. ("Duckhorn"), a reporting issuer in the province of British Columbia. The purpose of this transaction is to effect a public listing on the TSX Venture Exchange and to raise capital for exploration and evaluation activities on the Company's helium permits.

On November 10, 2021, the Company closed a non-brokered private placement (the "Offering") of subscription receipts (the "Subscription Receipts") for total gross proceeds of \$12.3 million. In connection with the Offering, Helium Evolution issued 40,998,636 Subscription Receipts at a price of \$0.30 per Subscription Receipt, with each Subscription Receipt automatically converting into one common share in the capital of Helium Evolution ("HEI Share") for no additional consideration or action on the part of the holder, concurrently with the release of funds to the Company from escrow, pending the satisfaction of certain escrow release conditions, being: (a) the conditions set forth in the Agreement having been satisfied or waived, and (b) the Company and Duckhorn having delivered a joint notice and direction to the Subscription Receipt Agent (as defined in the Agreement) confirming that the conditions referenced have been met on or prior to 5:00 p.m. (Calgary time) on December 15, 2021, or such later date as may be determined by the Company and Duckhorn in accordance with the terms of the Agreement (provided that date is not later than February 15, 2021). Each HEI Share will be subsequently exchanged for 1.00542 common shares in the capital of Duckhorn in accordance with the terms of the Agreement.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the period from incorporation on January 14, 2021 to August 31, 2021  
(tabular amounts in thousands of Canadian Dollars, except share and per share amounts)

Subsequent to August 31, 2021, the Company was awarded additional helium permits by the Government of Saskatchewan with first year lease rental amounts required in the amount of \$44,000. The annual lease rental payment will be due and payable at the start of each term year for the remainder of the three-year term. There are additional spending commitments on these helium permits totaling approximately \$324,000.

On October 1, 2021, the Company entered into a 2-year office lease agreement., commencing November 1, 2021 through October 31, 2023. The lease commitment totals \$31,000 per year plus operating costs.

### Use of Judgements and Key Sources of Estimation Uncertainty

The timely preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the year. These estimates are subject to measurement uncertainty and the effect on the financial statements of changes in these estimates could be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

#### Critical Judgments

*(i) Identification of cash generating units ("CGUs")*

The Company's assets are aggregated into CGUs for the purpose of calculating impairment. CGUs are based on an assessment of the unit's ability to generate independent cash inflows. The determination of these CGUs was based on management's judgment regarding shared infrastructure, geographical proximity, and similar exposure to market risk and materiality.

*(ii) Exploration and evaluation ("E&E") assets*

The application of the Company's accounting policy for E&E requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found in assessing economic and technical feasibility.

*(iii) Deferred income taxes*

Judgments are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable income. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in earnings or loss in the period in which the change occurs.

### Key Sources of Estimation Uncertainty

*(i) Taxation*

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets, if any, are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse.

*(ii) Warrants*

The estimated fair value of the warrants as part of the share and warrant issuance uses the Black-Scholes pricing model incorporating assumptions on volatility, risk-free interest rate, and the expected term.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the period from incorporation on January 14, 2021 to August 31, 2021  
(tabular amounts in thousands of Canadian Dollars, except share and per share amounts)

### Off Balance Sheet Arrangements

The Company had no off-balance sheet arrangements outstanding as at August 31, 2021.

### Financial Instruments

Financial instruments of the Company include cash, accounts receivable, accounts payable and accrued liabilities. The carrying values of the financial instruments approximate their fair values due to their relatively short periods to maturity.

### Business Risks and Uncertainties

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, have adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

The Company's business of exploring for mineral resources involves a variety of operational, financial, and regulatory risks that are typical in the natural resource industry. The Company was only recently incorporated, has not commenced commercial operations, and has no proven history of performance, earnings, or success. There is no guarantee that the Company will ever be able to achieve profitable results or successfully execute its business plan, and the Company's common shares must be considered speculative, primarily due to the nature of the Company's business and early stage of development.

The Company's property interests are located in Canada. Any changes in governmental laws, regulations, economic conditions or shifts in political attitudes or stability are beyond the control of the Company and may adversely affect its business. In addition, shortages of skilled labour and deficiencies in infrastructure may negatively influence costs of exploration and development.

