

**AUKA CAPITAL CORP.**

**FILING STATEMENT**

in respect of the Qualifying Transaction involving

**DR. PHONE FIX CANADA LIMITED**

Dated as at November 14, 2024

*Neither the TSX Venture Exchange Inc. nor any securities regulatory authority has in any way passed upon the merits of the Qualifying Transaction described in this Filing Statement.*

All information contained in this Filing Statement with respect to Auka Capital Corp. ("**Auka**") was supplied by Auka for inclusion herein.

All information contained in this Filing Statement with respect to Dr. Phone Fix Canada Limited ("**DPF**") was supplied by DPF for inclusion herein.

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## GLOSSARY

*The following is a glossary of certain general terms used in this Filing Statement, including the summary hereof. Terms and abbreviations used in the financial statements included in, or appended to this Filing Statement 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.*

"**ABCA**" means the *Business Corporations Act* (Alberta), including the regulations promulgated thereunder, as amended;

"**Agent**" means the Canaccord Genuity Corp.;

"**Agent's Option**" means the Agent's option, exercisable at any time prior to the closing of the QT Financing, to increase the size of the QT Financing by up to fifteen percent (15%);

"**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:

- (a) a Company controlled by that person; or
- (b) an Affiliate of that person or an Affiliate of any Company controlled by that person;

"**Amalco**" means the amalgamated corporation resulting from the Amalgamation;

"**Amalgamation**" means the amalgamation under the laws of Canada pursuant to the Definitive Agreement, and in accordance with the Amalgamation Agreement, whereby Auka SubCo will amalgamate with DPF;

"**Amalgamation Agreement**" means the amalgamation agreement to be entered into among Auka, Auka SubCo and DPF giving effect to the Amalgamation pursuant to the provisions of section 181 of the ABCA;

"**Associate**" 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 TSXV 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 of the Exchange with respect to that Member firm, Member corporation or holding company;

"**Auka**" means Auka Capital Corp., prior to the completion of the Amalgamation;

"**Auka Agent Warrants**" means the warrants to purchase Auka Shares issued to the Agent in accordance with the terms of Auka's prospectus dated September 15, 2022;

"**Auka Financial Statements**" means, collectively, the financial statements of Auka for the years ended December 31, 2023 and 2022, and the interim financial statements of Auka for the six (6) month period ended June 30, 2024, which are all attached to this Filing Statement as Schedule "A";

"**Auka MD&A**" means the Management's Discussion and Analysis of Auka for the six (6) month period ended June 30, 2024 and for the period for the years ended December 31, 2023 and 2022, which are all attached to this Filing Statement as Schedule "B";

"**Auka Meeting**" means the special meeting of Auka's shareholders to be held on no later than January 31, 2025 to approve, among the Auka Meeting Matters;

"**Auka Meeting Matters**" means the following matters to be approved by shareholders of Auka at the Auka Meeting: (i) the election of the DPF Nominees, subject to the completion of the Amalgamation; (ii) the appointment of Hayden Beck, CPA, as the auditor of Auka, subject to the completion of the Amalgamation; (iii) the Auka Name Change; and (iv) such other matters that may be reasonably required in order to give effect to the Amalgamation as are deemed appropriate by the Board and acceptable to DPF, acting reasonably;

"**Auka Name Change**" means, subject to the completion of the Amalgamation, a change in the name of Auka to "Dr. Phone Fix Corporation" or such other similar name as may be accepted by the relevant regulatory authorities and approved by the board of the Resulting Issuer Board;

"**Auka Option Plan**" means the stock option plan of Auka;

"**Auka Options**" means the options granted pursuant to the Auka Option Plan, entitling the holders thereof to acquire Auka Shares;

"**Auka Shares**" means common shares in the capital of Auka;

"**Auka SubCo**" means 2629911 Alberta Inc., a wholly-owned subsidiary of Auka incorporated under the ABCA;

"**Available Funds**" means the estimated working capital (total current assets less total current liabilities) which will be available to the Resulting Issuer (including the working capital of each of Auka and DPF), as at the most recent month end preceding the date of this Filing Statement, after giving effect to the Amalgamation and the QT Financing;

"**Board**" means the board of directors of Auka or the Resulting Issuer, as the context requires;

"**Bridge Loan**" means the bridge loan agreement between DPF and Auka, pursuant to which DPF is to be loaned the sum of \$250,000, dated November 7, 2024;

"**Certificate of Amalgamation**" means the certificate in respect of the Amalgamation issued by the Registrar;

"**Closing**" means the completion of the Amalgamation;

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

"**Completion of the Qualifying Transaction**" means the date the Final Exchange Bulletin is issued by the TSXV;

"**Control Person**" means, any person or Company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer, except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer;

"**CPC**" or "**Capital Pool Company**" means a corporation or trust:

- (a) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities commissions in compliance with Policy 2.4 – *Capital Pool Companies*; and
- (b) in regard to which the Final Exchange Bulletin has not yet been issued;

"**CPC Escrow Agreement**" means the escrow agreement dated August 15, 2022 between Auka, the Escrow Agent and certain shareholders of Auka;

"**CPC Escrow Shares**" means the securities of Auka held in escrow pursuant to the CPC Escrow Agreement;

"**CPC Policy**" means Policy 2.4 – *Capital Pool Companies* of the TSXV Corporate Finance Manual;

**"Definitive Agreement"** means the amended and restated definitive business combination agreement dated November 7, 2024, between Auka and DPF pursuant to which Auka and DPF have agreed to complete the Amalgamation on the terms and conditions set forth therein;

**"DPF"** means Dr. Phone Fix Canada Limited;

**"DPF Class A Shares"** means the Class A Common Shares in the capital of DPF;

**"DPF Class B Shares"** means the Class B Common Shares in the capital of DPF;

**"DPF Class C Preferred Shares"** means the Class C Redeemable Preferred Shares in the capital of DPF;

**"DPF Class D Preferred Shares"** means the Class D Redeemable Preferred Shares in the capital of DPF;

**"DPF Common Shares"** means, collectively, the DPF Class A Shares and the DPF Class B Shares;

**"DPF Debt"** means, collectively, the 2249379 Alberta Ltd. Loan, the DPF Shareholder Loan and the DPF Private Loan;

**"DPF Financial Statements"** means, collectively, the audited consolidated financial statements of DPF for the years ended December 31, 2022 and December 31, 2023, and the interim financial statements of DPF for the six (6) month period ended June 30, 2024, which are all attached to this Filing Statement as Schedule "C";

**"DPF MD&A"** means the Management's Discussion and Analysis of the Financial Condition and Results of Operations of DPF for the six (6) month period ended June 30, 2024, and for the years ended December 31, 2022 and December 31, 2023, which are all attached to this Filing Statement as Schedule "D";

**"DPF Nominees"** means, subject to the completion of the Amalgamation, the reconstitution of the board of directors of Auka to consist of seven (7) directors, being: Piyush Sawhney, Sunil Goel, Anil Verma, Graham Barr, Jay Baraniecki, Robert Cole and Jeff Lloyd. See *"Part III – Information Concerning the Resulting Issuer – Directors, Officers and Promoters"*;

**"DPF Options"** means the stock options to purchase shares of DPF;

**"DPF Preferred Shares"** means, collectively, the DPF Class C Preferred Shares and the DPF Class D Preferred Shares;

**"DPF Private Loan"** means the promissory note issued by DPF to Grewal Immigration Services Ltd., in the principal amount of \$500,000.00, dated March 31, 2024;

**"DPF Shareholder Loan"** means the shareholder loan agreement between DPF, Anil Verma, Sunil Goel and Piyush Sawhney, pursuant to which DPF borrowed the sum of \$753,180.09, dated March 31, 2024;

**"DPF Shares"** means, collectively, the DPF Common Shares and the DPF Preferred Shares;

"**DPF Subsidiaries**" means all Subsidiaries of DPF, being 2042886 Alberta Ltd., 2298974 Alberta Ltd., 2190097 Alberta Ltd., 2195277 Alberta Ltd., 2289857 Alberta Ltd., 2221160 Alberta Ltd., 2333409 Alberta Ltd., 2323381 Alberta Ltd., 2323383 Alberta Ltd., 2276825 Alberta Ltd., 2288224 Alberta Ltd., 2276837 Alberta Ltd., 2234434 Alberta Ltd., 2316999 Alberta Ltd., 2323466 Alberta Ltd., 2326467 Alberta Ltd., 2323470 Alberta Ltd., 2326460 Alberta Ltd., 2342889 Alberta Ltd., 2309626 Alberta Ltd., 2372228 Alberta Ltd., 2363328 Alberta Ltd., 2381935 Alberta Ltd., 2374409 Alberta Ltd., 1000034072 Ontario Ltd., 1000023414 Ontario Ltd., 1000065510 Ontario Ltd., 2434632 Alberta Ltd., 2381941 Alberta Ltd., 2400483 Alberta Ltd., 1000228608 Ontario Inc., 2510006 Alberta Ltd., 2382141 Alberta Ltd., 2323377 Alberta Ltd. and 2503060 Alberta Ltd. and "**DPF Subsidiary**" means any one of them;

"**Effective Date**" means the date shown on the Certificate of Amalgamation giving effect to the Amalgamation, which date shall be in accordance with Section 2.1(d) of the Definitive Agreement;

"**Effective Time**" means 12:01 a.m. (Calgary time) on the Effective Date or such other time on the Effective Date as may be agreed by DPF and Auka;

"**Escrow Agent**" means Odyssey Trust Company;

"**Escrow Release Conditions**" means the conditions to be set out in the Subscription Receipt Agreement, as described in the section title "*The QT Financing*" in this Filing Statement;

"**Exchange Policy 2.2**" means Exchange Policy 2.2 - "*Sponsorship and Sponsorship Requirements*" of the Exchange's Corporate Finance Manual;

"**Exchange Ratio**" means 11.4402330114547 Resulting Issuer Shares for every DPF Share;

"**Filing Statement**" means this filing statement, together with all schedules attached hereto and including the summary hereof;

"**Final Exchange Bulletin**" means the bulletin issued by the Exchange following the closing of the Qualifying Transaction and the submission of all required documentation and that evidences the final TSXV acceptance of the Qualifying Transaction;

"**General Security Agreement**" means the general security agreement granted to Auka by DPF in connection with the Bridge Loan;

"**ICFR**" means Internal Control over Financial Reporting;

"**IFRS**" means International Financial Reporting Standards;

"**Insider**" if used in relation to an issuer, means:

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

"**IPO**" means the initial public offering of Auka Shares by Auka completed on December 13, 2022;

"**Member**" has the meaning ascribed to that term in Rule A.1.00;

"**Non-Arm's Length Qualifying Transaction**" means a proposed Qualifying Transaction where the same party or parties or their respective Associates or Affiliates are Control Persons in both the CPC and in relation to the Significant Assets which are to be the subject of the proposed Qualifying Transaction;

"**person**" means a Company or individual;

"**Pro Forma Financial Statements**" means the unaudited pro forma statement of financial position for the Resulting Issuer as at June 30, 2024 to give effect to the Amalgamation as if it had taken place as of June 30, 2024, which is attached to this Filing Statement as Schedule "E";

"**QT Agency Agreement**" means the agency agreement to be entered into between Auka, DPF and the Agent;

"**QT Agent Warrants**" means the warrants to be issued to the Agent (and/or its/their sub-agent(s)) in connection with the QT Financing, in respect of the Subscription Receipts sold under the QT Financing, each QT Agent Warrant entitling the holder thereof to purchase one QT Financing Unit at a price of \$1.37 per QT Financing Unit (equivalent to a post-exchange price of \$0.12 per Resulting Issuer Share and one half of one Resulting Issuer Replacement Warrant) for a period of 24 months following the date of conversion of the Subscription Receipts and entitling the holder thereof to receive (and such holder shall accept) upon the exercise of such holder's QT Agent Warrant, in lieu of QT Financing Units to which such holder was theretofore entitled upon such exercise, and for the same aggregate consideration payable therefor, the number of Resulting Issuer Shares and Resulting Issuer Replacement Warrants which the holder would have been entitled to receive as a result of the transactions contemplated by the Definitive Agreement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of DPF Class A Shares and QT Financing Warrants to which such holder would have been entitled if such holder had exercised such holder's QT Agent Warrant immediately prior to the Effective Time;

"**QT Escrow Agreement**" means the Exchange Form 5D Tier 2 Surplus Security Escrow Agreement, or the Exchange Form 5D Tier 2 Value Security Escrow Agreement, as may be applicable, to be entered into in connection with the Completion of the Qualifying Transaction between the Resulting Issuer, the Escrow Agent and certain DPF shareholders, as more particularly described in this Filing Statement;

"**QT Escrow Funds**" means the gross proceeds from the QT Financing less all costs and expenses of the Agent and 50% of the Agent's commission, and certain early release amounts;

"**QT Financing**" means a brokered private placement by DPF of Subscription Receipts for gross proceeds of up to \$3,500,000.00, at a price per security of \$1.37 (equivalent to a post-exchange price of \$0.12 per Resulting Issuer Share and one half of one Resulting Issuer Replacement Warrant), pursuant to the terms of the QT Agency Agreement and subject to the Agent's option to increase the size of the private placement by up to fifteen percent (15%), and pursuant to which QT Agent Warrants shall be issued;

**"QT Financing Unit"** means a notional unit issuable by DPF upon conversion of the Subscription Receipts in accordance with the terms of the Subscription Receipt Agreement(s), each of which shall consist of one DPF Class A Share and one-half of one QT Financing Warrant, subject to adjustment;

**"QT Financing Warrants"** means the common share purchase warrants of DPF issuable upon conversion of the Subscription Receipts in accordance with the terms of the Subscription Receipt Agreement(s) and forming a part of the QT Financing Units, each QT Financing Warrant entitling the holder thereof to purchase one DPF Class A Share at an exercise price of \$2.28 per share (equivalent to a post-exchange exercise price of \$0.20 per Resulting Issuer Replacement Warrant) for a period of 24 months following the date of issuance thereof;

**"Qualifying Transaction"** means a transaction where a CPC acquires Significant Assets other than cash, by way of purchase, amalgamation, merger or arrangement with another company or by other means, and, specifically in the case of Auka, means the Qualifying Transaction all as more particularly described herein;

**"Registrar"** means the means the Registrar of Corporations or a Deputy Registrar of Corporations appointed under Section 263 of the ABCA;

**"Resulting Issuer"** means Auka (proposed to be renamed "Dr. Phone Fix Canada Corporation" following completion of the Amalgamation and the issuance of the Final Exchange Bulletin);

**"Resulting Issuer Board"** means the board of directors of the Resulting Issuer;

**"Resulting Issuer Option Plan"** means the stock option plan of the Resulting Issuer, which will be in the same form as the Auka Option Plan;

**"Resulting Issuer Replacement Warrants"** means the warrants of the Resulting Issuer to acquire Resulting Issuer Shares to be issued in replacement of the QT Financing Warrants, at an exchange rate of 11.4402330114547 Resulting Issuer Replacement Warrants for every one QT Financing Warrant, and immediately prior to the Effective Time, each Resulting Issuer Replacement Warrant entitling the holder thereof to purchase one Resulting Issuer Share at a price equal to the exercise price per DPF Class A Share of each such Financing Warrant immediately prior to the Effective Time until the expiry date of each such Financing Warrant being replaced by a Resulting Issuer Replacement Warrant, in accordance with its terms;

**"Resulting Issuer Shares"** means common shares in the capital of the Resulting Issuer, immediately after Closing;

**"Rule A.1.00"** means Rule A.1.00 of the TSX Venture Exchange Rule Book and Policies;

**"Significant Assets"** means one or more assets or businesses which, when purchased, optioned or otherwise acquired by the CPC, together with any concurrent transactions, would result in the CPC meeting the initial listing requirements of the TSXV;

**"Subscription Receipt Agent"** means such party as is mutually agreed to by DPF and the Agent and who will act as escrow agent pursuant to the Subscription Receipt Agreement;

**"Subscription Receipt Agreement"** means the subscription receipt indenture to be entered into between DPF, Auka, the Agent and the Subscription Receipt Agent, in connection with the QT Financing;

**"Subscription Receipts"** means the subscription receipts of DPF to be issued in connection with the QT Financing at a price of \$1.37 per subscription receipt (equivalent to a post-exchange price of \$0.12 per Resulting Issuer Share and one half of one Resulting Issuer Replacement Warrant), each exchangeable into one QT Financing Unit, subject to adjustment, without additional consideration;

**"subsidiary"** includes, with respect to any person, company, partnership, limited partnership, trust or other entity, any company, partnership, limited partnership, trust or other entity controlled, directly or indirectly, by such person, company, partnership, limited partnership, trust or other entity;

**"Surplus Escrow Shares"** means Resulting Issuer Shares to be held in escrow pursuant to Section 4 of Exchange Policy 5.4 - *Escrow, Vendor Consideration and Resale Restrictions*, pursuant to the QT Escrow Agreement, if applicable, as more particularly described in this Filing Statement;

**"Transfer Agency and Registrarship Agreement"** means the Transfer Agency and Registrarship Agreement dated as of February 28, 2022 between Auka and the transfer agent;

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

**"Underlying QT Financing DPF Securities"** means, collectively, the DPF Class A Shares comprising the QT Financing Units, including the DPF Class A Shares issuable upon exercise of the QT Financing Warrants;

**"Value Escrow Shares"** means Auka Shares to be held in escrow pursuant to Section 4 of Exchange Policy 5.4 - *Escrow, Vendor Consideration and Resale Restrictions*, pursuant to the QT Escrow Agreement, if applicable, as more particularly described in this Filing Statement;

**"Warrant Indenture"** means the warrant indenture between DPF, Auka and Escrow Agent to be entered into at closing of the QT Financing, governing the terms of issuance and exercise of the Resulting Issuer Replacement Warrants; and

**"2249379 Alberta Ltd. Loan"** means the loan agreement between DPF and 2249379 Alberta Ltd., pursuant to which DPF borrowed the sum of \$4,106,906.30, dated March 31, 2024.