The success of the Company is dependent, among other things, on obtaining sufficient funding to enable the Company to explore and develop its property interests or to fulfil its obligations under applicable agreements. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of new projects with the possible loss of such properties. The Company will require new capital to continue to operate its business and to continue with exploration on its properties, and there is no assurance that capital will be available when needed, if at all. It is likely such additional capital will be raised through the issuance of additional equity which will result in dilution to The Company's shareholders.

The operations of the Company may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to conduct exploration and development work at its projects. Failure to obtain such licenses and permits may adversely affect the Company's business as the Company would be unable to legally conduct its intended exploration work, which may result in it losing its interest in the subject property.

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any resources discovered. The marketability and price of helium which may be produced or acquired by the Company will be affected by numerous factors beyond the control of the Company. These other factors include delivery uncertainties related to the proximity of its reserves to processing facilities and extensive government regulation relating to price, taxes, royalties, allowable production land tenure, the import and export of minerals and many other aspects of the mineral extraction business. Declines in resource prices may have a negative effect on the Company.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the period from incorporation on January 14, 2021 to August 31, 2021  
(tabular amounts in thousands of Canadian Dollars, except share and per share amounts)

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The resource industry is intensely competitive, and the Company must compete in all aspects of its operations with a substantial number of other corporations which have greater technical or financial resources. The Company may be unable to acquire additional attractive resource properties on terms it considers to be acceptable.

The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mineral extraction industry operations, which could result in environmental pollution. Failure to comply with such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers, and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

Certain directors and officers of the Company are also directors, officers and shareholders of other natural resource or public companies, as a result of which they may find themselves in a position where their duty to another company conflicts with their duty to the Company. There is no assurance that any such conflicts will be resolved in favour of the Company. If any of such conflicts are not resolved in favour of the Company, the Company may be adversely affected.

**SCHEDULE "E"**

**PRO FORMA FINANCIAL STATEMENTS**



# Helium Evolution Incorporated

(formerly Duckhorn Ventures Ltd.)

**Pro Forma Consolidated Statement of Financial Position**

**As at August 31, 2021**

(unaudited)

## Helium Evolution Incorporated

 (formerly Duckhorn Ventures Ltd.)

### Pro Forma Consolidated Statement of Financial Position

As at August 31, 2021

(Expressed in thousands of Canadian Dollars, unaudited)

(thousands of Canadian Dollars)	Duckhorn Ventures Ltd.	Helium Evolution Incorporated	Pro Forma Adjustments	Notes	Pro Forma Balance
<b>Assets</b>					
Current Assets					
Cash	\$ 6	\$ 802	\$ (6)	3(a)	\$ 12,256
			11,454	3(d)	
Accounts receivable	15	21	(15)	3(a)	21
	21	823	11,433		12,277
Exploration and evaluation assets	-	392	-		392
<b>Total Assets</b>	<b>\$ 21</b>	<b>\$ 1,215</b>	<b>\$ 11,433</b>		<b>\$ 12,669</b>
<b>Liabilities and Shareholders' Equity</b>					
Current Liabilities					
Accounts payable and accrued liabilities	\$ 312	\$ 139	\$ (197)	3(a)	\$ 509
			255	3(c)	
Promissory notes payable	32	-	(32)	3(a)	-
	344	139	26		509
Shareholders' Equity					
Share capital	125	1,915	(125)	3(b)	13,900
			1,000	3(b)	
			10,985	3(d)	
Contributed surplus	7	-	(7)	3(b)	-
Warrants	-	85	469	3(d)	554
Deficit	(455)	(924)	(6)	3(a)	(2,294)
			(15)	3(a)	
			197	3(a)	
			(255)	3(c)	
			32	3(a)	
			247	3(b)	
			(1,115)	3(b)	
<b>Total Shareholders' Equity (Deficit)</b>	<b>(323)</b>	<b>1,076</b>	<b>11,407</b>		<b>12,160</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 21</b>	<b>\$ 1,215</b>	<b>\$ 11,433</b>		<b>\$ 12,669</b>

See accompanying notes to the pro forma consolidated statement of financial position