#### **NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Filing Statement contains forward-looking statements that relate to Auka's and DPF's current expectations and views of future events. The forward-looking statements are contained principally in the sections titled "*Part II – Information Concerning DPF*" and "*Part III – Information Concerning the Resulting Issuer*".

In some cases, these forward-looking statements can be identified by words or phrases such as "may", "believe", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues", "plan", "believe", "aim", "seek" or the negative of these terms, or other similar expressions intended to identify forward-looking statements. Auka and DPF have based these forward-looking

statements on their current expectations and projections about future events and financial trends that they believe may affect Auka, DPF and the Resulting Issuer's financial condition, results of operations, business strategy and financial needs, as the case may be.

Examples of such forward-looking statements found in this Filing Statement: include, among other things, statements relating to:

- the successful completion of the Amalgamation;
- the successful completion of the QT Financing;
- the aggregate gross proceeds to be raised by DPF under the QT Financing;
- intended use of funds from the QT Financing;
- the terms on which the Amalgamation is intended to be completed;
- the ability to complete the Qualifying Transaction;
- the description of the Resulting Issuer that assumes completion of the Qualifying Transaction;
- future growth plans;
- the ability to attract and retain personnel;
- competitive position and the expectations regarding competition, including pricing and demand expectations;
- anticipated trends and challenges in DPF's business and the markets in which it operates; and
- expected listing of the Resulting Issuer on the TSXV.

Forward-looking statements are based on certain assumptions and analysis made by Auka and DPF in light of their experience and perception of historical trends, current conditions and expected future developments and other factors they believe are appropriate, and are subject to risks and uncertainties. Such assumptions include, among others, those relating to general economic conditions, the legislative and regulatory environment, the impact of increasing competition, the ability to obtain regulatory and shareholder approvals and Auka's ability to obtain additional financing on satisfactory terms. Although Auka and DPF believe that the assumptions underlying the forward-looking statements are reasonable, they may prove to be incorrect. Given these risks, uncertainties and assumptions, shareholders should not place undue reliance on these forward-looking statements.

Whether actual results, performance or achievements will conform to Auka or DPF's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including, but not limited to, those listed in this Filing Statement. See "*Part IV – Risk Factors*".

The above risks, uncertainties, assumptions and other factors could cause Auka, DPF and the Resulting Issuer's actual results, performance, achievements and experience to differ materially from Auka and DPF's expectations, future results, performances or achievements expressed or implied by the forward-looking statements.

The forward-looking statements made in this Filing Statement relate only to events or information as of the date on which the statements are made in this Filing Statement. Except as required by law, Auka, DPF and the Resulting Issuer undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise,

after the date on which the statements are made or to reflect the occurrence of unanticipated events.

An investor should read this Filing Statement with the understanding that Auka, DPF and the Resulting Issuer's actual future results may be materially different from what is expected.

### **INFORMATION PERTAINING TO DPF**

The information contained or referred to in this Filing Statement with respect to DPF and the industry in which it operates has been provided by the management of DPF and is the responsibility of DPF. Management of Auka has relied upon DPF for the accuracy of the information provided by DPF without independent verification. References in this Filing Statement to DPF may include reference to its operating subsidiaries, as the context requires.

### **NOTICE TO INVESTORS**

#### **Currency Presentation**

Unless otherwise specified, all dollar amounts referenced in this Filing Statement and in the financial statements of Auka and DPF are in Canadian dollars and referred to as "\$".

#### **Financial Statement Information**

The Auka Financial Statements contained in this Filing Statement have been prepared in accordance with IFRS and are denominated in Canadian dollars.

The DPF Financial Statements contained in this Filing Statement have been prepared in accordance with IFRS and are denominated in Canadian dollars.

The unaudited Pro Forma Financial Statements of the Resulting Issuer contained in this Filing Statement have been prepared on the basis of presentation as described in the Pro Forma Financial Statements and are denominated in Canadian dollars.

#### **Non-GAAP Measures**

In order to supplement its financial statements, DPF may use select non-GAAP financial measures. DPF has included non-GAAP measures in this Filing Statement. Non-GAAP measures are not recognized measures under GAAP and do not have a standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to any similar measures presented by other companies.

#### **Market Data**

Unless otherwise indicated, information contained in this Filing Statement concerning the industry and markets in which DPF operates, including its general expectations and market position, market opportunity and market share is based on information from independent industry organizations, and other third-party sources (including industry publications, surveys and forecasts), and management estimates. Unless otherwise indicated, management estimates are derived from publicly available information released by independent industry analysts and third-party sources, as well as data from DPF's internal research, and are based on assumptions made by DPF based on such data and its knowledge of such industry and markets, which DPF believes

to be reasonable. DPF's internal research has not been verified by any independent source, and it has not independently verified any third-party information. While DPF believes the market position, market opportunity and market share information included in this Filing Statement is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of DPF's future performance and the future performance of the industry in which DPF operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including, but not limited to, those described in this Filing Statement. See "*Part IV – Risk Factors*".

## **SUMMARY OF FILING STATEMENT**

*The following is a summary of information relating to Auka, DPF and the Resulting Issuer (assuming Completion of the Qualifying Transaction) and should be read together with the more detailed information and financial data and statements contained elsewhere in this Filing Statement.*

### **THE COMPANY**

#### **Auka**

"Auka Capital Corp." was incorporated pursuant to the provisions of the ABCA on August 5, 2021. The Auka Shares were listed for trading on the TSXV under the symbol "AUK.P" on December 13, 2022. Auka is a CPC pursuant to the CPC Policy, and since its incorporation it has not carried on any business or operations other than identifying and evaluating business opportunities for the purposes of completing a Qualifying Transaction.

#### **DPF**

"Dr. Phone Fix Canada Limited" was incorporated pursuant to the provisions of the ABCA on July 15, 2020. The principal and registered head office of DPF is located at 2500, 10123 99 St NW, Edmonton, Alberta T5J 3H1. DPF has the following wholly owned subsidiary corporations: 2042886 Alberta Ltd., 2298974 Alberta Ltd., 2190097 Alberta Ltd., 2195277 Alberta Ltd., 2289857 Alberta Ltd., 2221160 Alberta Ltd., 2333409 Alberta Ltd., 2323381 Alberta Ltd., 2323383 Alberta Ltd., 2276825 Alberta Ltd., 2288224 Alberta Ltd., 2276837 Alberta Ltd., 2234434 Alberta Ltd., 2316999 Alberta Ltd., 2323466 Alberta Ltd., 2326467 Alberta Ltd., 2323470 Alberta Ltd., 2326460 Alberta Ltd., 2342889 Alberta Ltd., 2309626 Alberta Ltd., 2372228 Alberta Ltd., 2363328 Alberta Ltd., 2381935 Alberta Ltd., 2374409 Alberta Ltd., 1000034072 Ontario Ltd., 1000023414 Ontario Ltd., 1000065510 Ontario Ltd., 2434632 Alberta Ltd., 2381941 Alberta Ltd., 2400483 Alberta Ltd., 1000228608 Ontario Inc., 2510006 Alberta Ltd., 2382141 Alberta Ltd., 2503060 Alberta Ltd. and 2323377 Alberta Ltd. All DPF Subsidiaries operate as mobile device and electronics repair and sale of certified pre-owned device businesses in Alberta, British Columbia, Saskatchewan and Ontario. DPF has the following number of stores in each of the following provinces:

- 6 stores in British Columbia;
- 22 stores in Alberta;
- 3 stores in Saskatchewan; and
- 4 stores in Ontario.

## THE QUALIFYING TRANSACTION

The following section contains a summary of the Definitive Agreement. This summary is qualified in its entirety by the actual terms of the Definitive Agreement which is available on SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com) under Auka's profile.

Auka and DPF entered into the business combination agreement, dated as of July 16, 2024, which was amended and restated on November 7, 2024, setting out the terms and conditions upon which the parties intend to complete the Qualifying Transaction. The Amalgamation is structured as a three-cornered amalgamation pursuant to the terms of an Amalgamation Agreement and, as a result, DPF will become a wholly-owned subsidiary of the Resulting Issuer. The proposed name of the Resulting Issuer is "Dr. Phone Fix Canada Corporation", or such other name as may be agreed to by the Board and approved by the TSXV.

Completion of the Qualifying Transaction is subject to compliance with the terms and conditions set forth in the Definitive Agreement including, but not limited to:

- (a) entering into such other agreements necessary for the Amalgamation;
- (b) DPF and Auka using commercially reasonable efforts to complete the QT Financing;
- (c) receipt of all required approvals, including TSXV approval, the approval of the shareholders of DPF in respect of the Amalgamation and related matters, the approval of the shareholders of Auka of the Auka Meeting Matters, and all necessary consents of other third parties;
- (d) upon completion of the Amalgamation, the Resulting Issuer meeting the applicable minimum listing requirements including, without limitation, the public float requirements of the TSXV;
- (e) the DPF Debt will have been repaid in full through the issuance, prior to exchange for Resulting Issuer Shares, of an aggregate of 3,979,197 DPF Class A Shares prior to Closing (the "**DPF Debt Settlement**"); and
- (f) certain other customary conditions for a transaction of this nature.

Holders of DPF Shares will, on closing of the Qualifying Transaction, be issued 11.4402330114547 Resulting Issuer Shares for every DPF Share (the "**Exchange Ratio**"), with the deemed value of each DPF Share being \$1.37282796137456. After exchange of DPF Shares at the Exchange Ratio, the fair value per Resulting Issuer Share issued in satisfaction in connection with such exchange is \$0.12 per Resulting Issuer Share. The pre-exchange deemed fair value per DPF Share is approximately \$1.37 per DPF Share.

On Closing, assuming maximum gross proceeds raised from the QT Financing (excluding exercise of the Agent's Option), it is expected that approximately 164,003,424 Resulting Issuer Shares will be issued and outstanding, on a non-diluted basis; with approximately 29,226,866 Resulting Issuer Shares issued to subscribers under the QT Financing, approximately 120,522,933 Resulting Issuer Shares issued to DPF shareholders (including those receiving DPF Shares under the DPF Debt Settlement but excluding those issued in connection with the QT Financing), 1,753,604 Resulting Issuer Shares issued in connection with QT Financing Units received by the Agent assuming exercise thereof, and the current shareholders of Auka holding 12,500,000 Resulting Issuer Shares.

If the Agent's Option is exercised, 33,610,901 Resulting Issuer Shares will be issued to subscribers under the QT Financing and approximately 2,016,648 Resulting Issuer Shares would be issued in connection with QT Financing Units received by the Agent assuming exercise thereof and, on Closing, approximately 168,650,482 Resulting Issuer Shares will be issued and outstanding, on a non-diluted basis.

The aggregate fair value of the consideration to DPF shareholders is as follows:

Aggregate deemed issuance price of Resulting Issuer Shares issued to former shareholders of DPF, excluding DPF Class A Shares issued pursuant to DPF Debt Settlement and excluding DPF Class A Shares issued pursuant to the QT Financing	\$9,000,000.00
Aggregate deemed issuance price of Resulting Issuer Shares issued pursuant to DPF Debt Settlement	\$5,462,752.8
Aggregate deemed issuance price of Resulting Issuer Shares issued pursuant to the QT Financing <sup>(1)</sup>	\$4,033,308.12
Fair value of aggregate consideration	\$18,496,060.92 <sup>(2)</sup>

**Note:**

- (1) Assumes maximum gross proceeds from the QT Financing, assuming exercise of the Agent's Option.
- (2) Excludes fair value of approximately \$241,998.48 in Resulting Issuer Shares issuable upon exercise of QT Agent Warrants (assuming exercise of Agent's Option).

The fair value of the consideration payable by Auka to DPF shareholders, excluding DPF Class A Shares issued to DPF shareholders pursuant to the DPF Debt Settlement and DPF Class A Shares issued pursuant to the QT Financing, is \$9,000,000, which represents 75,000,000 Resulting Issuer Shares issued to DPF shareholders at a deemed value of \$0.12 per Resulting Issuer Share. The aggregate consideration payable by Auka for the DPF Class A Shares received by DPF shareholders pursuant to the DPF Debt Settlement is approximately \$5,462,752.8, which represents 45,522,940 Resulting Issuer Shares issued at a deemed value of \$0.12 per Resulting Issuer Share. For clarity, a total of 3,979,197 DPF Class A Shares issued under the DPF Debt Settlement will be exchanged for approximately 45,522,940 Resulting Issuer Shares, each Resulting Issuer Share having a deemed value of \$0.12. On completion of the Qualifying Transaction, an aggregate of approximately 120,522,933 Resulting Issuer Shares will have been issued to DPF shareholders, excluding those holding DPF Class A Shares issued in connection with the QT Financing, having aggregate fair value of approximately \$14,462,752. Assuming maximum gross proceeds from the QT Financing and the exercise of the Agent's Option, an aggregate of 36,610,901 Resulting Issuer Shares having aggregate fair value of \$4,033,308.12 will be issued to holders of Subscription Receipts on completion of the Qualifying Transaction, excluding any Subscription Receipts issued or issuable on exercise of the QT Agent Warrants.

Total fair value of consideration issued to DPF shareholders under the Qualifying Transaction is expected to be \$18,496,060.92 assuming exercise of the Agent's Option.

Auka and DPF have also entered into a Bridge Loan Agreement and related General Security Agreement, pursuant to which Auka agreed to provide to DPF, subject to certain conditions including the approval of the Exchange, a secured loan in the amount of \$250,000. The Bridge Loan is due on the earlier of (i) six months from the date of the Bridge Loan Agreement and (ii) the date on which Closing occurs; and the Bridge Loan carries interest at a rate equal to the prime rate of interest per annum as quoted by Auka's primary banking institution, plus 2.0% per annum.

## THE RESULTING ISSUER

Upon Completion of the Qualifying Transaction and subject to the approval of the TSXV, it is expected that the Resulting Issuer will be listed on the TSXV as a Tier 2 Industrial Issuer (as such term is defined in the Corporate Finance Manual of the TSXV) and the Resulting Issuer Shares will trade under the symbol "DPF". The Resulting Issuer will change its principal and registered head office to 2500, 10123 99 St NW, Edmonton, Alberta T5J 3H1.

Upon Completion of the Qualifying Transaction, assuming maximum gross proceeds under the QT Financing and the exercise of the Agent's Option:

- (a) an aggregate of approximately 168,650,482 Resulting Issuer Shares will be issued and outstanding, consisting of approximately:
  - (i) 120,522,933 Resulting Issuer Shares issued to existing holders of DPF (including in satisfaction of the DPF Debt but excluding those issued in connection with the QT Financing);
  - (ii) 33,610,901 Resulting Issuer Shares issued to holders of Subscription Receipts;
  - (iii) 2,016,648 Resulting Issuer Shares issued in connection with QT Financing Units received by the Agent upon conversion of the QT Agent Warrants, assuming that such conversion occurs immediately prior to the Effective Time; and
  - (iv) 12,500,000 Resulting Issuer Shares currently held by shareholders of Auka;
- (b) options and warrants to purchase an aggregate of approximately 19,775,897 Resulting Issuer Shares will be outstanding, consisting of approximately:
  - (i) options to purchase 1,212,125 Resulting Issuer Shares already issued and outstanding;
  - (ii) warrants to purchase 750,000 Resulting Issuer Shares already issued and outstanding;
  - (iii) 88,138 QT Financing Warrants to which the Agent would be entitled to acquire approximately 1,008,317 Resulting Issuer Shares, being the number of Resulting Issuer Shares that the Agent will be entitled to receive as a result of the transactions contemplated by the Definitive Agreement if such holder had exercised such holder's QT Agent Warrant immediately prior to the Effective Time; and
  - (iv) warrants to purchase approximately 16,805,450 Resulting Issuer Shares to be issued on Closing and comprised of the Resulting Issuer Replacement Warrants.

## THE QT FINANCING

Concurrent with closing of the Qualifying Transaction, DPF will complete a brokered private placement offering of an aggregate of up to 2,554,744 (rounded down) Subscription Receipts (equivalent to 29,226,866 (rounded down) Resulting Issuer Shares on a post-exchange basis) at a subscription price of \$1.37 per Subscription Receipt (equivalent to a post-exchange price of \$0.12 per Resulting Issuer Share and one half of one Resulting Issuer Replacement Warrant) for aggregate gross proceeds of up to \$3,500,000, subject to the Agent's Option exercisable for the

issuance of up to an additional 383,211 (rounded down) Subscription Receipts (equivalent to 4,384,023 (rounded down) Resulting Issuer Shares on a post-exchange basis) for up to an additional \$525,000 in proceeds. Each Subscription Receipt will be convertible upon conversion or deemed conversion, for no additional consideration, into one QT Financing Unit consisting of one DPF Class A Share and one-half of one QT Financing Warrant. Each QT Financing Warrant will entitle the holder thereof to purchase one DPF Class A Share at an exercise price of \$2.28 per share (equivalent to a post-exchange exercise price of \$0.20 per Resulting Issuer Replacement Warrant) for a period of 24 months following the date of issuance thereof.

The gross proceeds from the QT Financing less 50% of the Agent's commission, as well as certain early release amounts of the Agent (the "**QT Escrow Funds**") will be deposited in escrow with the Subscription Receipt Agent until the satisfaction of the following conditions and such other conditions as may be required by the Subscription Receipt Agent (the "**Escrow Release Conditions**"):

- (a) the completion, satisfaction or waiver of all conditions precedent to the Qualifying Transaction in accordance with the Definitive Agreement, other than the release of the QT Escrow Funds;
- (b) the listing of the Resulting Issuer Shares (including those issued in exchange for the securities underlying the Subscription Receipts and issuable pursuant to the warrants and options of the Resulting Issuer) shall have been conditionally approved for listing on the Exchange;
- (c) the receipt of all regulatory, shareholder and third-party approvals, if any, required in connection with the Qualifying Transaction;
- (d) counsel to Auka having delivered an opinion (the final form of which opinion shall ultimately be delivered but not executed on the Closing date) addressed to the Agent confirming, among other things, that the securities of Auka issued in connection with the exchange of the DPF Class A Shares and QT Financing Warrants comprising the QT Financing Units, the shares issuable on exercise of the QT Financing Warrant and the QT Agent Warrants shall not be subject to any statutory hold periods in Canada upon the issue thereof;
- (e) DPF and Auka shall not be in breach or default of any of their covenants or obligations under the Subscription Receipt Agreement or the QT Agency Agreement except (in the case of the QT Agency Agreement only) for those breaches or defaults that have been waived by the Agent and all conditions set out in the QT Agency Agreement shall have been fulfilled, which shall all be confirmed to be true in a certificate of a senior officer of the Resulting Issuer; and
- (f) DPF and the Agent having delivered a joint notice and direction to the Escrow Agent, confirming that the conditions set forth above have been met or waived.

At the effective time of the completion of the Amalgamation, the Subscription Receipts will be converted to QT Financing Units and, concurrent with the Amalgamation, exchanged on an equivalent basis into Resulting Issuer Shares and Resulting Issuer Replacement Warrants without payment of any additional consideration or any further action on the part of the holder thereof.

In the event that the Escrow Release Conditions have not been satisfied or waived prior to 5:00 p.m. (Toronto time) on January 31, 2024, or such other date as is agreed to by DPF and the Agent, the QT Escrow Funds shall be returned to the applicable holders of the Subscription Receipts together with any interest earned thereon, and such Subscription Receipts shall be automatically cancelled and be of no further force and effect.

In connection with the QT Financing, the Agent is entitled to receive a cash commission equal to 6.0% of the gross proceeds of the QT Financing, and a corporate finance fee of \$125,000.00. 100% of the cash commission is to be paid into escrow and released upon satisfaction of the Escrow Release Conditions. The Agent has been paid the \$125,000.00 corporate finance fee. In addition, the Agent is entitled to receive such number of QT Agent Warrants as equals 6.0% of the number of Subscription Receipts issued under the QT Financing, each QT Agent Warrant being exercisable for one QT Financing Unit at a price of \$1.37 per QT Financing Unit (equivalent to a post-exchange price of \$0.12 per Resulting Issuer Share and one half of one Resulting Issuer Replacement Warrant) for a period of two years from the date of the listing of the Resulting Issuer Shares following the Completion of the Qualifying Transaction.

Except as payable to the Agent, no finders' fees or commission were paid in connection with the QT Financing.

The Resulting Issuer intends to use the net proceeds from the QT Financing for working capital and for general corporate purposes.

#### **INTERESTS OF ANY INSIDER, PROMOTER OR CONTROL PERSON**

The following is a summary of the interests of Insiders of Auka, and their respective Associates and Affiliates, before and after giving effect to the Qualifying Transaction.

<b>Insider, Promoter or Control Person (including Associates and Affiliates)</b>	<b>Position</b>	<b>Number and Percentage of Auka Shares prior to the Amalgamation</b>	<b>Number and Percentage of Resulting Issuer upon Completion of the Amalgamation, Assuming Completion of the Maximum QT Financing<sup>(1)</sup></b>
Robert Cole	Current Director, President and Current Chief Executive Officer	950,000 (7.6%)	950,000 (0.56%)
Michael Kaiser	Current Director and Current Chief Financial Officer	200,000 (1.6%)	200,000 (0.12%)
Frank Y. Sur	Current Director and Current Corporate Secretary	1,200,000 (9.6%)	1,200,000 (0.71%)
Ralf Kaiser	Current Director	500,000 (4.0%)	500,000 (0.29%)
Jay Baraniecki	Current Director	800,000 (6.4%)	800,000 (0.47%)
Dave Muddle	Current Director	100,000 (0.08%)	100,000 (0.05%)
Jeff Lloyd	Current Director	500,000 (4.0%)	500,000 (0.29%)

**Note:**

(1) Assuming exercise of the Agent's Option.

## ARM'S LENGTH TRANSACTION

The Amalgamation does not constitute a Non-Arm's Length Qualifying Transaction within the meaning of the CPC Policy.

### SELECTED PRO-FORMA CONSOLIDATED FINANCIAL INFORMATION

The following table sets out certain financial information for Auka and DPF as at June 30, 2024, as well as unaudited Pro Forma Financial Statements, after giving effect to the Qualifying Transaction and the QT Financing as if such events had occurred on June 30, 2024 for balance sheet purposes. Such information is derived from and should be read in conjunction with the Pro Forma Financial Statements and the notes thereto attached hereto. See Schedule "E".

Pro Forma Balance Sheet	DPF as at June 30, 2024 \$	Auka as at June 30, 2024 \$	Pro Forma Adjustments <sup>1</sup> \$	Pro Forma Consolidated <sup>1</sup> \$
Cash and Cash equivalents	273,684	624,724	3,440,175	4,338,583
Other Current Assets	1,422,968	5,203	18,325	1,446,496
Non-Current Assets	14,831,953	NIL	NIL	14,831,953
<b>Total Assets</b>	<b>16,528,605</b>	<b>629,927</b>	<b>3,458,500</b>	<b>20,617,032</b>
Current Liabilities	9,846,091	39,064	(5,462,752)	4,422,403
Non-current Liabilities	14,668,466	NIL	(116,219)	14,552,247
<b>Total Liabilities</b>	<b>24,514,557</b>	<b>39,064</b>	<b>(5,578,971)</b>	<b>18,974,650</b>
Shareholder's Equity	(7,985,952)	590,863	9,037,471	1,642,382

**Note:**

- (1) Assumes gross proceeds from the private placement of 2,937,956 Subscription Receipts in the aggregate amount of \$4,025,000, being gross proceeds of \$3,500,000, with the addition of the exercised Agent's Option in the aggregate amount of \$525,000, net of commissions and financing fees in the amount of \$366,500 (of which half of the commission will be paid at closing of the QT Financing and the balance of fees will be payable upon satisfaction of the Escrow Release Conditions) and estimated unpaid transactions costs of \$200,000, resulting in net proceeds of approximately \$3,440,175, inclusive of tax deductions. Except as payable to the Agent, no finders' fees or commission were paid in connection with the offering.

### MARKET FOR SECURITIES AND MARKET PRICE

The Auka Shares are listed on the TSXV under the trading symbol "AUK.P". The closing market price of the Auka Shares on the last day on which there was a trade of Auka Shares prior to the announcement of the Qualifying Transaction on April 24, 2024 was \$0.11. It is anticipated that the Resulting Issuer Shares will resume trading on the TSXV upon completion of the Amalgamation under the symbol "DPF".

The DPF Shares are not listed on any stock exchange and there is currently no public market for DPF Shares.

### CONFLICTS OF INTEREST

Some of the individuals proposed for appointment as directors or officers of the Resulting Issuer upon the completion of the Amalgamation are also directors, officers and/or Promoters of other

reporting and non-reporting issuers. To the knowledge of the directors and officers of Auka and DPF, there are no existing conflicts of interest between the Resulting Issuer and any of the individuals proposed for appointment as directors or officers upon completion of the Amalgamation, as of the date of this Filing Statement.

### **CONDITIONAL LISTING APPROVAL**

The TSXV has conditionally approved the Amalgamation as the Qualifying Transaction for Auka subject to Auka fulfilling all the requirements of the TSXV on or before February 17, 2025.

### **AUKA MEETING**

Auka plans to mail to its shareholders ("**Auka Shareholders**") a management information circular (the "**Auka Circular**") in connection with the Auka Meeting to be held on or before January 31, 2024. At the Auka Meeting, the Auka Shareholders will be asked to approve resolutions in respect of the following matters in connection with, and subject to the completion of, the Amalgamation: (i) the election of the DPF Nominees; (ii) the appointment of Hayden Beck, CPA, as the auditor of Auka; (iii) the Auka Name Change; and (iv) such other matters that may be reasonably required in order to give effect to the Amalgamation as are deemed appropriate by the Board and acceptable to DPF, acting reasonably.

The current directors of Auka have no intention of acting upon the authority granted them under the foregoing resolutions if the Amalgamation is not completed.

### **SUMMARY OF RISK FACTORS**

The following is a summary of certain risk factors applicable to Auka, DPF and the Resulting Issuer. The risks presented in this Filing Statement should not be considered to be exhaustive and may not be all of the risks that the Resulting Issuer and DPF may face. See "*Part IV – Risk Factors*".

Business and environmental risks:

- managing growth
- limited operating history
- regulatory compliance
- not being able to achieve business objectives
- retention and acquisition of skilled personnel
- competition
- disruptions as a result of actions of certain shareholders
- legal proceedings
- unexpected disruptions affecting operations, whether due to labour disruptions, supply disruptions, power disruptions, damage to equipment or otherwise
- liability, enforcement, complaints, etc.
- insurance coverage
- global economy

Financial and accounting risks:

- access to capital
- limited assets of Resulting Issuer
- estimates or judgments relating to critical accounting policies
- tax risks

Risks related to the Resulting Issuer Shares and Completion of the Qualifying Transaction:

- market for the Resulting Issuer Shares
- no history of payment of cash dividends
- reporting issuer status
- tax issues
- completion of the Qualifying Transaction is subject to conditions precedent
- termination of the Definitive Agreement
- termination of the Amalgamation Agreement
- potential undisclosed liabilities associated with the Amalgamation

## **PART I - INFORMATION CONCERNING AUKA**

### **CORPORATE STRUCTURE**

#### **Auka Capital Corp.**

"Auka Capital Corp." was incorporated pursuant to the provisions of the ABCA on August 5, 2021. The head office of Auka is located at 1600, 421 7<sup>th</sup> Avenue SW, Calgary, Alberta T2P 4K9 and the registered and records office of Auka is also located at 1600, 421 7<sup>th</sup> Avenue SW, Calgary, Alberta T2P 4K9.

Auka is authorized to issue an unlimited number of Auka Shares and Preferred Shares, of which 12,500,000 Auka Shares are issued and outstanding and nil Preferred Shares are issued and outstanding, as of the date hereof.

#### **Auka SubCo**

Auka has one wholly-owned subsidiary "2629911 Alberta Inc.", which was incorporated on July 9, 2024 under the ABCA for the purposes of effecting the Amalgamation. The head office of Auka is located at 1600, 421 7<sup>th</sup> Avenue SW, Calgary, Alberta T2P 4K9 and the registered and records office of Auka is also located at 1600, 421 7<sup>th</sup> Avenue SW, Calgary, Alberta T2P 4K9.

Auka SubCo is authorized to issue an unlimited number of common shares, of which one common share is issued and outstanding as of the date hereof.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

### **History**

Auka is a CPC created pursuant to the policies of the Exchange. Auka does not own any assets, other than cash or cash equivalents and its rights under the Definitive Agreement. The principal business of Auka is to identify and evaluate opportunities for the acquisition of an interest in assets

or businesses and, once identified and evaluated, to negotiate an acquisition or participation subject to acceptance by the Exchange so as to complete a Qualifying Transaction in accordance with the policies of the Exchange.

Auka completed its initial public offering on December 13, 2022 and the Auka Shares were listed on the TSXV and began trading on December 16, 2022. On April 24, 2024, trading in the Auka Shares was halted in connection with the Qualifying Transaction. Trading remains halted as of the date of this Filing Statement.

### Selected Financial Information

Since incorporation, Auka has incurred the following costs in carrying out the IPO, in seeking, evaluating and negotiating potential Qualifying Transactions, and in meeting the disclosure obligations imposed upon it as a reporting issuer listed for trading on the TSXV.

The following tables set forth selected historical financial information for Auka for the years ended December 31, 2023 and 2022 and for the period from August 5, 2021 to December 31, 2021, and selected balance sheet data for such years and period. The financial statements of Auka have been prepared in accordance with IFRS and are denominated in Canadian dollars. Such information is derived from Auka's financial statements and should be read in conjunction with such financial statements included elsewhere in this Filing Statement including those financial statements attached hereto as Schedule "A".

<b>Balance Sheet Data</b>	<b>As at December 31, 2023 \$</b>	<b>As at December 31, 2022 \$</b>	<b>As at December 31, 2021 \$</b>
Cash and cash equivalents	716,186	797,737	124,265
Total assets	716,186	797,737	124,265
Total liabilities	15,629	40,571	8,924
Shareholder's Equity (deficiency)	700,557	757,166	115,341

<b>Income Statement Data</b>	<b>12 month period ended December 31, 2022 \$</b>	<b>12 month period ended December 31, 2022 \$</b>	<b>4 month period ended December 31, 2021 \$</b>
Total income	0	0	0
Total expenses	56,609	233,175	9,659
Net income (loss)	(56,609)	(233,175)	(9,659)

### Management's Discussion and Analysis

The Auka MD&A for the years ended December 31, 2023 and 2022 and for the six (6) month period ended June 30, 2024, are attached hereto as Schedule "B".

## **DESCRIPTION OF THE SECURITIES**

Auka is authorized to issue an unlimited number of Auka Shares and Preferred Shares, of which 12,500,000 Auka Shares are issued and outstanding and nil Preferred Shares are issued and outstanding, as of the date hereof. A total of 1,212,125 Auka Shares are reserved for issuance under an aggregate of 1,212,125 stock options.

The holders of Auka Shares are entitled to receive dividends if, as and when declared by the Board of directors of Auka, to receive notice of and one vote per Auka Share at meetings of the shareholders of Auka and, upon liquidation, dissolution or winding up of Auka, to share rateably in such assets of Auka as are distributable to the holders of Auka Shares. All Auka Shares which are to be outstanding after Completion of the Qualifying Transaction will be fully paid and non-assessable.

## **STOCK OPTION PLAN**

### **Summary of the Auka Option Plan**

The policies of the TSXV provide that the Board of directors of Auka may from time to time, in its discretion, and in accordance with TSXV requirements, grant to directors, officers and employees of Auka and its Affiliates and to consultants and management company employees, non-transferable options to purchase Auka Shares for a period of up to 10 years from the date of the grant, provided that, at any time, the number of Auka Shares reserved for issuance under all stock-based compensation will not exceed 10% of the total issued and outstanding Auka Shares at the date of the grant (unless Auka has obtained the requisite disinterested shareholder approval) and that the exercise period does not exceed 10 years from the date of the grant.

The purpose of the Auka Option Plan established by Auka, pursuant to which it may grant stock options, is to promote the profitability and growth of Auka by facilitating the efforts of Auka to obtain and retain key individuals. The Auka Option Plan provides an incentive for and encourages ownership of the Auka Shares by its key individuals so that they may increase their stake in Auka and benefit from increases in the value of the Auka Shares. Pursuant to the Auka Option Plan, the maximum number of Auka Shares reserved for issuance in any twelve (12) month period to any one optionee other than a consultant may not exceed 5% of the issued and outstanding Auka Shares at the date of the grant. The maximum number of Auka Shares reserved for issuance in any twelve (12) month period to any consultant may not exceed 2% of the issued and outstanding Auka Shares at the date of the grant and the maximum number of Auka Shares reserved for issuance in any twelve (12) month period to all persons engaged in investor relations activities may not exceed 2% of the issued and outstanding number of Auka Shares at the date of the grant. Vesting of stock option shall be at the discretion of the Board of directors of Auka and, with respect to any particular stock options granted under the Auka Option Plan, in the absence of a vesting schedule being specified in the applicable stock option agreement, all such stock options shall immediately vest.

Notwithstanding the terms of the Auka Option Plan described above, the CPC Policy imposes certain restrictions on stock options during the period that Auka remains a CPC. Such restrictions shall remain in place until the TSXV issues the Final Exchange Bulletin (such bulletin indicating that the Resulting Issuer will not be considered a CPC). Under the CPC Policy, Auka, while it remains a CPC, is limited to granting stock options to only directors, officers and technical consultants of Auka. In addition, the total number of Auka Shares reserved under option for issuance at any time pursuant to the Auka Option Plan may not exceed 10% of the Auka Shares

outstanding as at the date of the grant of the option and the exercise period shall not exceed 10 years from the date of the grant. The maximum number of Auka Shares issuable to any individual officer or director may not exceed 5% of the issued and outstanding Auka Shares outstanding as at the date of grant of the option. The maximum number of Auka Shares issuable at any given time to all technical consultants may not exceed 2% of the issued and outstanding, Auka Shares outstanding as at the date of grant of the option.