## Helium Evolution Incorporated (formerly Duckhorn Ventures Ltd.)

### Notes to the Pro Forma Consolidated Statement of Financial Position

As at August 31, 2021

(tabular amounts expressed in thousands of Canadian Dollars - unaudited)



#### 1. Basis of Preparation

The accompanying unaudited proforma consolidated statement of financial position ("Pro Forma Statement") has been prepared to reflect the amalgamation of Duckhorn Ventures Ltd.'s ("Duckhorn") wholly owned subsidiary 2374154 Alberta Ltd. ("Subco") with Helium Evolution Incorporated ("HEI") after giving effect to the transactions as described in note 2 (the amalgamation of Subco and HEI is hereinafter referred to as the "Amalgamation" and the amalgamated entity is hereinafter referred to as "Amalco").

This Pro Forma Statement has been prepared by management from information derived from the audited financial statements of HEI as at August 31, 2021, and the unaudited condensed financial statements of Duckhorn as at June 30, 2021, both of which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Pro Forma Statement to which these notes relate has been prepared for inclusion in the non-offering prospectus of Duckhorn dated November 16, 2021 (the "Prospectus"). The Pro Forma Statement gives effect to the Amalgamation as if it had occurred on August 31, 2021. It is management's opinion that the Pro Forma Statement includes all adjustments necessary for the fair presentation, in all material respects, of the Amalgamation, as described in note 2.

The Pro Forma Statement should be read in conjunction with the financial statements and notes thereto of HEI and the financial statements and notes thereto of Duckhorn. The Pro Forma Statement is not necessarily indicative of the financial position of the continuing entity had the proposed Amalgamation been effected on the date indicated. The pro forma assumptions and adjustments in the notes to the Pro Forma Statement and allocations of the purchase price of Duckhorn by HEI as a reverse takeover transaction are based in part on estimates of the fair value of the assets acquired and the liabilities assumed. The final valuation will be based on the actual assets and liabilities of Duckhorn that exist as of the date of completion of the Amalgamation.

The Pro Forma Statement is presented in Canadian Dollars, unless otherwise stated.

#### 2. The Amalgamation

On September 19, 2021, Duckhorn, Subco and HEI entered into a definitive agreement (the "Amalgamation Agreement") providing for, among other things, the Amalgamation. In connection with the Amalgamation Agreement:

- a) Duckhorn shall settle all accounts receivable, accounts payable and accrued liabilities and promissory notes payable balances using cash or by write-off and elimination, with the exception of any accounts payable and accrued liabilities incurred as part of the Amalgamation Agreement;
- b) Subco and HEI shall amalgamate under the Business Corporations Act (Alberta) to form Amalco;
- c) In connection with Amalgamation Agreement, HEI completed a subscription receipt financing for gross proceeds of \$12,299,591 by issuing 40,998,636 subscription receipts (the "Subscription Receipts") at a price of \$0.30 per Subscription Receipt. Upon closing of the transactions contemplated in the Amalgamation Agreement, each Subscription Receipt will, for no additional consideration, automatically be converted into one Class A common share of HEI, prior to Amalgamation. Advisor fees totalling \$846,000 will be paid on release of the Subscription Receipt funds to HEI and 2,820,000 advisor warrants were issued on closing of the subscription receipt financing;
- d) Duckhorn shall change its name to Helium Evolution Incorporated, or such name as may be agreed to between Duckhorn and HEI (the "Resulting Issuer");
- e) Each Class A common share of HEI shall be cancelled and its holder shall receive 1.00542 fully paid and non-assessable common shares of the Resulting Issuer at a deemed price of \$0.30 per common share;
- f) Amalco will be a wholly owned subsidiary of the Resulting Issuer, with the Resulting Issuer holding all the issued and outstanding Amalco common shares and will carry on the business previously conducted by HEI; and
- g) Amalco and the Resulting Issuer shall amalgamate under the Business Corporations Act (Alberta).