In addition, while Auka is a CPC, it is prohibited from granting stock options to any person providing investor relations activities, promotional or market making services. The exercise price per Auka Share under any stock option granted by Auka while it is a CPC may not be less than the greater of \$0.10 and the Discounted Market Price (as defined under TSXV policies). Any Auka Options or Auka Shares acquired pursuant to the exercise of stock options prior to the Completion of the Qualifying Transaction, were deposited in escrow and are subject to escrow until the Final Exchange Bulletin is issued.

The term of stock options must expire not later than 12 months after the optionee ceases to be a director, officer or technical consultant of Auka, or of the Resulting Issuer, as the case may be, subject to any earlier expiry date of such stock option.

### Stock Options Granted

As of the date of this Filing Statement, there are 1,212,125 Auka Options issued. The Auka Options are exercisable within ten years from the date of grant at an exercise price of \$0.10 per Auka Share.

### PRIOR SALES

Since the date of incorporation of Auka, the following Auka Shares have been issued, of which 12,500,000 Auka Shares are issued and outstanding as of the date of this Filing Statement:

Date Issued	Number of Shares	Issue Price per Share	Aggregate Issue Price	Nature of Consideration
August 5, 2021	2,500,000 <sup>(1)</sup>	\$0.05	\$125,000	Cash
February 28, 2022	2,500,000 <sup>(1)</sup>	\$0.05	\$125,000	Cash
December 13, 2022	7,500,000 <sup>(2)</sup>	\$0.10	\$750,000	Cash

**Notes:**

- (1) All of these Auka Shares are subject to escrow restrictions in accordance with the CPC Policy.
- (2) 1,490,000 of these Auka Shares are subject to escrow restrictions in accordance with the CPC Policy.

The following table discloses the securities of Auka which have been sold to non-arm's length parties of Auka, as of the date of this Filing Statement:

Name and Municipality of Residence of Shareholder	Designation of Class	Number of Securities	Issue Price/Exercise Price Per Security	Aggregate Issue Price/Exercise Price	Nature of Consideration
Robert Cole Edmonton, Alberta	Auka Shares	700,000	\$0.05	\$35,000	Cash
	Auka Shares	250,000	\$0.10	\$25,000	Cash
	Auka Options	269,400	\$0.10	\$26,940	Services
Michael Kaiser	Auka Shares	200,000	\$0.05	\$10,000	Cash

Edmonton, Alberta	Auka Options	116,845	\$0.10	\$11,684.50	Services
Jay Baraniecki	Auka Shares	300,000	\$0.05	\$15,000	Cash
Edmonton, Alberta	Auka Shares	500,000	\$0.10	\$50,000	Cash
	Auka Options	203,705	\$0.10	\$20,370.50	Services
Frank Y. Sur	Auka Shares	1,200,000	\$0.05	\$60,000	Cash
Calgary, Alberta	Auka Options	279,830	\$0.10	\$27,983	Services
Dave Muddle	Auka Shares	100,000	\$0.05	\$5,000	Cash
Edmonton, Alberta	Auka Options	119,985	\$0.10	\$11,998.50	Services
Jeff Lloyd	Auka Shares	500,000	\$0.05	\$25,000	Cash
Edmonton, Alberta	Auka Options	148,680	\$0.10	\$14,868	Services
Ralf Kaiser	Auka Shares	500,000	\$0.05	\$25,000	Cash
Sherwood Park, Alberta	Auka Options	73,680	\$0.10	\$7,368	Services

### STOCK EXCHANGE PRICE

Auka completed its initial public offering on December 13, 2022 and the Auka Shares were listed on the TSXV and began trading on December 16, 2022. On April 24, 2024, trading in the Auka Shares was halted in connection with the Qualifying Transaction. Trading remains halted as of the date of this Filing Statement. Upon completion of the Amalgamation, it is anticipated that the Auka Shares will be listed on the TSXV under the symbol "DPF".

The following table sets out trading information for the Auka Shares on the TSXV for the periods indicated:

Period	High (\$)	Low (\$)	Volume
April 24, 2024 to November 14, 2024	N/A	N/A	Nil
April 1, 2024 to and including April 23, 2024 <sup>(1)</sup>	\$0.11	\$0.10	500
January, 2024 to and including March, 2024	\$0.10	\$0.10	Nil
December, 2023	\$0.10	\$0.10	6,000
November, 2023	\$0.10	\$0.10	10,000
October, 2023	\$0.10	\$0.10	Nil
September, 2023	\$0.10	\$0.10	20,000
July, 2023 to and including August, 2023	\$0.10	\$0.10	Nil
June, 2023	\$0.10	\$0.10	100,000
May, 2023	\$0.10	\$0.10	Nil
April, 2023	\$0.11	\$0.10	45,500
January, 2023 to and including March, 2023	\$0.11	\$0.11	Nil
December, 2022	\$0.11	\$0.11	20,000

**Note:**

- (1) Trading on the Auka Shares was halted on April 24, 2024 in connection with announcement of the Qualifying Transaction. Trading remains halted as of the date of this Filing Statement.

## **ARM'S LENGTH PARTY TRANSACTION**

Certain legal services relating to the IPO and relating to the completion of the Qualifying Transaction have been rendered and will be completed, as applicable, by Gowling WLG (Canada) LLP ("**Gowling**"). Frank Y. Sur, who is a director and the Corporate Secretary of Auka, is a Partner at Gowling. For legal services rendered by Gowling to Auka, during the IPO, Auka has paid, in cash, to Gowling, roughly \$180,000 and it is expected that Auka will pay to Gowling, in cash, roughly \$320,000 for legal services rendered to complete the Qualifying Transaction. Mr. Sur currently holds 1,200,000 Auka Shares and 279,830 Auka Options. Jason Mullins, a Partner at Gowling, currently holds 300,000 Auka Shares and Blair Wentworth, who was an Associate at Gowling during the time that he was issued his Auka Shares, currently holds 150,000 Auka Shares. Mr. Mullins provided legal services to Auka during its IPO and will provide services to Auka in association with the Qualifying Transaction. Mr. Wentworth provided legal services to Auka during its IPO, but has not and will not provide legal services to Auka in association with the Qualifying Transaction.

The Qualifying Transaction does not constitute a Non-Arm's Length Qualifying Transaction within the meaning of the CPC Policy.

## **LEGAL PROCEEDINGS**

There are no legal proceedings material to Auka to which Auka is a party to or of which any of its property is the subject matter, and there are no such proceedings known to Auka to be contemplated.

## **AUDITOR, TRANSFER AGENT AND REGISTRAR**

The auditors of Auka is Hayden Beck, CPA, who is located at #307, 579 3rd Street S.E. Medicine Hat, AB, T1A 0H2. The transfer agent and registrar for the Auka Shares is Odyssey Trust Company at its principal office at Stock Exchange Tower, 1230 – 300 5th Avenue SW Calgary AB T2P 3C4.

## **MATERIAL CONTRACTS**

Auka has not entered into any material contracts and will not enter into any material contracts prior to the Completion of the Qualifying Transaction, other than:

1. the Transfer Agency and Registrarship Agreement<sup>1</sup>;
2. the Bridge Loan and related General Security Agreement<sup>2</sup>;
3. the Subscription Receipt Agreement<sup>3</sup>;
4. the QT Agency Agreement<sup>4</sup>.;
5. the Warrant Indenture<sup>5</sup>;

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<sup>1</sup> See definition of "*Transfer Agency and Registrarship Agreement*" above for further details.

<sup>2</sup> See "*The Qualifying Transaction*" above for further details.

<sup>3</sup> See "*Description of the Securities*" below for further details.

<sup>4</sup> See the definition of "*QT Agency Agreement*" above for certain details and see "*The QT Financing*" above for details on the consideration payable under the QT Agency Agreement.

<sup>5</sup> See definition of "*Warrant Indenture*" above for further details.

6. the CPC Escrow Agreement<sup>6</sup>; and
7. the Definitive Agreement<sup>7</sup>.

Copies of these agreements are available for inspection at the head office of Auka, at 421 7 Ave SW #1600, Calgary, AB T2P 4K9, during ordinary business hours until the Completion of the Qualifying Transaction and for a period of 30 days thereafter. Copies of each of these material contracts can or, when entered into, will be found on Auka's SEDAR+ profile.

## PART II - INFORMATION CONCERNING DPF

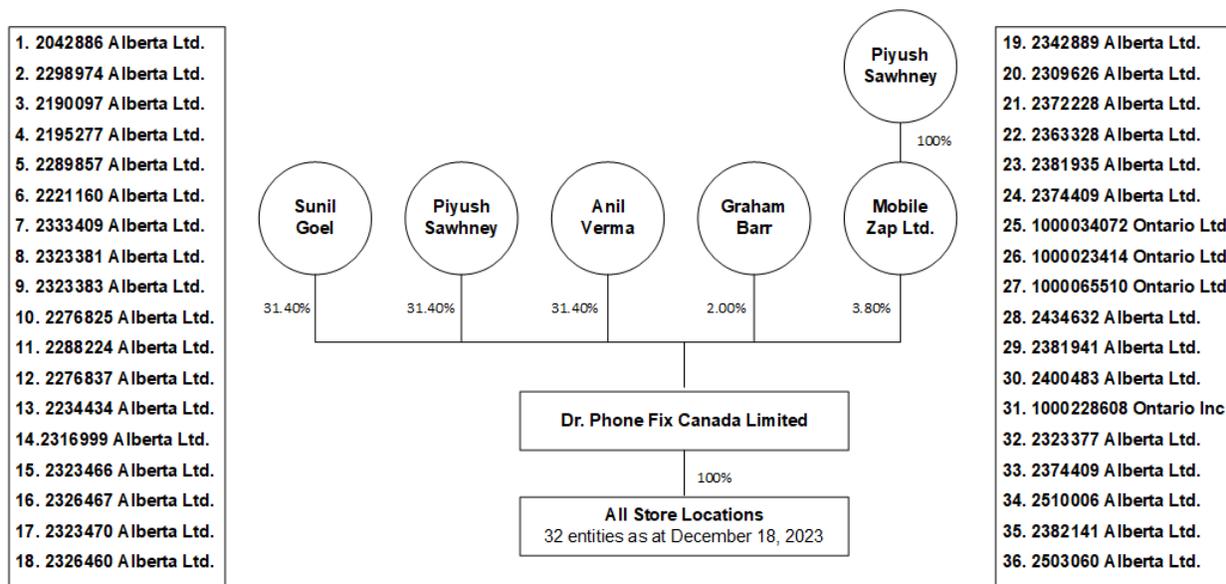
### CORPORATE STRUCTURE

#### DPF

Dr. Phone Fix Canada Limited was incorporated pursuant to the provisions of the ABCA on July 15, 2020. DPF is not a "reporting issuer" under applicable securities legislation and its securities are not listed for trading on any stock exchange. The principal and registered head office of DPF is located at 2500, 10123-99 Street NW, Edmonton, Alberta T5J 3H1.

### INTERCORPORATE RELATIONSHIPS

#### CORPORATE STRUCTURE



<sup>6</sup> See definition of "Escrow Agreement" above for further details.

<sup>7</sup> See "The Qualifying Transaction" above for further details.

As of the date of the Filing Statement, information related to DPF's issued capital is as follows. See "Part II – Information Concerning DPF – Capitalization of DPF" below for further details.

Share Classification (DPF)	Outstanding Number of Shares
Class A Common Shares	6,327,821
Class B Common Shares	227,989

## DEVELOPMENT AND DESCRIPTION OF THE BUSINESS

### General Development of the Business

Dr. Phone Fix operates a growing network of 35 corporately owned cell phone and electronics repair stores in British Columbia, Alberta, Saskatchewan and Ontario. In addition to its repair services, DPF sells certified pre-owned ("CPO") devices and also sells a wide selection of accessories at each location. In addition, DPF provides Apple Independent Repair Provider services and Authorized Samsung Service Partner services to owners of Apple and Samsung devices using genuine parts, tools, manuals, and diagnostics for repairs.

### History

Dr. Phone Fix was founded in August 2019 in Edmonton, Alberta, Canada with just one store St. Albert, Alberta. The company's expansion roll out began in 2020 and by year-end it had 5 stores. Rapid expansion continued in 2021 with the opening of an additional 15 stores primarily in Western Canada. In 2022, DPF made a strategic entry into the Ontario market with the opening of three stores in the Greater Toronto Area, complemented by two additional stores in Western Canada. With this expansion in 2022, DPF became a nationwide brand. By the end of 2023, DPF was operating 34 retail stores across Canada. The following tables sets out the key developments of Dr. Phone Fix Canada Limited since its inception.

Date	Key Developments
August 2019	1 <sup>st</sup> Store opened in St. Albert, Alberta
January 2020	2 <sup>nd</sup> Store opened in Edmonton South, Alberta
January 2020	3 <sup>rd</sup> Store opened in Leduc, Alberta
July 2020	4 <sup>th</sup> Store acquired in Edmonton North, Alberta
August 2020	5 <sup>th</sup> Store opened in Grande Prairie, Alberta
December 2020	6 <sup>th</sup> Store opened in Clareview, Alberta
January 2021	7 <sup>th</sup> Store opened in Kelowna, British Columbia

January 2021	8 <sup>th</sup> Store opened in Vernon, British Columbia
April 2021	9 <sup>th</sup> Store opened in Ellerslie, Alberta
May 2021	10 <sup>th</sup> Store opened in London Town Square Mall, Calgary, Alberta
June 2021	11 <sup>th</sup> Store opened in Kamloops, British Columbia
June 2021	12 <sup>th</sup> Store opened in Evanston Shopping Centre, Calgary, Alberta
July 2021	13 <sup>th</sup> Store opened in Fort McMurray, Alberta
September 2021	14 <sup>th</sup> Store opened in Lloydminster, Alberta
October 2021	15 <sup>th</sup> Store opened in Market at West Spring Shopping Centre, Calgary
November 2021	16 <sup>th</sup> Store opened in South trail Crossing Shopping Centre, Calgary, Alberta
November 2021	17 <sup>th</sup> Store opened in Country Hills Shopping Centre, Calgary, Alberta
November 2021	18 <sup>th</sup> Store opened in North Saskatoon, Saskatchewan
November 2021	19 <sup>th</sup> Store opened in South Saskatoon, Saskatchewan
December 2021	20 <sup>th</sup> Store opened in Deerfoot City Shopping Centre, Calgary, Alberta
January 2022	DPF is Winner - 2022 - 'Three Best Rated'
February 2022	21 <sup>st</sup> Store opened in Victoria, British Columbia
February 2022	22 <sup>nd</sup> Store opened in Westgate Shopping Centre, Edmonton, Alberta
June 2022	DPF is a Winner - 2022 - Alberta Chambers of Commerce Business Award of Distinction for Customer Excellence
June 2022	DPF is a Finalist - -2022 - Canadian SME National Business Awards - Fastest Growing Company in Canada
July 2022	23 <sup>rd</sup> Store opened in Prince George, British Columbia
July 2022	24 <sup>th</sup> Store opened in Red Deer, Alberta
July 2022	25 <sup>th</sup> Store opened in Woodbridge, Ontario
July 2022	26 <sup>th</sup> Store opened in Mississauga, Ontario
July 2022	27 <sup>th</sup> Store opened in Burlington, Ontario
August 2022	2022 Stevie International Business Awards – Company of the Year Gold Winner – Customer Service Team Gold Winner – Electronics Gold Winner – Consumer Services Gold Winner - Telecommunications

September 2022	28 <sup>th</sup> Store opened in Medicine Hat, Alberta
October 2022	29 <sup>th</sup> Store opened in Sherwood Park, Alberta
November 2022	30 <sup>th</sup> Store opened in Lethbridge, Alberta
November 2022	DPF is a finalist - 2022 - Kelowna Chamber of Commerce - Technology Innovator award
December 2022	31 <sup>st</sup> Store opened in Maple, Ontario
March 2023	32 <sup>nd</sup> Store opened in Regina, Saskatchewan
March 2023	DPF was designated as an Authorized Samsung Service Partner
May 2023	DPF was approved as an Apple Independent Repair Provider
July 2023	33 <sup>rd</sup> Store opened in Surrey, British Columbia
August 2023	2023 Stevie International Business Awards – Company of the Year Gold Winner – Electronics Silver Winner – Computer Services Gold Winner – Consumer Services Gold Winner - Telecommunications
September 2023	Winner - 2023 <i>Globe and Mail's</i> 5th Annual Rankings of Canada Top Growing Companies for 2023, Dr Phone Fix ranked #10 out of 425 companies
October 2023	34 <sup>th</sup> Store opened in West Edmonton Mall, Alberta
October 2023	DPF is a Winner - 2023 People's Choice Stevie® International Business Awards for Favourite Company (Electronics)
October 2023	DPF is a Finalist - CSME Canadian Business Award
April 2024	DPF announces a proposed arm's length qualifying transaction involving a business combination with Auka
April 2024	DPF entered in an agreement to open it's 35 <sup>th</sup> Store in Spruce grove, Alberta

The Company has not engaged in any external equity fundraising to date.