## Helium Evolution Incorporated (formerly Duckhorn Ventures Ltd.)

### Notes to the Pro Forma Consolidated Statement of Financial Position

As at August 31, 2021

(tabular amounts expressed in thousands of Canadian Dollars - unaudited)



Although the Amalgamation will result in HEI becoming a wholly owned subsidiary of Duckhorn, it constitutes a reverse takeover ("RTO") for accounting purposes as the former HEI shareholders will own a substantial majority of the common shares of the Resulting Issuer, and most of the Board of Directors and the entire executive team of the Resulting Issuer will be designees of HEI. Upon completion of the Amalgamation, the business of the entity will be the continuation of the business of HEI. Completion of the Amalgamation is subject to various conditions, including, but not limited to, receipt of approval of the TSX Venture Exchange (the "TSXV") for the listing of the Resulting Issuer's common shares.

### 3. Pro Forma Adjustments and Assumptions

The Pro Forma Statement has been prepared to reflect the following assumptions and adjustments:

- a) Accounts receivable, accounts payable and accrued liabilities and promissory notes payable have been settled with cash, written off as expense in the case of accounts receivable, or eliminated as forgiveness of debt and included in income in the case of accounts payable and accrued liabilities and promissory notes payable. The expense and income amounts are reflected as pro forma adjustments to the deficit. The estimated remaining accounts payable and accrued liabilities balance of \$115,000 pertains to legal and accounting fees and other costs incurred by Duckhorn as part of the Amalgamation Agreement.
- b) The acquisition of HEI by Duckhorn is expected to be undertaken by way of a three-cornered amalgamation, whereby HEI will amalgamate with a Subco, a wholly owned subsidiary of Duckhorn and will continue to carry on the business of HEI. Legally, Duckhorn will be the parent of HEI. However, as a result of the Amalgamation, control of the combined companies will pass to the former shareholders of HEI in a share exchange referred to as an RTO. An RTO involving a non-public operating entity, in this case HEI, and a non-operating unlisted reporting issuer, in this case Duckhorn, is in substance a reverse asset acquisition rather than a business combination as Duckhorn does not meet the definition of a business, as defined in IFRS 3, Business Combinations. The transaction is equivalent to the notional issuance of shares by HEI for the net assets of Duckhorn. HEI determines the number of notional shares that it would have had to issue to result in the same ownership of the Resulting Issuer, assuming it was the acquirer, and values the notional shares based on HEI's share fair value. The \$0.30 price for the Subscription Receipts has been used to value the notional shares of HEI.

In accordance with reverse acquisition accounting where the accounting acquiree (Duckhorn) is not a business:

- (i) The assets and liabilities of HEI are included in the Pro Forma Statement at their carrying values; and
- (ii) The net assets of Duckhorn are included at their fair value which is equal to the carrying value of the net assets given the current nature of the net assets. The difference between the estimated fair value of the notional HEI shares issued to Duckhorn shareholders less the net fair value of the assets of Duckhorn acquired is considered a listing cost for HEI and recorded as an expense which has been recorded in the Pro Forma Statement deficit. In addition, the carrying amount of Duckhorn's equity is eliminated.

Fair value of Duckhorn's net assets acquired is detailed as follows:

<b>Net assets (liabilities) acquired</b>	<b>Fair Value</b>
Cash	\$ -
Accounts receivable	-
Accounts payable and accrued liabilities	(115)
<b>Total net assets (liabilities) acquired</b>	<b>\$ (115)</b>

<b>Consideration</b>	<b>Fair Value</b>
Fair value of 3,333,333 common shares of Duckhorn	\$ 1,000

<b>Excess consideration</b>	<b>Fair Value</b>
Considered as a listing expense	\$ 1,115

## Helium Evolution Incorporated (formerly Duckhorn Ventures Ltd.)

### Notes to the Pro Forma Consolidated Statement of Financial Position

As at August 31, 2021

(tabular amounts expressed in thousands of Canadian Dollars - unaudited)



- c) Additional transaction costs associated with the Amalgamation are estimated to be \$255,000 and have been included in accounts payable and accrued liabilities with the offset to deficit.
- d) In connection with Amalgamation Agreement, HEI completed a subscription receipt financing for gross proceeds of \$12,299,591 by issuing 40,998,636 subscription receipts (the "Subscription Receipts") at a price of \$0.30 per Subscription Receipt. Upon closing of the Amalgamation Agreement, each Subscription Receipt will, for no additional consideration, automatically be converted into one Class A common share of HEI.

Advisor fees in the amount of \$846,000 will be paid on release of the Subscription Receipt funds to HEI and 2,820,000 advisor warrants were issued on closing of the subscription receipt financing. The advisor warrants were valued using the Black-Scholes model and the following inputs: exercise price of \$0.30 per warrant, expected term of 24 months, annualized volatility based on publicly traded peer companies of 107%, a risk-free rate of 0.092%, and zero expected dividends. The Pro Forma Statement reflects the net cash addition of \$11,454,000, the addition of \$469,000 of warrants the net addition of \$10,985,000 of share capital.

#### 4. Pro Forma Share Capital and Warrants

The pro forma share capital of the Resulting Issuer as at August 31, 2021 is comprised of the following:

	Number of Class A Common Shares	Equity
Opening balance for Duckhorn	3,333,333	\$ 125
Opening balance for HEI	34,000,000	1,915
Subscription receipt financing	40,998,636	12,300
Estimated Subscription Receipt costs – cash and warrants	-	(1,315)
Issued on Amalgamation <sup>1</sup>	75,405,129	1,000
Eliminated on Amalgamation <sup>1</sup>	(74,998,636)	(125)
<b>Balance, August 31, 2021</b>	<b>78,738,462</b>	<b>\$ 13,900</b>

<sup>1</sup> Each Class A common share of HEI shall be cancelled and its holder shall receive 1.00542 fully paid and non-assessable common shares of the Resulting Issuer.

The pro forma warrant capital of the Resulting Issuer as at August 31, 2021 is comprised of the following:

	Number of Warrants	Equity
Opening balance for HEI	2,000,000	\$ 85
Subscription receipt financing	2,820,000	469
Issued on Amalgamation <sup>2</sup>	4,846,124	-
Eliminated on Amalgamation <sup>2</sup>	(4,820,000)	-
<b>Balance, August 31, 2021</b>	<b>4,846,124</b>	<b>\$ 554</b>

<sup>2</sup> Each warrant of HEI shall be cancelled and its holder shall receive 1.00542 warrants of the Resulting Issuer.

#### 5. Income Taxes

The Pro Forma Statement does not reflect the unrecognized deferred tax asset.

**SCHEDULE "F"**  
**AUDIT COMMITTEE CHARTER**

## AUDIT COMMITTEE CHARTER

### DUCKHORN VENTURES LTD. (the “Company”)

#### PURPOSE

Duckhorn Ventures Ltd. (the “Company”) shall appoint an audit committee (the “Committee”) to assist the board of directors (the “Board”) of the Company in fulfilling its responsibilities of oversight and supervision of the accounting and financial reporting practices and procedures on behalf of the Company and its direct and indirect subsidiaries, the adequacy of internal accounting controls and procedures, and the quality and integrity of the financial statements of the Company. In addition, the Committee is responsible for overseeing the audits of the financial statements of the Company, for directing the auditors’ examination of specific areas, for the selection of the independent external auditors of the Company and for the approval of all non-audit services for which the auditors of the Company may be engaged.

#### I. STRUCTURE AND OPERATIONS

The Committee shall be comprised of at least three members, each of whom shall be a director of the Company, and at least a majority of which shall meet the independence requirements of National Instrument 52-110 – *Audit Committees* (“NI 52-110”).

Each member of the Committee shall satisfy the “financial literacy” requirement of NI 52-110, by having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that can reasonably be expected to be raised by the financial statements of the Company.

The members of the Committee shall be annually appointed by the Board and shall serve until such member’s successor is duly elected and qualified or until such member’s earlier resignation or removal. The members of the Committee may be removed, with or without cause, by a majority of the Board.

#### II. CHAIR OF THE COMMITTEE

Unless the Board elects a Chair of the Committee, the members of the Committee shall designate a Chair by the majority vote of the full Committee membership.

The Chair of the Committee shall:

- (a) call and conduct the meetings of the Committee;
- (b) be entitled to vote to resolve any ties;
- (c) prepare and forward to members of the Committee the agenda for each meeting of the Committee, and include, in the agenda, any items proposed for inclusion in the agenda by any member of the Committee;
- (d) review with the Chief Financial Officer (“CFO”) and the auditors for the Company any matters referred to the Chair by the CFO or the auditors of the Company;

- (e) appoint a secretary, who need not be a member of the Committee, to take minutes of the meetings of the Committee; and
- (f) act in a manner that the Committee meetings are conducted in an efficient, effective and focused manner.