## NARRATIVE DESCRIPTION OF THE BUSINESS

### General

Dr. Phone Fix currently operates a growing network of 35 corporately owned cell phone and electronics repair stores in British Columbia, Alberta, Saskatchewan and Ontario. As at December 31, 2023, DPF had a total of 70 employees across all of its stores. In addition to its repair services, DPF sells CPO devices, and also sells a wide selection of accessories at each location. In addition, DPF provides Apple Independent Repair Provider services and Authorized Samsung Service Partner services to owners of Apple and Samsung devices using genuine parts, tools, manuals, and diagnostics for repairs.



DPF offers same day service on nearly all repairs with most repairs finished within 60 minutes or less and customers will typically wait in the store while the repair is being completed. As a component of its repair services, DPF provides a lifetime warranty. Same day repair services for cell phones, tablets, computers, and wearables include:

- Screen replacement
- Battery replacement

In addition, DPF provides Apple Independent Repair Provider services and Authorized Samsung Service Partner services to owners of Apple and Samsung devices using genuine parts, tools, manuals, and diagnostics for repairs.

DPF is an active reseller of CPO devices. It has well established networks to acquire and re-sell a wide variety of used and refurbished electronic devices from certified vendors. Further, DPF offers a 1-year warranty on all CPO devices with is the same warranty offered on new devices from manufactures.

Through its strong relationships with key suppliers and manufacturers overseas, which is a key differentiator and allows DPF to source a broad selection of high-quality inventory at lower cost, each of its stores carry a variety of brand name and designer accessories for every consumer price point including:

- Cell phone cases
- Screen protectors
- Charging cables

## Industry Information

The global cell phone repair and CPO device markets are witnessing significant growth, driven by the rising costs of new devices and a growing consumer preference for sustainable and economical alternatives. As technology continues to advance and integrate more deeply into everyday life, these trends are expected to strengthen, offering substantial opportunities for businesses operating within these sectors. Companies like Dr. Phone Fix, which focuses on these needs with efficient repair services and a robust offering of CPO devices, are well-positioned to capitalize on these evolving market dynamics.

## Market Size and Growth

At the highest level, the global cell phone and device repair market is valued at approximately US\$185 billion and the global cell phone repair market is expanding at an annual growth rate of 5%<sup>8</sup>. This growth underscores the increasing reliance on mobile devices and the corresponding need to maintain and repair them efficiently. In the United States, around 50 million cell phone screens are replaced each year, predominantly due to damage such as cracks.<sup>9</sup> The figure in Canada is estimated to be around 5 million annually or close to 600 phones breaking every hour. These numbers highlights the significant demand for cell phone repair services.

## Pricing Trends and Consumer Behavior

The prices for flagship devices like the Apple iPhone and Samsung Galaxy have increased significantly since 2017. This increase has become a significant factor driving the demand for both repairs and certified pre-owned devices as consumers seek more cost-effective alternatives to manage their mobile technology needs. According to a 2021 Angus Reid Poll, 41% of Canadians were considering purchasing a pre-owned cell device for their next phone, and 76% were open to repairing their existing devices to extend their lifespan.<sup>10</sup> These statistics reflect a growing receptiveness towards sustainable and economical alternatives in mobile technology.

## Certified Pre-Owned (CPO) Device Market

In 2022, the global sales of certified pre-owned (CPO) devices grew by 5% year-over-year, while new phone sales saw a decrease of 12%. This trend is anticipated to persist, with projections suggesting that the CPO market could reach US\$146.1 billion by 2030. The global refurbished and used mobile phone market size is forecast to grow between 2022 and 2033. In 2022 the size of this market amounted to roughly 50.5 billion U.S. dollars, and it is expected to reach around 172 billion U.S. dollars by 2033, growing at a CAGR of 11.9 percent.<sup>11</sup> In 2022, there were over 282 million used smartphone units shipped globally, a market that includes both officially refurbished and used smartphones. By 2026, there will be over 413 million more shipments, resulting in a CAGR of 10.3 percent.<sup>12</sup> High trade-in values and the demand for pre-owned premium models are propelling the expansion of the pre-owned market. Consumers are increasingly drawn to the cost savings and value proposition offered by CPO devices, which are significantly cheaper than new models. This shift not only makes premium technology more

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<sup>8</sup> Unidatos (2021-2027 Survey), <https://univdatos.com/smartphone-repair-market/>

<sup>9</sup> Squaretrade USA survey 2018, <https://www.squaretrade.com/press-release/mobile-myths-cost-consumers-dearly-americans-report-spending-34-billion-replacing/>

<sup>10</sup> Statista <https://www.statista.com/statistics/619830/smartphone-average-price-in-the-us/>

<sup>11</sup> Statista <https://www.statista.com/statistics/1309671/refurbished-smartphone-market-size-worldwide/>

<sup>12</sup> Statista <https://www.statista.com/statistics/1309671/refurbished-smartphone-market-size-worldwide/>

accessible but also promotes environmental sustainability by reducing e-waste and supporting the circular economy.

## Demand Drivers

As the prices of new cell phones continue to climb, more consumers are inclined to repair their existing devices rather than replace them. This shift is driven by the economic benefits of extending the lifespan of current devices. The affordability and accessibility of CPO devices are major attractions for consumers looking for high-quality technology without the premium price tag of new units. This aspect is particularly appealing in economically turbulent times or among cost-conscious consumers.

## Competition

In addition to DPF, there are two national cell phone repair chains, Mobile Klinik (owned by Telus) and CPR Cell Phone Repair (owned by Assurant). In addition to the national chains the industry is highly fragmented with over 1,000 independent, local cell phone repair stores in Canada. In Canada, the cell phone market is dominated by three major carriers, Bell, Rogers, and TELUS, which collectively have a 90% market share.

A key differentiator of DPF as compared to its primary competitors is that DPF is carrier neutral. The following figure provides an overview of the key differentiations between DPF and its most closet competitors.

	 <i>Private</i>	 <i>Telus</i>	 <i>Assurant</i>
Current Canadian Store Count	34	100+	18
Corporately Owned Stores	✓	✓	✗ - Franchise
Sale and Purchase of CPO Devices	✓	✓	✗
Computer & Laptop Repair	✓	✗	✓
Carrier Neutral	✓	✗	✓
Samsung Authorized Service Centre	✓	✓	✗

Finally, as compared to independent stores, which struggle to gain customer trust when it comes to data security and warranties, DPF has training and policies in place to ensure customer's personal data remains private during the repair and is able to offer life-time repair warranties. Further, independent stores are challenged to compete with DPF's quality, speed, supply chain and OEM partnerships which allow DPF to deliver higher quality service offerings at competitive prices.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth selected historical financial information for DPF for the year ended December 31, 2023 and for the six (6) month period ended June 30, 2024. The financial statements of DPF have been prepared in accordance with IFRS and are denominated in Canadian dollars. Such information is derived from DPF's financial statements and should be read

in conjunction with such financial statements included elsewhere in this Filing Statement including those financial statements attached hereto as Schedule "C".

<b>Balance Sheet Data</b>	<b>For the year ended December 31, 2023</b>	<b>As at June 30, 2024</b>
	\$	\$
Cash and cash equivalents	323,837	273,684
Total assets	17,207,747	16,528,605
Total liabilities	23,292,580	24,514,557
Shareholder's equity	(6,084,833)	(7,985,952)

<b>Income Statement Data</b>	<b>For the year ended December 31, 2023</b>	<b>As at June 30, 2024</b>
	\$	\$
Total Revenue	10,062,669	4,712,225
Total expenses	13,534,723	6,613,344
Net profit (loss)	(3,472,054)	(1,901,119)

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

The DPF MD&A for the years ended December 31, 2023 and December 31, 2022, and for the six (6) month period ended June 30, 2024 is attached as Schedule "D".

### *Disclosure Controls and Procedures and Internal Controls over Financial Reporting*

Management of DPF has established processes to provide sufficient knowledge to support representations that it has exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of 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 is made, as of the date of and for the period presented by the consolidated financial statements, and (ii) the financial statements fairly present, in all material respects, the financial condition, results of operations and cash flow of DPF, as of the date of and for the period presented.

## **TRENDS**

According to Allstate Protection Plans' article dated March 12, 2024<sup>13</sup>, 78 million Americans damaged their smartphones in 2023. The study referred to in this article, titled the "Allstate Protection Plans 2023 Mobile Mythconceptions Surveys", found that smartphone usage had

<sup>13</sup> See Allstate Protection Plans "Allstate Protection Plans Finds 78 Million Americans Damaged Their Smartphones in the Last Year", <https://www.prnewswire.com/news-releases/allstate-protection-plans-finds-78-million-americans-damaged-their-smartphones-in-the-last-year-the-nations-repair-and-replacement-bill-now-totals-149-billion-since-the-introduction-of-the-smartphone-302088563.html>

increased in 2023, with 49% of owners spending more time on their devices, compared to 2022, and that the cost of screen repairs surged to USD\$8.3 billion in 2023, nearly tripling the 2018 figure of USD\$3.4 billion. Additionally, the study found that 27% of smartphone owners reported that they would initiate screen repairs within a day of damaging their smartphones, due to the importance of smartphones in their daily lives. The study also showed that 45% of owners reporting having spent five or more hours a day on their devices, with 82% of owners using their phones as their primary camera.

## **DESCRIPTION OF THE SECURITIES**

### **DPF Shares**

DPF is authorized to issue an unlimited number of DPF Common Shares and DPF Preferred Shares, of which, at the date hereof, there are 6,327,821 DPF Class A Shares issued and outstanding and 227,989 DPF Class B Shares issued and outstanding. Each holder of DPF Class A Shares is entitled to one vote per DPF Class A Share. Each holder of DPF Class B Shares and/or DPF Preferred Shares, is not entitled to any votes. Holders of DPF Common Shares and DPF Preferred Shares are entitled to receive a dividend when, as, and if declared by the directors of DPF on the DPF Class A Shares, DPF Class B Shares, DPF Class C Preferred Shares and DPF Class D Preferred Shares, as the case may be. Upon liquidation, dissolution or winding-up, the holders of DPF Common Shares shall rank pari passu with one another and shall be entitled to receive the remaining property of DPF, and the holders of DPF Preferred Shares shall rank pari passu with one another and have priority over the DPF Common Shares.

### **DPF Warrants**

In connection with the QT Financing, assuming the maximum gross proceeds from the QT Financing are raised and, assuming that the Agent's Option is exercised, DPF will issue 1,468,978 QT Financing Warrants and 88,138 QT Agent Warrants.

The QT Financing Warrants are common share purchase warrants of DPF issuable upon conversion of the Subscription Receipts in accordance with the terms of the Subscription Receipt Agreement(s) and forming a part of the QT Financing Units, each QT Financing Warrant entitling the holder thereof to purchase one DPF Class A Share at an exercise price of \$2.28 per share (equivalent to a post-exchange exercise price of \$0.20 per Resulting Issuer Replacement Warrant) for a period of 24 months following the date of issuance thereof. Resulting Issuer Replacement Warrants will be issued in exchange for QT Financing Warrants immediately prior to the Effective Time, each Resulting Issuer Replacement Warrant entitling the holder thereof to purchase one Resulting Issuer Share at a price equal to the exercise price per DPF Class A Share of each such Financing Warrant immediately prior to the Effective Time until the expiry date of each such Financing Warrant being replaced by a Resulting Issuer Replacement Warrant, in accordance with its terms.

Each QT Agent Warrant entitles the holder thereof to purchase one QT Financing Unit at a price of \$1.37 per QT Financing Unit (equivalent to a post-exchange price of \$0.12 per Resulting Issuer Share and one half of one Resulting Issuer Replacement Warrant) for a period of 24 months following the date of conversion of the Subscription Receipts and entitling the holder thereof to receive (and such holder shall accept) upon the exercise of such holder's QT Agent Warrant, in lieu of QT Financing Units to which such holder was theretofore entitled upon such exercise, and for the same aggregate consideration payable therefor, the number of Resulting Issuer Shares and Resulting Issuer Replacement Warrants which the holder would have been entitled to receive

as a result of the transactions contemplated by the Definitive Agreement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of DPF Class A Shares and QT Financing Warrants to which such holder would have been entitled if such holder had exercised such holder's QT Agent Warrant immediately prior to the Effective Time.

### CAPITALIZATION OF DPF

The share capital of DPF for the six (6) month period ended June 30, 2024 and at November 14, 2024, being the date of this Filing Statement, is as follows:

Designation of Security <sup>(1)</sup>	Amount Authorized	Amount Outstanding as at June 30, 2024	Amount Outstanding as at the date of this Filing Statement (prior to giving effect to the Qualifying Transaction)
DPF Class A Shares	Unlimited	6,000,030	6,327,821
DPF Class B Shares	Unlimited	227,989	227,989
DPF Warrants	N/A	NIL	NIL
DPF Options	10% of the issued and outstanding DPF Common Shares	NIL	NIL

**Note:**

(1) No DPF Preferred Shares were issued and outstanding as at June 30, 2024 or as at the date of this Filing Statement.

Since June 30, 2024, no material changes to the share or loan capital of DPF have occurred and aside from DPF becoming a wholly owned subsidiary of the Resulting Issuer upon completion of the Qualifying Transaction, no other material changes to the share or loan capital of DPF are expected to occur in connection with the Qualifying Transaction.

### PRIOR SALES OF SECURITIES OF DPF

The following table sets forth the number and price at which securities of DPF have been sold within the 12 months period prior to the date of this Filing Statement.

Date	Number of DPF Securities	Type	Issue Price Per Share	Aggregate Issue Price	Nature of Consideration Received
July 15, 2024	327,791	Class A Common Shares	\$1.83	\$1.83	Professional Services
December 15, 2023	10	Class A Common Shares	\$0.000017	\$0.000017	Rollover

December 15, 2023	10	Class A Common Shares	\$0.000017	\$0.000017	Rollover
December 15, 2023	10	Class A Common Shares	\$0.000017	\$0.000017	Rollover

## EXECUTIVE COMPENSATION

### Compensation Philosophy and Objectives

The objectives of DPF's executive compensation policy are: (i) to attract and retain individuals of high caliber to serve as officers of DPF; (ii) to motivate performance in order to achieve DPF's strategic objectives; and (iii) to align the interests of executive officers with the long-term interests of DPF shareholders.

#### *Overview*

The board of directors, on the recommendation of management, of DPF is responsible for setting the overall compensation strategy of DPF and evaluating and making determinations for the compensation of its directors and executive officers. The board of directors, on the recommendation of management, annually reviews and determines base salary.

Each executive officer receives a base salary. The salary of the executive officers of DPF is believed to be similar to salaries provided in comparable companies. No personal benefits are granted to the executive officers of DPF.

DPF offers group benefit plans, including medical, dental, life, accidental death and dismemberment and long term disability coverage.

While DPF reimburses its executive officers for expenses incurred in the course of performing their duties as executive officers of DPF, DPF has not provided any compensation that would be considered a perquisite or personal benefit to its executive officers.

DPF has a stock option plan, but has not granted any incentive stock options since incorporation.

### Summary Compensation Table

The following table sets out information concerning the compensation since incorporation by DPF's Chief Executive Officer ("**CEO**"), Chief Financial Officer ("**CFO**") along with the compensation of the directors of the board and senior management personnel.

Name and Principal Position	Year	Salary \$	Share-Based Awards	Options-Based Awards	Non-equity incentive plan compensation		All other Compensation	Total compensation
					Annual incentive plans	Long-term incentive plans		
Piyush Sawhney Chief Executive Officer	2023	120,000	NIL	NIL	NIL	NIL	NIL	\$120,000
	2022	120,000	NIL	NIL	NIL	NIL	NIL	\$120,000
Shaun Merriman Chief Financial Officer	2023	97,760	NIL	NIL	NIL	NIL	NIL	\$97,760
	2022	97,760	NIL	NIL	NIL	NIL	NIL	\$97,760
Sunil Kumar Goel President	2023	77,000	NIL	NIL	NIL	NIL	NIL	\$77,000
	2022	77,000	NIL	NIL	NIL	NIL	NIL	\$77,000
Anil Kumar Verma Vice President of Store Development	2023	60,500	NIL	NIL	NIL	NIL	NIL	\$60,500
	2022	60,500	NIL	NIL	NIL	NIL	NIL	\$60,500

### Management Contracts

All DPF management functions are performed by directors and senior officers.

### Directors' Compensation

#### *Director Compensation Table*

From July 15, 2020, (date of incorporation) to the date of this Filing Statement, no compensation has been paid to the directors of DPF.

### NON-ARM'S LENGTH TRANSACTIONS

Except as disclosed below, there has been no acquisition of assets or services or provision of assets or service in any transaction from the date of incorporation up to the date of this Filing Statement, or in any proposed transaction, where DPF or any subsidiary of DPF has obtained such assets or services from:

- (a) any director, officer or promoter of DPF;
- (b) a securityholder disclosed in this Filing Statement as a principal securityholder, either before or after giving effect to the Qualifying Transaction; or

- (c) an Associate or Affiliate of any of the persons or companies referred to in paragraphs (a) or (b) above.