### **III. MEETINGS**

The Committee shall meet at least quarterly or more frequently as circumstances dictate. As part of its goal to foster open communication, the Committee shall periodically meet with management and the external auditors in separate sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately. The Committee may meet privately with outside counsel of its choosing and the CFO of the Company, as necessary. In addition, the Committee shall meet with the external auditors and management quarterly to review the Company's financial statements in a manner consistent with that outlined in this Charter.

The Committee may invite to its meetings any partners of the Company, management and such other persons as it deems appropriate in order to carry out its responsibilities. The Committee may exclude from its meetings any persons it deems appropriate in order to carry out its responsibilities.

A majority of the Committee members, but not less than two, shall constitute a quorum. A majority of members present at any meeting at which a quorum is present may act on behalf of the Committee. The Committee may meet by telephone or videoconference and may take action by unanimous written consent with respect to matters that may be acted upon without a formal meeting.

The Committee shall maintain minutes or other records of meetings and activities of the Committee.

Notice of the time and place of every meeting shall be given in writing or electronic communication to each member of the Committee at least 24 hours prior to the time fixed for such meeting provided however, that a member may in any manner waive a notice of a meeting. Attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

### **IV. RESPONSIBILITIES, DUTIES AND AUTHORITY**

The following functions shall be the common recurring activities of the Committee in carrying out its responsibilities outlined in this Charter. These functions should serve as a guide with the understanding that the Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal and other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board from time to time related to the purposes of this Committee.

The Committee in discharging its oversight role is empowered to investigate any matter of interest or concern that the Committee deems appropriate. In this regard, the Committee shall have the authority to retain outside counsel, accounting or other advisors for this purpose, including authority to approve the fees payable to such advisors and other terms of retention. In addition, the Committee shall have the authority to communicate directly with both external and internal auditors of the Company.

The Committee shall be given full access to the Board, management, employees and others, directly and indirectly responsible for financial reporting, and external auditors, as necessary, to carry out these responsibilities. While acting within the scope of this stated purpose, the Committee shall have all the authority of the Board.

The Committee shall be responsible for assessing the range of financial and other risks to the business and affairs of the Company that the Board shall focus on, and make recommendations to the Board about how appropriate responsibilities for continuing to identify, monitor and manage these risks are to be delegated. The Committee shall review and discuss with management and the internal and external auditors all major financial risk exposures and the steps management has taken to monitor/control those exposures. In addition, the Committee shall encourage continuous improvement of, and foster adherence to, the Company's financial policies, procedures and practices at all levels in the organization; and provide an avenue of communication among the external auditors, management and the Board.

Absent actual knowledge to the contrary (which shall promptly reported to the Board), each member of the Committee shall be entitled to rely on: (i) the integrity of those persons or organizations within and outside the Company from which it receives information; (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations; and (iii) representations made by management and the external auditors, as to any information technology, internal audit and other non-audit services provided by the external auditors to the Company and its subsidiaries.

## **V. SPECIFIC RESPONSIBILITIES AND ACTIVITIES**

### **A. Document Reports/Reviews**

1. *Annual Financial Statements.* The Committee shall review with management and the external auditors, both together and separately, prior to public dissemination:

- (a) the annual audited financial statements;
- (b) the external auditors' review of the annual financial statements and their report;
- (c) any significant changes that were required in the external audit plan;
- (d) any significant issues raised with management during the course of the audit, including any restrictions on the scope of activities or access to information; and
- (e) those matters related to the conduct of the audit that are required to be discussed under generally accepted auditing standards applicable to the Company.

Following completion of the matters contemplated above and in Section 15, the Committee shall make a recommendation to the Board with respect to the approval of the annual financial statements with such changes contemplated and further recommended, as the Committee considers necessary.

2. *Interim Financial Statements.* The Committee shall review with management and may review with the external auditors, both together and separately, prior to public dissemination, the interim

unaudited financial statements of the Company, including to the extent the Committee considers appropriate, a discussion with the external auditors of those matters required to be discussed under generally accepted auditing standards applicable to the Company.

3. *Management's Discussion and Analysis.* The Committee shall review with management and the external auditors, both together and separately prior to public dissemination, the annual Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and the Committee shall review with management and may review with the external auditors, interim MD&A.
4. *Approval of Annual MD&A, Interim Financial Statements and Interim MD&A.* The Committee shall make a recommendation to the Board with respect to the approval of the annual MD&A with such changes contemplated and further recommended by the Committee as the Committee considers necessary. In addition, the Committee shall approve the interim financial statements and interim MD&A of the Company, if the Board has delegated such function to the Committee. If the Committee has not been delegated this function, the Committee shall make a recommendation to the Board with respect to the approval of the interim financial statements and interim MD&A with such changes contemplated and further recommended as the Committee considers necessary.
5. *Press Releases.* With respect to press releases by the Company:
  - (a) The Committee shall review the Company's financial statements, MD&A and annual and interim earnings press releases before the Company publicly discloses this information.
  - (b) The Committee shall review with management, prior to public dissemination, the annual and interim earnings press releases (paying particular attention to the use of any "pro forma" or "adjusted non-IFRS" information) as well as any financial information and earnings guidance provided to analysts and rating agencies.
  - (c) The Committee shall be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, other than public disclosure referred to in Section V.A.4 of this Charter, and periodically assess the adequacy of those procedures.
6. *Reports and Regulatory Returns.* The Committee shall review and discuss with management, and the external auditors to the extent the Committee deems appropriate, such reports and regulatory returns of the Company as may be specified by law.
7. *Other Financial Information.* The Committee shall review the financial information included in any prospectus, annual information form or information circular with management and, at the discretion of the Committee, the external auditors, both together and separately, prior to public dissemination, and shall make a recommendation to the Board with respect to the approval of such prospectus, annual information form or information circular with such changes contemplated and further recommended as the Committee considers necessary.

B. Financial Reporting Processes

8. *Establishment and Assessment of Procedures.* The Committee shall satisfy itself that adequate procedures are in place for the review of the public disclosure of financial information extracted or derived from the financial statements of the Company and assess the adequacy of these procedures annually.
9. *Application of Accounting Principles.* The Committee shall assure itself that the external auditors are satisfied that the accounting estimates and judgements made by management, and their selection of accounting principles reflect an appropriate application of such accounting principles.
10. *Practices and Policies.* The Committee shall review with management and the external auditors, together and separately, the principal accounting practices and policies of the Company.

C. External Auditors

11. *Oversight and Responsibility.* In respect of the external auditors of the Company:
  - (a) The Committee, in its capacity as a committee of the Board, shall be directly responsible for, or if required by Canadian law shall make recommendations to the Board with respect to, the appointment, compensation, retention and oversight of the work of the external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditors regarding financial reporting.
  - (b) The Committee is directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditors regarding financial reporting.
12. *Reporting.* The external auditors shall report directly to the Committee and are ultimately accountable to the Committee.
13. *Annual Audit Plan.* The Committee shall review with the external auditors and management, together and separately, the overall scope of the annual audit plan and the resources the external auditors will devote to the audit. The Committee shall annually review and approve the fees to be paid to the external auditors with respect to the annual audit.
14. *Non-Audit Services.*
  - (a) "Non-audit services" means all services performed by the external auditors other than audit services. The Committee shall pre-approve all non-audit services to be provided to the Company or its subsidiaries by the Company's external auditor and permit all non-audit services, other than non-audit services where:
    - (i) the aggregate amount of all such non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total

amount of fees paid by the Company and its subsidiaries to the Company's external auditor during the fiscal year in which the services are provided;

- (ii) the Company or its subsidiary, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
- (iii) the services are promptly brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more of its members to whom authority to grant such approvals had been delegated by the Committee.

(b) The Committee may delegate to one or more members of the Committee the authority to grant such pre-approvals for non-audited services. The decisions of such member(s) regarding approval of "non-audit" services shall be reported by such member(s) to the full Committee at its first scheduled meeting following such pre-approval.

(c) The Committee shall adopt specific policies and procedures for the engagement of the non-audit services if:

- (i) the pre-approval policies and procedures are detailed as to the particular services;
- (ii) the Committee is informed of each non-audit service; and
- (iii) the procedures do not include delegation of the Committee's responsibilities to management.