Since January 1, 2022, DPF has completed the following rollovers, which were completed in order to consolidate the business of DPF and to prepare DPF for a go public transaction or similar liquidity event:

- (a) effective January 1, 2022, all of the common shares of the following corporations were transferred to DPF by Piyush Sawhney, who was the sole owner of such shares: 2042886 Alberta Ltd., 2190097 Alberta Ltd., 2234434 Alberta Ltd., 2298974 Alberta Ltd., 2309626 Alberta Ltd., 2316999 Alberta Ltd., 2323470 Alberta Ltd., 2326460 Alberta Ltd., 2381941 Alberta Ltd. and 1000065510 Ontario Ltd. (collectively, the "**Piyush Shares**"), all of the common shares of the following corporations were transferred to DPF by Sunil Goel, who was the sole owner of such shares: 2289857 Alberta Ltd., 2276825 Alberta Ltd., 2288224 Alberta Ltd., 2333409 Alberta Ltd., 2326467 Alberta Ltd. 2323381 Alberta Ltd., 2323383 Alberta Ltd., 2374409 Alberta Ltd., 2381935 Alberta Ltd. and 1000034072 Ontario Limited (collectively, the "**Sunil Shares**"), and all of the common shares of the followed corporations were transferred to DPF by Anil Verma, who was the sole owner of such shares: 2195277 Alberta Ltd., 2221160 Alberta Ltd., 2276837 Alberta Ltd., 2323466 Alberta Ltd., 2342889 Alberta Ltd., 2363328 Alberta Ltd., 2372228 Alberta Ltd., and 10000234414 Ontario Ltd. (collectively, the "**Anil Shares**"). In exchange for the Piyush Shares, Piyush Sawhney received 1,000,000 DPF Class A Shares in the capital of DPF, at a price of \$4.13 per DPF Class A Share, in exchange for the Sunil Shares, Sunil Goel received 1,000,000 DPF Class A Shares in the capital of DPF, at a price of \$4.13 per DPF Class A Share and in exchange for the Anil Shares, Anil Verma received 889,428 DPF Class A Shares in the capital of DPF, at a price of \$4.14 per DPF Class A Share; and
- (b) effective July 1, 2022, all of the common shares of 2434632 Alberta Ltd. were transferred to DPF by Anil Verma, who was the sole owner of such shares. In exchange for such shares, Anil Verma received 110,572 DPF Class A Shares in the capital of DPF, at a price of \$4.04956 per DPF Class A Share.

On December 31, 2022, DPF entered into a debt to share conversion agreement with Mobile Zap Ltd. to satisfy \$1,139,946.00 worth of debt that the Corporation owed to Mobile Zap Ltd. 227,989 DPF Class B Shares were issued to Mobile Zap Ltd. at a price of \$5.00 per DPF to satisfy this debt. Piyush Sawhney, the controlling shareholder of Mobile Zap Ltd., is a director and officer of the Corporation and will be a director and officer of the Issuer.

Effective November 9, 2023, Anil Verma terminated bare trust agreements that he had as trustee for DPF with respect the shares of 1000228608 Ontario Inc. and 2434632 Alberta Ltd. Following such termination, DPF directly owned such shares. Also effective November 9, 2023, Sunil Goel terminated bare trust agreements that he had as trustee for DPF with respect the shares of 2323377 Alberta Ltd. and 2400483 Alberta Ltd. Following such termination, DPF directly owned such shares.

Effective December 15, 2023, all of the common shares of 2382141 Alberta Ltd., of which Piyush Sawhney, Sunil Goel and Anil Verma each owned approximately 33.3% of, were transferred to DPF in exchange for 10 DPF Class A Shares (each), at a price of \$0.000017 per DPF Class A Share.

On March 31, 2024, DPF entered into the 2249379 Alberta Ltd. Loan with 2249379 Alberta Ltd. This debt will be settled as part of the DPF Debt Settlement, through the issuance of 3,066,355 DPF Class A Shares to 2249379 Alberta Ltd at a price of \$1.37 per DPF Class A Share. 2249379 Alberta Ltd. is a holding company of Piyush Sawhney, who is a director and officer DPF.

On March 31, 2024, DPF entered into the Shareholder Loan Agreement with Anil Kumar Verma, Sunil Kumar Goel and Piyush Sawhney. This debt will be settled as part of the DPF Debt Settlement through the issuance of an aggregate of 548,631 DPF Class A Shares to Anil Kumar Verma, Sunil Kumar Goel and Piyush Sawhney, whereby Anil Kumar Verma, Sunil Kumar Goel and Piyush Sawhney will each receive 182,877 DPF Class A Shares, at a price of \$1.37 per DPF Class A Share. Anil Kumar Verma, Sunil Kumar Goel and Piyush Sawhney are all directors and officers of DPF.

On July 15, 2024, Graham A.B. Barr Professional Corporation entered into a convertible debenture for services agreement with DPF, pursuant to which Graham A.B. Barr Professional Corporation agreed to receive, for professional services rendered to DPF, in the aggregate amount of \$599,857.53, the option, through a convertible debenture, to receive an aggregate of 327,791 DPF Class A Shares at a price of \$1.83 per DPF Class A Share in satisfaction of such services rendered to DPF. On July 15, 2024, the 327,791 DPF Class A Shares were issued to Graham A.B. Barr Professional Corporation.

### **LEGAL PROCEEDINGS**

There are no legal proceedings material to DPF to which DPF is a party to or of which any of its property is the subject matter, and there are no such proceedings known to DPF to be contemplated.

### **MATERIAL CONTRACTS**

The following contracts are, or will be, material contracts to DPF prior to the Completion of the Qualifying Transaction:

1. the Bridge Loan Agreement and the related General Security Agreement;
2. the Subscription Receipt Agreement;
3. the QT Agency Agreement;
4. the Warrant Indenture; and
5. the Definitive Agreement.

Copies of these agreements may be inspected during regular business hours at the office of DPF's Canadian legal counsel, BARR LLP, 2500, 10123 99 St NW, Edmonton, AB T5J 3H1 until the Completion of the Qualifying Transaction and for a period of 30 days thereafter.

### **PART III - INFORMATION CONCERNING THE RESULTING ISSUER**

Information contained in this Part III assumes completion of the Amalgamation and approval by the Exchange.

## CORPORATE STRUCTURE

### Name and Incorporation

Following the Completion of the Qualifying Transaction, it is anticipated that the Resulting Issuer will file articles of amendment to change its name to "Dr. Phone Fix Canada Corporation", or such other name as may be determined in the sole discretion of the Board.

The Resulting Issuer's head and registered office will be located at 2500, 10123 99 St NW, Edmonton, AB T5J 3H1.

Auka and DPF entered into the Definitive Agreement on November 7, 2024 pursuant to which DPF agreed to amalgamate with Auka SubCo and Auka agreed to acquire all of the issued and outstanding DPF Shares. The Amalgamation is structured as a three-cornered amalgamation pursuant to the Amalgamation Agreement and, as a result, Auka SubCo and DPF will amalgamate to become a wholly-owned subsidiary of the Resulting Issuer. In connection with the Amalgamation, DPF and Auka SubCo will amalgamate and the name of the continuing corporation will be such designating number as may be assigned to the entity by the Registrar of Corporations followed by the words "Alberta Ltd.", or such other name as mutually agreed to by the parties to the Definitive Agreement.

### Intercorporate Relationships

Following closing of the Qualifying Transaction, Amalco will be a wholly owned subsidiary of the Resulting Issuer, and will own 100% of the issued and outstanding shares of each of the DPF Subsidiaries.

## DESCRIPTION OF THE BUSINESS

Following the Closing, the Resulting Issuer will continue to carry on the business of DPF. See "*Part II – Information Concerning DPF – Development and Description of the Business*".

### Stated Business Objectives

In addition to having the same stated business objectives as DPF, the Resulting Issuer intends to utilize the funds over the next 12 months after Completion of the Qualifying Transaction as described in the "*Available Funds and Principal Purposes*" section below.

### Milestones

Within 12 months following the Completion of the Qualifying Transaction, the Resulting Issuer anticipates working towards several milestones, including:

Milestone	Target Date	Estimated Cost
1. Increase Store Count to 37 (+2 stores)	June 30, 2025	\$250,177
2. Upgrade of Stores to OEM's standards (+7 stores)	June 30, 2025	\$166,784
3. Increase CPO Inventory	April 1, 2025	\$300,353

## DESCRIPTION OF THE SECURITIES

The share structure and the rights associated with the Auka Shares will remain the same after the Qualifying Transaction. See "*Part I - Information Concerning Auka - Description of the Securities.*"

### PRO-FORMA CONSOLIDATED CAPITALIZATION

The following table sets forth the capitalization of the Resulting Issuer after giving effect to the transactions described in the unaudited Pro Forma Consolidated Financial Statements attached hereto as Schedule "E".

Designation of Security	Amount Authorized	Amount Outstanding After Giving Effect to the Qualifying Transaction <sup>(1)(5)</sup>
Resulting Issuer Shares	Unlimited	162,249,800 <sup>(3)</sup>
Resulting Issuer Shares issued pursuant to the Agent's Option	4,384,023	4,384,023
Resulting Issuer Shares issued pursuant to the QT Agent's Warrants <sup>(4)</sup>	2,016,648	2,016,648
Options to be issued under the Auka Option Plan	Up to 10% of the issued and outstanding common shares at the Completion of the Qualifying Transaction	1,212,125 <sup>(2)</sup>
Resulting Issuer Replacement Warrants	N/A	16,805,450
Auka Agent Warrants	N/A	750,000

**Note:**

- (1) Assumes maximum gross proceeds from the QT Financing, assuming exercise of the Agent's Option.
- (2) See "*Options*" below for a further description.
- (3) This amount does not include the amount of Resulting Issuer Shares issued pursuant to the Agent's Option under the QT Financing or the Resulting Issuer Shares issued pursuant to the QT Agent Warrants.
- (4) Assumes maximum gross proceeds of the QT Financing, assuming exercise of the Agent's Option.
- (5) As at June 30, 2024, shareholders' equity of \$1,043,616.

### PRO-FORMA FULLY DILUTED SHARE CAPITAL

In addition to the information set out in the capitalization table above, the following table sets out the diluted share capital of the Resulting Issuer after giving effect to the Qualifying Transaction.

	Number of Securities	Percentage of Total After Giving Effect to the Proposed Qualifying Transaction (on a fully diluted basis) <sup>(1)</sup>
Resulting Issuer Shares issued to former holders of Auka Shares	12,500,000	6.63%

	<b>Number of Securities</b>	<b>Percentage of Total After Giving Effect to the Proposed Qualifying Transaction (on a fully diluted basis)<sup>(1)</sup></b>
Resulting Issuer Shares issued to former holders of DPF Shares	120,522,933	63.96%
Resulting Issuer Shares issued to subscribers under the QT Financing <sup>(1)</sup>	33,610,901	17.84%
Resulting Issuer Shares issued in connection with QT Financing Units received by the Agent upon conversion of the QT Agent Warrants <sup>(2)</sup>	2,016,648	1.07%
<b>TOTAL</b>	<b>168,650,482</b>	<b>89.5%</b>
<b>Securities Reserved for Future Issue:</b>		
Resulting Issuer Shares reserved for issuance pursuant to options granted to directors, officers, employees and consultants of Auka <sup>(3)</sup>	1,212,125	0.64%
Resulting Issuer Shares reserved for issuance pursuant to Resulting Issuer Replacement Warrants	16,805,450	8.92%
Resulting Issuer Shares reserved for issuance pursuant to the Auka Agent Warrants	750,000	0.4%
Resulting Issuer Shares reserved for issuance in connection with the QT Agent Warrants <sup>(2)</sup>	1,008,317	0.54%
<b>TOTAL DILUTED</b>	<b>188,426,374</b>	<b>100%</b>

**Notes:**

- (1) Assumes maximum gross proceeds from the QT Financing, assuming exercise of the Agent's Option.
- (2) Upon completion of the Qualifying Transaction, each whole QT Agent Warrant will, at an exercise price of \$1.37 (equivalent to a post-exchange price of \$0.12 per Resulting Issuer Share and one half of one Resulting Issuer Replacement Warrant) and for a period of 2 years following the listing of the Auka Shares, be exercisable into one QT Financing Unit.
- (3) See "Options" below for a summary of the terms of the options.

## **ESTIMATED AVAILABLE FUNDS AND PRINCIPAL PURPOSES**

### **Estimated Available Funds**

As at October 31, 2024, the working capital for Auka was \$301,000 and the working capital for DPF was (\$3,020,381).

During the 12-month period following the completion of the Qualifying Transaction, the Resulting Issuer is expected to have approximately \$10,145,244.00 in Available Funds, which includes the following:

<b>Estimated Funds Available</b>	<b>Amount (\$)</b>
Pro forma consolidated working capital	(2,719,381)
Expected Revenues	9,424,450
Other Source of Funds – QT Financing (net) <sup>(1)</sup>	3,440,175

<b>Total Estimated Available Funds</b>	<b>10,145,244</b>
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**Notes:**

(1) Assuming maximum proceeds under the QT Financing, assuming exercise of the Agent's Option.

### Principal Purposes of Funds

Based on information available as at October 31, 2024, the following table sets forth the principal purposes for the estimated funds available to the Resulting Issuer during the 12 month period following the completion of the Qualifying Transaction:

<b>Principal Use of Available Funds</b>	<b>Amount (\$)</b>
Expected Cost of Sales	4,469,308
Increase CPO Inventory	300,353
Increase in Store Count (+2 Stores)	250,177
Upgrade of Stores to OEM's standards (+7 Stores)	166,784
General and administrative costs <sup>(1)</sup>	4,805,000
Unallocated Funds	153,622
<b>Total Uses</b>	<b>\$10,145,244</b>

**Note:**

(1) Inclusive of costs associated with salaries and benefits, rent, professional fees, utilities, advertising and promotion, insurance, business taxes and office equipment.

Notwithstanding the foregoing, there may be circumstances where, for sound business reasons, a reallocation of funds is necessary in order for the Resulting Issuer to achieve its objectives as set out in this Filing Statement.

### DIVIDEND POLICY

It is not contemplated that any dividends will be paid in the immediate or foreseeable future following Completion of the Qualifying Transaction.

### PRINCIPAL SECURITYHOLDERS

To the knowledge of management of Auka and DPF, no person or company is anticipated to own of record of beneficially, directly or indirectly, or exercise control or direction over more than 10% of any class of voting securities of the Resulting Issuer upon completion of the Amalgamation, other than Piyush Sawhney, Sunil Goel and Anil Verma. On Completion of the Qualifying Transaction, it is anticipated that Mr. Piyush Sawhney will own approximately 62,660,808 Resulting Issuer Shares representing 37.15% of the outstanding Resulting Issuer Shares, Mr. Sunil Goel will own approximately 24,972,735 Resulting Issuer Shares, representing 14.81% of the outstanding Resulting Issuer Shares and Mr. Anil Verma will own a total of 24,972,735 Resulting Issuer Shares, representing 14.81% of the outstanding Resulting Issuer Shares.

<b>Name and Municipality of Residence</b>	<b>Number and Percentage of Securities Owned of Each Class After the Qualifying Transaction<sup>(1)</sup></b>	<b>Owner of Record, Beneficially, or Both</b>
Piyush Sawhney Edmonton, Alberta	62,660,808 Resulting Issuer Shares (37.15%)	It is expected that Piyush will, (1) directly hold 24,972,735 Resulting Issuer Shares; (2) beneficially hold

		35,079,815 Resulting Issuer Shares through his holding company, 2249379 Alberta Ltd. and; (3) beneficially hold 2,608,258 Resulting Issuer Shares through Mobile Zap Ltd., which he controls 100% of.
Sunil Goel Edmonton, Alberta	24,972,735 Resulting Issuer Shares (14.81%)	It is expected that Sunil will directly hold all 24,972,735 Resulting Issuer Shares.
Anil Verma Edmonton, Alberta	24,972,735 Resulting Issuer Shares (14.81%)	It is expected that Anil will directly hold all 24,972,735 Resulting Issuer Shares.

**Note:**

(1) Assumes maximum gross proceeds from the QT Financing, assuming exercise of the Agent's Option.

### DIRECTORS, OFFICERS AND PROMOTERS

The following table lists the names, municipalities of residence of the proposed directors and officers of the Resulting Issuer upon Completion of the Qualifying Transaction, their proposed positions and offices to be held with the Resulting Issuer, and their principal occupations or employment and the number of securities of the Resulting Issuer which will be beneficially owned, directly or indirectly, or over which control or direction will be exercised by each upon Completion of the Qualifying Transaction.

Name and Municipality of Residence	Principal Occupations for the Last Five Years	Period or periods during which each proposed director or officer has served as a director or officer of DPF	Proposed Position With the Resulting Issuer	Number and Percent of Issued Shares	Number and Percent of Issued Warrants	Number and Percent of Issued Options
Piyush Sawhney Edmonton, Alberta, Canada	Founder and Chief Executive Officer for Dr. Phone Fix since August 2019	August, 2019	Director and Chief Executive Officer	62,660,808 (37.15%)	NIL	NIL
Sunil Goel Edmonton, Alberta, Canada	President, Dr. Phone Fix Canada Limited since September 2021, Director, Pacific Imports Inc. from September 2019 to August 2021, Director business	April, 2022	Director and President	24,972,735 (14.81%)	NIL	NIL

	development, Mobile Service Centre MSC200 Limited from September 2017 to August 2019					
Anil Verma Edmonton, Alberta, Canada	VP Store Development, Dr. Phone Fix Canada Limited since January 2021, Director, Reliable Homes since June 2015 to December 2020	April, 2022	Director and Vice President, Store Development	24,972,735 (14.81%)	NIL	NIL
Jason Vandenberg St Albert, Alberta, Canada	Senior vice president and co-founder of Camilla Advisory Group Inc. since 2020. Chief Financial Officer of ENTREC Corporation from 2011 until 2020	N/A	Chief Financial Officer	NIL	NIL	NIL
Frank Sur Edmonton, Alberta, Canada	Partner and lawyer in good standing at Gowling WLG (Canada) LLP from 2007 to present	N/A	Director and Corporate Secretary	1,200,000 (0.07%)	NIL	192,330 (15.86%)
Graham Barr <sup>(1)</sup> Edmonton, Alberta, Canada	Managing Partner and lawyer in good standing at BARR LLP from 2015 to present.	N/A	Independent Director	3,750,005 (2.22%)	NIL	NIL NIL
Jay Baraniecki Edmonton, Alberta, Canada	Vice President, Commercial Development, EPCOR Utilities Inc. since January 2023, Director, Technologies, EPCOR Utilities Inc. from February 2022 to January 2023 and Director, Energy Service, EPCOR Utilities Inc. from June 2016 to February 2022	N/A	Independent Director	800,000 (0.04%)	NIL	203,705 (16.8%)
Robert Cole Edmonton, Alberta, Canada	Principal at Tytata Holdings Inc. since July, 2022 and Portfolio Manager at CIBC Private Wealth from February 2007 until July 2022	N/A	Independent Director	950,000 (0.05%)	NIL	269,400 (22.2%)
Jeff Lloyd Edmonton, Alberta, Canada	President, Almita Piling Inc. since March, 2012.	N/A	Independent Director	500,000 (0.02%)	NIL	148,680 (12.7%)

**Notes:**

- (1) Graham Barr will hold his Resulting Issuer Shares through his professional corporation, Graham A. B. Barr Prof. Corp., which he controls 100% of.

- (2) The Audit Committee of the Resulting Issuer is expected to be comprised of Jeff Lloyd, Sunil Goel and Jay Baraniecki.
- (3) The Corporate Governance and Nominating Committee of the Resulting Issuer is expected to be comprised of Piyush Sawhney, Frank Sur and Graham Barr.
- (4) The Compensation Committee of the Resulting Issuer is expected to be comprised of Robert Cole, Sunil Goel and Graham Barr.

As a group, the directors and officers of the Resulting Issuer will hold approximately 119,806,283 Resulting Issuer Shares, representing 71.04% of all issued and outstanding Resulting Issuer Shares.

## MANAGEMENT

The following is a brief description of each of the proposed board members and members of management for the Resulting Issuer (including details with regard to their principal occupations for the last five years):

### **Piyush Sawhney**, age 35, *Director and Chief Executive officer*

Mr. Sawhney, the founder and CEO of Dr. Phone Fix is multiple award-winning, risk-taking, serial entrepreneur and thought leader playing an integral role in the growth of Canada's burgeoning cell phone repair and electronics industry. His entrepreneurial acumen and strategic vision have been instrumental in expanding the company's footprint and enhancing its service offerings.

Mr. Sawhney is a network builder and founder of two cell phone and electronics related companies in Canada. Skilled in corporate development and business expansion, sales, technical training, and supply chain development makes him a valuable asset to industry committees focused on technology innovation, business growth and consumer electronics. A cell phone veteran with over 15 years of business operational experience and strategic leadership. Mobile Zap Ltd., which he founded, was recognized by the *Financial Times*<sup>14</sup> as one of the 500 Fastest Growing Companies in the 'Americas' for 2024 and named by the *Globe and Mail*<sup>15</sup> as the 10<sup>th</sup> Fastest Growing Company in Canada for 2023. He's a winner of Canadian business leadership awards including the 2023 ASTech 'Game Changer' award<sup>16</sup> and the Alberta Chambers of Commerce 2023 'Newcomer Entrepreneur' award<sup>17</sup>. He was a finalist in 2022 for the Ernst & Young 'Entrepreneur of the Year' award<sup>18</sup> for the Prairies as well as the Canadian SME Small Business Awards 'Top Immigrant Entrepreneur' finalist<sup>19</sup>.

### **Sunil Goel**, age 60, *Director and President*

Mr. Goel is a seasoned professional with 15 years of experience in the telecommunications industry, where he has developed a deep understanding of technology and market trends. His entrepreneurial spirit has driven him to be involved in numerous business ventures and real estate projects, showcasing his versatility and business acumen. Notably, Mr. Goel founded MobilFix repair chain, establishing it as a trusted brand before successfully selling it in 2017. He holds a

<sup>14</sup> <https://www.ft.com/content/d4a20767-ea0f-4f8e-972d-84a513345784>

<sup>15</sup> <https://www.theglobeandmail.com/business/rob-magazine/top-growing-companies/article-canadas-top-growing-companies-2023/>

<sup>16</sup> <https://www.astechnology.ca/archives/indexofpastwinners/dr-phone-fix>

<sup>17</sup> [ACC Media Release: 06/16/2023 | Alberta Chambers of Commerce \(abchamber.ca\)](https://www.abchamber.ca/ACC-Media-Release-06-16-2023-Alberta-Chambers-of-Commerce)

<sup>18</sup> [https://www.ey.com/en\\_ca/entrepreneur-of-the-year-canada/meet-the-winners/prairies-2022#finalists](https://www.ey.com/en_ca/entrepreneur-of-the-year-canada/meet-the-winners/prairies-2022#finalists)

<sup>19</sup> <https://www.globenewswire.com/en/news-release/2023/04/18/2649213/0/en/CanadianSME-Unveils-Finalists-for-the-2022-Small-Business-Awards-partnered-with-Google-Canada-Celebrating-Excellence-and-Innovation-in-the-Nation-s-SME-Sector.html>

Bachelor of Science in Mechanical Engineering from the prestigious National Institute of Technology (NIT) Kurukshetra, one of India's premier institutes of technology, providing him with a strong technical foundation that has significantly contributed to his success in both the telecommunications and entrepreneurial sectors.

Mr. Goel is currently the President of Dr. Phone Fix Canada Limited and assists the CEO with strategic planning, contributing to the long-term vision and growth strategies of the company. He also works closely with the CEO and CFO on managing key financing arrangements, ensuring optimal financial performance. Additionally, Mr. Goel also assist the CEO with identifying new store locations, conducting thorough research, and negotiating leases to support the company's expansion efforts.

**Jason Vandenberg**, age 46, *Chief Financial Officer*

Jason Vandenberg brings over 20 years of experience across diverse financial leadership positions and has an established record of leading multiple companies through substantial growth, both organically and through business acquisitions. Jason is currently a senior vice president and co-founder of Camilla Advisory Group Inc., a management consulting firm based in Edmonton, Alberta. Prior to this, Jason was the Chief Financial Officer of ENTREC Corporation from 2011 until 2020 and the CFO of Eveready Inc. and its predecessor companies until it was acquired by Clean Harbors in 2009. In these roles, Jason was responsible for all finance and administrative functions. Prior to joining Eveready in 2005, Jason spent six years as an accountant with Grant Thornton and from 2010 until 2011 was the Vice President, Finance with Afexa Life Sciences Inc. Jason is a Chartered Professional Accountant and holds a Bachelor of Commerce, with Distinction, from the University of Alberta.

**Anil Verma**, age 43, *Director and Vice President- Store Development*

Mr. Verma brings over a decade of experience in the telecommunications industry, coupled with a robust background as an experienced residential and commercial home builder. He successfully launched and operated a Bell authorized dealership in Red Deer, AB, showcasing his entrepreneurial acumen. Mr. Verma has played a pivotal role in the build-out and development of all 35 DPF locations, demonstrating his expertise in project management and operational efficiency.

Currently, Mr. Verma oversees and coordinates all aspects of new store construction. In this capacity, he ensures that each project meets rigorous standards for quality and timeliness, managing everything from architectural design to contractor coordination and final inspections. His comprehensive approach guarantees that new stores are built to the highest specifications, enhancing the overall customer experience and supporting the company's growth objectives and standards.

**Graham Barr**, age 41, *Director*

Mr. Barr is the current managing partner of BARR LLP and has been an equity partner of the firm since 2015. Mr. Barr has 13 years of experience in Corporate and Commercial Law, specializing in commercial asset and share acquisition and sale, corporate reorganizations, commercial financing, shareholder agreements, tax implementation, leasing and lease review, and commercial real estate acquisition and sale.

Prior to practice, Mr. Barr completed a Master of Laws from the University of Toronto in the field of Health Law and was thereafter engaged as a research associate at the Health Law Institute at the University of Alberta. Prior to joining BARR LLP, Mr. Barr articulated with Ogilvie LLP in Edmonton. He is currently the National Chair of the Canadian Bar Associations Real Property Subsection and a past member of the Real Estate Practice Advisory Committee for the Law Society of Alberta.

Mr. Barr has acted as general counsel to Dr. Phone Fix Canada Limited since 2021. Mr. Barr has also served as the Board Secretary and General Counsel for UpRyze Cannabis Ltd., a fully licensed microcultivation and micro-processing cannabis company in Acheson, Alberta, from August 2019 to March 2024. Mr. Barr has also served as a director to Phidelco Ltd., a housing corporation at the University of Alberta, since 2012.

**Frank Sur**, age 44, *Director and Corporate Secretary*

Frank Sur, current Corporate Secretary and a director of Auka, is a partner of Gowling WLG (Canada) LLP, practicing in the areas of mergers and acquisitions, capital markets, and corporate commercial, with a focus in technology, energy and mining sectors. Fluent in Korean, Frank has represented a number of Korean-based companies - as well as numerous international companies based in China and other parts of Asia - in various transactions over the years. He has sat on the boards of a number of public companies, has advised on a large number of cross-border transactions, and has represented many international companies on financings, mergers and acquisitions, and strategic partnerships.

Mr. Sur holds an LL.B. from the University of Windsor, a Juris Doctor from the University of Detroit Mercy School Of Law and a bachelor's degree in arts (honours) from Queen's University.

Mr. Sur has been a Director and the Corporate Secretary of Auka since its inception.

**Jay Baraniecki**, age 49, *Director*

Mr. Baraniecki is a utility executive with over 20 years of experience and is currently holds the position of Vice President, Commercial Development at EPCOR Utilities Inc. In his current position Mr. Baraniecki is Jay is accountable for providing senior leadership to EPCOR's Commercial Development operations in Canada which primarily involves business development (origination), contract development and negotiation and integration of new commercial development projects and utility acquisitions. Prior to assuming his current role, Mr. Baraniecki was the Director, Technologies from February 2022 to January 2023 and Director, Energy Services leading EPCOR Utilities Inc.'s Energy Services Division that primarily provides billing and customer care services for EPCOR's regulated electricity customers. From August 2003 through June 2016, Mr. Baraniecki held progressively increasing roles in Regulatory Affairs for EPCOR Utilities Inc. Electricity Services functions, concluding with the role of Director, Regulatory Affairs and Business Planning. In this role, he was responsible for the development and execution of regulatory strategies and applications for EPCOR Distribution & Transmission Inc.'s distribution and transmission functions and EPCOR Energy Alberta GP Inc. (Energy Services).

Mr. Baraniecki has been a Director of AUKA Capital Corp. since its inception where he was a member of its Audit Committee. Mr. Baraniecki also served as the Board Chair for UpRyze Cannabis Ltd., a fully licensed microcultivation and micro-processing cannabis company in Acheson, Alberta, from August 2019 to November 2023.

**Jeff Lloyd**, age 57, *Director*

Mr. Jeff Lloyd is the President of Almita Piling, a leading North American geostructural provider. Prior to his current position, Mr. Lloyd worked at a New York Stock Exchange listed international consulting firm based in Edmonton, Alberta as its vice president of Corporate Development.

Mr. Lloyd graduated with a Bachelor of Science in Business Administration from the University of Denver in 1987 and with a Juris Doctor degree from Osgoode Hall Law School at York University in 1990.

Mr. Lloyd currently serves as a member of the Board of Directors of Olsson, a multi discipline engineering and consulting firm based in Lincoln, Nebraska and as a member of the Board of Directors of the Derrick Club in Edmonton, Alberta. Mr. Lloyd is a past director and member of the Pigeon Lake Watershed Association, the EPCOR Community Essentials Council and the Kids with Cancer Society of Northern Alberta.

**Robert Cole**, age 57, *Director*

Robert Cole has over 25 years of experience within capital markets and wealth management. He is currently a Principal at Tytata Holdings Inc., a wealth management consulting firm. As a portfolio manager and family enterprise advisor, he consults on family and business wealth creation and eventual transition within a governance framework. His industry experience has ranged from product development, product distribution, practice management, industry regulatory compliance and high net worth client advisory. A graduate of the University of Alberta, Mr. Cole holds both a bachelor degree in Arts and Commerce and completed his MBA with the Australian Institute of Business.

Mr. Cole is an independent contractor of the Corporation and it is anticipated that Mr. Cole will devote such amount of time as is required by the Corporation to identify and complete a Qualifying Transaction. Mr. Cole has not entered into a non-competition or non-disclosure agreement with the Corporation.

**Work Commitment to the Resulting Issuer**

All proposed executive officers of the Resulting Issuer will work on a full-time basis for the Resulting Issuer. Each executive officer of the Resulting Issuer will enter into non-competition and non-disclosure agreements with the Resulting Issuer. The directors will devote their time and expertise as required by the Resulting Issuer.

**Corporate Cease Trade Orders or Bankruptcies**

Other than as set out below, as the date of this Filing Statement and within the ten years before the date of this Filing Statement, no proposed director, officer or promoter is or has been 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 other issuer access to any exemptions under applicable securities law, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect; 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, state the fact.

On May 25, 2020, ENTREC Corporation ("**ENTREC**") obtained an order (the "**Stay Extension Order**") from the Court of Queen's Bench of Alberta in support of its restructuring efforts under the *Companies' Creditors Arrangement Act*. On May 15, 2020, ENTREC obtained an initial order (the "**Initial Order**") from the Court of Queen's Bench of Alberta commencing proceedings under the *Companies' Creditors Arrangement Act*. Pursuant to the Initial Order, among other things, a stay of proceedings was granted in respect of ENTREC and its subsidiaries to allow them to continue to operate their business without disruption while ENTREC pursued potential strategic and restructuring alternatives. ENTREC also sought and received an immediate provisional recognition of the Initial Order in the United States under Chapter 15 of the US Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Texas, USA. The Stay Extension Order amended and restated the Initial Order of the Court of Queen's Bench of Alberta, among other things, extend the stay period provided by the Initial Order to August 7, 2020. Pursuant to the Initial Order, Alvarez & Marsal Canada Inc. was appointed as monitor of the Company (including its subsidiaries) in its *Companies' Creditors Arrangement Act* proceedings. Jason Vandenberg, the proposed Chief Financial Officer of the Resulting Issuer, was the Chief Financial Officer of ENTREC at the time of such proceedings.

Further, ENTREC, under the securities legislation of Alberta and Ontario, received a cease trade order on May 25, 2020, due to not filing its interim unaudited financial report, interim management's discussion and analysis and certification of the interim filings for the interim period ended March 31, 2020. The cease trade order is still in effect.

On July 16, 2024, ApartmentLove Inc. ("**APLV**") received a management cease trade order from the Alberta Securities Commission restricting George Davidson and Trevor Davidson, APLV's Chief Financial Officer and Chief Executive Officer, respectively, from purchasing securities of APLV, as a result of APLV not filing its annual audited financial statements, annual management's discussion and analysis and certification of the annual filings for the year ended 31 December 2023, and interim unaudited financial reports, interim management's discussion and analysis and certification of the interim filings for the interim period ended 31 March 2024. This management cease trade order is still in effect. Frank Sur, a proposed director and the proposed Corporate Secretary of the Resulting Issuer, was a director of APLV at the time that the management cease trade order was issued and is currently a director of APLV.

### **Penalties or Sanctions**

To the knowledge of Auka and DPF, no proposed director, officer or promoter 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 security holder making a decision about the Qualifying Transaction.

## Personal Bankruptcies

In April, 2014, Anil Kumar Verma, who is a director and officer of DPF and who will be a director and officer of the Reporting Issuer, filed a Consumer Proposal under the Bankruptcy and Insolvency Act, which was deemed to be fully performed in February, 2018, with the appointed administrators discharged in January, 2019.

In March, 2021, GS E&R Canada Inc. ("**E&R Canada**") filed a Notice of Intention to Make a Proposal ("**NOI**") pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act* with the Office of the Superintendent of Bankruptcy. E&R Canada engaged in a sales investment solicitation process with assistance by Sayer Energy Advisors and MNP Ltd. (as proposal trustee) whereby E&R Canada negotiated and executed a Purchase and Sale Agreement with Bench Creek Resources Ltd, An interim distribution order was granted by the Court of Kings Bench of Alberta authorizing MNP Ltd., as trustee, to pay out the proceeds from the proposals as dividends to all unsecured creditors having a proven claim. All creditors of E&R Canada who filed proofs of claim in the proposal were fully repaid. E&R Canada was dissolved effective January 2, 2023 and is not currently carrying on business or incurring any liabilities. Frank Sur, a proposed director and the proposed Corporate Secretary of the Resulting Issuer, was a director of E&R Canada at the time that the NOI.