15. *Independence Review.* The Committee shall review and assess the qualifications, performance and independence of the external auditors, including the requirements relating to such independence of the law governing the Company. At least annually, the Committee shall receive from the external auditors, a formal written statement delineating all relationships between the Company the external auditors, actively engage in a dialogue with the external auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor, and, if necessary, recommend that the Board takes appropriate action to satisfy themselves of the external auditors' independence and accountability to the Committee. In evaluating the performance of the external auditors, the Audit Committee shall evaluate the performance of the external auditors' lead partner and shall ensure the rotation of lead partners as required by law.

D. Internal Controls.

Management shall be required to provide the Committee, at least annually, a report on internal controls, including reasonable assurance that such controls are adequate to facilitate reliable and timely financial information. The Committee shall also review and follow-up on any areas of internal control weakness identified by the external auditors with the auditors and management.

E. Reports to Board

16. *Reports.* In addition to such specific reports contemplated elsewhere in this Charter, the Committee shall report regularly to the Board regarding such matters, including:

- (a) with respect to any issues that arise with respect to the quality or integrity of the financial statements of the Company, compliance with legal or regulatory requirements by the Company, or the performance and independence of the external auditors of the Company;
- (b) following meetings of the Committee; and
- (c) with respect to such other matters as are relevant to the Committee's discharge of its responsibilities.

17. *Recommendations.* In addition to such specific recommendations contemplated elsewhere in this Charter, the Committee shall provide such recommendations as the Committee may deem appropriate. The report to the Board may take the form of an oral report by the Chair or any other member of the Committee designated by the Committee to make such report.

F. Whistle Blowing

18. *Procedures.* The Committee shall establish procedures for:

- (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
- (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

19. *Notice to Employees.*

- (a) To comply with the above, the Committee shall ensure each of the Company and its subsidiaries advises all employees, by way of a written code of business conduct and ethics (the "**Code**"), or if such Code has not yet been adopted by the respective board, by way of a written or electronic notice, that any employee who reasonably believes that questionable accounting, internal accounting controls, or auditing matters have been employed by the Company or their external auditors is strongly encouraged to report such concerns by way of communication directly to the Chair. Matters referred may be done so anonymously and in confidence.
- (b) None of the Company or its subsidiaries shall take or allow any reprisal against any employee for, in good faith, reporting questionable accounting, internal accounting, or auditing matters. Any such reprisal shall itself be considered a very serious breach of this policy.
- (c) All reported violations shall be investigated by the Committee following rules of procedure and process as shall be recommended by outside counsel.

G. General

20. *Access to Advisers and Funding.* The Committee shall have the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties. The Company shall provide appropriate funding, as determined by the Committee, for payment of (a) compensation to any external auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company; (b) compensation to any advisers employed by the Committee; and (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.
21. *Hiring of Partners and Employees of External Auditors.* The Committee shall annually review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.
22. *Forward Agenda.* The Committee may annually develop a calendar of activities or forward agenda to be undertaken by the Committee for each ensuing year and to submit the calendar/agenda in the appropriate format to the Board of Directors following each annual general meeting of shareholders.
23. *Annual Performance Evaluation.* The Committee shall perform a review and evaluation, annually, of the performance of the Committee and its members, including a review of the compliance of the Committee with this Charter. In addition, the Committee shall evaluate, annually, the adequacy of this Charter and recommend any proposed changes to the Board.
24. *Related Party Transactions.* The Committee shall annually review transactions involving directors and officers, including a review of travel expenses and entertainment expenses, related party transactions and any conflicts of interests.

***General. The Committee shall perform such other duties and exercise such powers as may, from time to time, be assigned or vested in the Committee by the Board, and such other functions as may be required of an audit committee by law, regulations or applicable stock exchange rules.***

CERTIFICATE OF DUCKHORN VENTURES LTD.

Dated: November 16, 2021

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by Duckhorn Ventures Ltd. as required by the securities legislation of British Columbia and Alberta.

*“Jeffrey Barber”* (signed)

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Jeffrey Barber

ON BEHALF OF THE BOARD OF DIRECTORS

*“Anthony Alvaro”* (signed)

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Anthony Alvaro

*“Mike Castanho”* (signed)

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Mike Castanho