In January, 2016, Great Prairie Energy Services Inc. ("**Great Prairie**") was placed into receivership due to revenue losses associated with declined oil and gas prices. Grant Thornton Ltd. was appointed as receiver by the Court of Queens Bench of Alberta. Great Prairie has since shut down and does not currently have any existing operations. Frank Sur, a proposed director and the proposed Corporate Secretary of the Resulting Issuer, resigned as a director of Great Prairie in April, 2025, prior to Great Prairie entering into receivership.

## Conflicts of Interest

Some of the individuals proposed for appointment as directors or officers of the Resulting Issuer upon the completion of the Amalgamation are also directors, officers and/or Promoters of other reporting and non-reporting issuers. To the knowledge of the directors and officers of Auka and DPF, there are no existing conflicts of interest between the Resulting Issuer and any of the individuals proposed for appointment as directors or officers upon completion of the Amalgamation, as of the date of this Filing Statement.

## Other Reporting Issuer Experience

The following table sets out the proposed directors, officers and promoters of the Resulting Issuer that are, or have been within the last five years, directors, officers or promoters of other reporting issuers:

Name	Name of Reporting Issuer/Jurisdiction of Reporting Issuer	Position	Market	From	To
Robert Cole	Auka Capital Corp., Federal - Alberta	Director and Chief Executive Officer	TSX Venture	August 2021	Present
Jay Baraniecki	Auka Capital Corp., Federal - Alberta	Director	TSX Venture	June 2016	Present

Name	Name of Reporting Issuer/Jurisdiction of Reporting Issuer	Position	Market	From	To
Jeff Lloyd	Auka Capital Corp., Federal - Alberta	Director	TSX Venture	June 2016	Present
Frank Sur	Auka Capital Corp., Federal - Alberta	Director and Corporate Secretary	TSX Venture	September 2022	Present
	INDVR Brands Inc. (formerly Cannabis One Holdings Inc.)	Director	CSE	October 2018	February 2021
	ApartmentLove Inc., Federal - Alberta	Director	CSE	March 2022	Present
	Artrari One Capital Corp., Federal - Alberta	Director	TSX Venture	March 2023	Present
Jason Vandenberg	Bitcoin Well Inc., Federal - Alberta	Chief Financial Officer	TSX Venture	November 2023	Present
	ENTREC Corporation, Federal - Alberta	Chief Financial Officer	TSX	December 2009	November 2020
	Herbal Dispatch Inc., British Columbia	Chief Financial Officer	Canadian Securities Exchange	January 2022	Present

### AUDIT COMMITTEE

Assuming completion of the Qualifying Transaction, it is proposed that the Resulting Issuer will have an Audit Committee comprising Jeff Lloyd, Sunil Goel and Jay Baraniecki. Jeff Lloyd and Jay Baraniecki will be considered "independent" as that term is defined in National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"), whereas Sunil Goel will not be considered "independent". The Resulting Issuer will rely on the exemption set forth in section 6.1 of NI 52-110 from the requirement that all members of the Audit Committee be "independent". In accordance with section 6.1.1 of NI 52-110, a majority of the proposed members of the Audit Committee are not executive officers, employees or control persons of the Resulting Issuer or of an affiliate of the Resulting Issuer. All of the Audit Committee members are expected to be "financially literate" as defined in National Instrument 52-110 – *Audit Committees*. The Resulting Issuer will adopt a Charter of the Audit Committee in substantially the form set out at Appendix "A".

The mandate of the Audit Committee will be to assist the board of directors of the Resulting Issuer in fulfilling its oversight responsibilities relating to financial accounting, reporting and internal controls for the Resulting Issuer. The Audit Committee will be responsible for: conducting reviews and discussions with management and the external auditors relating to the audit and financial reporting; assessing the integrity of internal controls and financial reporting procedures; ensuring implementation of internal controls and procedures; reviewing the quarterly and annual financial statements and management's discussion and analysis of the Resulting Issuer; selecting and

monitoring the independence, performance and remuneration of the external auditors; oversight of all disclosure relating to financial information; and pre-approving any non-audit services to be provided to the Resulting Issuer by any external auditors and the fees for those services. The Audit Committee will also be responsible for reviewing and following the procedures established in the Resulting Issuer's codes, policies and guidelines as may be established from time to time.

### **Relevant Education and Experience**

All the proposed members of the Audit Committee are able to understand and interpret information related to financial statement analysis. Each of the proposed members of the Audit Committee has a general understanding of the accounting principles used by the Resulting Issuer to prepare its financial statements and will seek clarification from the Resulting Issuer's auditors, where required.

For additional details regarding the relevant experience of each member of the Resulting Issuer's Audit Committee, see the relevant biographical experiences for each of the Resulting Issuer's directors and officers under the heading "*Information Concerning the Resulting Issuer – Directors Officers and Promoters*".

### **Pre-Approval Policies and Procedures**

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in the Audit Committee Charter attached hereto as Appendix "A" under the heading "*Duties and Responsibilities*".

### **External Auditor Service Fees**

In the following table, "audit fees" are fees billed by Auka's external auditor for services provided in auditing Auka's annual financial statements for the subject year. "Audit-related fees" are fees not included in audit fees that are billed by the auditor for assurance and related services that are reasonably related to the performance of the audit review of Auka's financial statements. "Tax Fees" are fees billed by the auditor for professional services rendered for tax compliance, tax advice and tax planning. "All other fees" are fees billed by the auditor for products and services not included in the foregoing categories.

The aggregate fees billed by Auka's external auditor in the last two fiscal years, by category, are as follows:

<b>Year Ended December 31</b>	<b>Audit Fees (\$)</b>	<b>Audit Related Fees (\$)</b>	<b>Tax Fees (\$)</b>	<b>All Other Fees (\$)</b>
2023	\$16,029	Nil	Nil	Nil
2022	\$13,623	Nil	Nil	Nil

### **Exemption**

The Resulting Issuer is relying on the exemption set forth in section 6.1 of National Instrument 52-110 – *Audit Committees*.

## **CORPORATE GOVERNANCE**

## **Board of Directors**

Corporate governance relates to the activities of the Board of the Resulting Issuer, the members of which are elected by and are accountable to the shareholders of the Resulting Issuer and takes into account the role of the individual members of management who are appointed by the Board of the Resulting Issuer and who are charged with the day-to-day management of the Resulting Issuer. Canadian securities regulatory policy as reflected in National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**") requires that venture issuers like the Resulting Issuer must disclose on an annual basis their approach to corporate governance. National Policy 58-201 – *Corporate Governance Guidelines* provides regulatory staff guidance on preferred governance practices, although the guidelines are not prescriptive, other than for audit committees.

The proposed board of directors of the Resulting Issuer intends to exercise independent supervision over management through meetings of the independent directors at which non independent directors and management of the Resulting Issuer will not be present. All of the directors of the Resulting Issuer will be considered "independent" within the meaning of NI 58-101, except for Piyush Sawhney who will not be considered independent as he will hold the office of Chief Executive Officer, Sunil Goel, who will not be considered independent as he will hold the office of President, Sunil Goel, who will not be considered independent as he will hold the office of President, Store Development and Frank Sur, who will not be considered independent as he will hold the office of Corporate Secretary.

As not all the members of the board of directors of the Resulting Issuer will be independent within the meaning of NI 58-101, it is anticipated that the independent directors will hold regularly scheduled meetings at which the non-independent directors and management of the Resulting Issuer will not be present.

The board of directors of the Resulting Issuer plans to adopt a written mandate reflecting its role to (i) assume responsibility for the overall strategy and oversight of management of the Resulting Issuer, (ii) identify the principal risks and opportunities of the Resulting Issuer's business and ensuring the implementation of appropriate systems to manage these risks, (iii) manage the cash reserve, and (iv) ensure the integrity of the Resulting Issuer's internal financial controls and management information systems.

## **Orientation and Continuing Education**

The Resulting Issuer will not have a formal orientation and education program for new members of the Board, the Resulting Issuer plans to provide such orientation and education on an ad hoc and informal basis. The proposed directors believe that these procedures will be a practical and effective approach in light of the Resulting Issuer's particular circumstances, including the size of the Resulting Issuer and the number, experience and expertise of its proposed directors.

## **Ethical Business Conduct**

As a responsible business and corporate citizen, the Resulting Issuer is committed to conducting its affairs with integrity, honesty, fairness and professionalism. In order to encourage and promote a culture of ethical business conduct, the board of directors of the Resulting Issuer will implement a Code of Business Conduct and Ethics which all employees, officers and directors will be expected to meet in the performance of their responsibilities.

The Resulting Issuer's reputation for honesty and integrity amongst its shareholders and other stakeholders is key to the success of its business. No employee or director will be permitted to achieve results through violation of laws or regulations, or through unscrupulous dealings.

Any director with a conflict of interest or who is capable of being perceived as being in conflict of interest with respect to the Resulting Issuer will be obligated to abstain from discussion and voting by the Board or any committee of the Board on any motion to recommend or approve the relevant agreement or transaction. The Board must comply with conflict of interest provisions of the ABCA.

### **Nomination of Directors**

Responsibility for identifying new candidates to join the board of directors of the Resulting Issuer will belong to the board of directors of the Resulting Issuer as a whole. The board of directors of the Resulting Issuer will encourage all directors to participate in the process of identifying and recruiting new candidates. It is expected that the board of directors of the Resulting Issuer will have the responsibility of making recommendations to the board of directors of the Resulting Issuer with respect to the new nominees and for assessing directors on an on-going basis. While there are no specific criteria for board of directors of the Resulting Issuer membership, it is expected that the Resulting Issuer will seek to attract and retain directors with business knowledge and a particular expertise in mineral exploration and development or other areas of specialized knowledge (such as finance) which will assist in guiding the officers of the Resulting Issuer.

### **Compensation/Compensation Committee**

Responsibility for determining compensation for the directors of the Resulting Issuer as well as the compensation of the Chief Executive Officer and other officers of the Resulting Issuer will belong to the Compensation Committee, which is expected to be comprised of Robert Cole, Sunil Goel and Graham Barr. The Compensation Committee's responsibilities in this regard will include: reviewing and approving the compensation of the Chief Executive Officer and other officers of the Resulting Issuer appointed by the board of directors of the Resulting Issuer; reviewing and approving the compensation policies, plans and programs for the Resulting Issuer's executive officers and other senior management, as well as its overall compensation plans and structure; reviewing and discussing with management and determining the disclosure to be included under the caption "Executive Compensation" for use in any annual reports, prospectuses, proxy circulars or information circulars; determining the compensation for directors; and administering the Compensation Plan and share compensation arrangements.

The Compensation Committee of the Resulting Issuer will seek to ensure an objective process for determining compensation through compliance with its conflicts of interest guidelines. The Compensation Committee will review the various compensation elements both individually and in total to seek alignment with the Resulting Issuer's compensation program objectives. The Compensation Committee will determine all executive pay, short-term incentives and long-term incentive options. For more information on the anticipated Resulting Issuer compensation practices please see "*Information Concerning the Resulting Issuer – Executive Compensation*".

### **Assessment**

The board of directors of the Resulting Issuer will not use formal assessments given the stage of the Resulting Issuer's business and operations. However, the proposed directors believe that nomination to the board of directors of the Resulting Issuer is not open ended and that

directorships should be reviewed carefully for alignment with the strategic needs of the Resulting Issuer. To this extent, the proposed directors will constantly review (i) individual director performance and the performance of the board of directors as a whole, including processes and effectiveness; and (ii) the performance of the Chair, if any, of the board of directors of the Resulting Issuer. A more formal assessment process will be instituted if and when the board of directors of the Resulting Issuer considers it to be advisable.

## **EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

Disclosure of the executive compensation practices for DPF is set forth in "*Part II – Information Concerning DPF – Executive Compensation*". It is anticipated that the Resulting Issuer will continue the executive compensation practices of DPF upon completion of the Amalgamation, through its Compensation Committee. See "*Part II – Information Concerning DPF – Executive Compensation*" for a discussion of the annual compensation entitlements for a discussion of expected annual compensation for services in all capacities to the Resulting Issuer for the 12 months following completion of the Amalgamation in respect of individuals who are expected to be acting in capacities of Chief Executive Officer and Chief Financial Officer of the Resulting Issuer.

It is anticipated that from time to time (including on Closing) stock options will be granted under the Resulting Issuer Option Plan to: provide an incentive to the participants; to achieve the longer-term objectives of the Resulting Issuer; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Resulting Issuer; and to attract and retain persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Resulting Issuer. The Resulting Issuer has no other forms of compensation.

### **Director Compensation**

Upon Completion of the Qualifying Transaction the Compensation Committee will determine how much, if any, compensation will be paid to directors for services rendered to the Resulting Issuer by them in that capacity. Such incentives may be in the form of an annual director's fee and/or in the form of incentive stock options pursuant to the Resulting Issuer Option Plan.

## **INDEBTEDNESS OF DIRECTORS AND OFFICERS**

No director, officer, promoter, member of management, nominee for elections as director of the Resulting Issuer, nor any of their Associates or Affiliates, is or has been indebted to Auka or DPF or is expected to be indebted to the Resulting Issuer following the Completion of the Qualifying Transaction.

## **INVESTOR RELATIONS ARRANGEMENTS**

The Resulting Issuer has not entered into any arrangement for promotional and investor relations services.

## OPTIONS

### Summary of the Resulting Issuer Option Plan

The policies of the TSXV provide that the board of directors of the Resulting Issuer may from time to time, in its discretion, and in accordance with TSXV requirements, grant to directors, officers and employees of the Resulting Issuer and its Affiliates and to consultants and management company employees, non-transferable options to purchase Resulting Issuer Shares for a period of up to 10 years from the date of the grant, provided that, at any time, the number of Resulting Issuer Shares reserved for issuance under all stock-based compensation will not exceed 10% of the total issued and outstanding Resulting Issuer Shares at the date of the grant (unless the Resulting Issuer has obtained the requisite disinterested shareholder approval) and that the exercise period does not exceed 10 years from the date of the grant.

The purpose of the Resulting Issuer Option Plan established by the Resulting Issuer, pursuant to which it may grant stock options, is to promote the profitability and growth of the Resulting Issuer by facilitating the efforts of the Resulting Issuer to obtain and retain key individuals. The Resulting Issuer Option Plan provides an incentive for and encourages ownership of the Resulting Issuer Shares by its key individuals so that they may increase their stake in the Resulting Issuer and benefit from increases in the value of the Resulting Issuer Shares. Pursuant to the Resulting Issuer Option Plan, the maximum number of Resulting Issuer Shares reserved for issuance in any twelve (12) month period to any one optionee other than a consultant may not exceed 5% of the issued and outstanding Resulting Issuer Shares at the date of the grant. The maximum number of Resulting Issuer Shares reserved for issuance in any twelve (12) month period to any consultant may not exceed 2% of the issued and outstanding Resulting Issuer Shares at the date of the grant and the maximum number of Resulting Issuer Shares reserved for issuance in any twelve (12) month period to all persons engaged in investor relations activities may not exceed 2% of the issued and outstanding number of Resulting Issuer Shares at the date of the grant. Vesting of stock option shall be at the discretion of the Board of directors of the Resulting Issuer and, with respect to any particular stock options granted under the Resulting Issuer Option Plan, in the absence of a vesting schedule being specified in the applicable stock option agreement, all such stock options shall immediately vest.

Vesting of stock option shall be at the discretion of the Board of directors of the Resulting Issuer and, with respect to any particular stock options granted under the Resulting Issuer Option Plan, in the absence of a vesting schedule being specified in the applicable stock option agreement, all such stock options shall immediately vest.

The term of stock options must expire not later than 12 months after the optionee ceases to be a director, officer or technical consultant of the Resulting Issuer, as the case may be, subject to any earlier expiry date of such stock option.

Upon the Completion of the Qualifying Transaction an aggregate of 1,212,125 Resulting Issuer Shares are anticipated to be reserved for issuance under the Resulting Issuer Option Plan, with the total issuable Resulting Issuer options not exceeding 10% of the issued and outstanding Resulting Issuer Shares. 1,212,125 Resulting Issuer Shares will be reserved for issuance at the Completion of the Qualifying Transaction to the following holders of Resulting Issuer options:

Optionee	Type of Option	Number of Options	Exercise Price	Expiry Date
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Dave Muddle	Options	41,235	\$0.10	December 13, 2032
Jeff Lloyd	Options	104,930	\$0.10	December 13, 2032
Ralf Kaiser	Options	73,680	\$0.10	December 13, 2032
Michael Kaiser	Options	116,845	\$0.10	December 13, 2032
Jay Baraniecki	Options	98,705	\$0.10	December 13, 2032
Robert Cole	Options	131,150	\$0.10	December 13, 2032
Frank Y. Sur	Options	192,330	\$0.10	December 13, 2032
Dave Muddle	Options	78,750	\$0.10	January 11, 2033
Jeff Lloyd	Options	43,750	\$0.10	January 11, 2033
Jay Baraniecki	Options	105,000	\$0.10	January 11, 2033
Robert Cole	Options	138,250	\$0.10	January 11, 2033
Frank Y. Sur	Options	87,500	\$0.10	January 11, 2033
<b>TOTAL</b>		<b>1,212,125</b>		

The Resulting Issuer Option Plan is subject to applicable shareholder approval at the next meeting of the shareholders of the Resulting Issuer.

### ESCROWED SECURITIES

There are two classes of escrow to which certain Auka Shares will be subject: (i) CPC Escrow Shares and (ii) Surplus Escrow Shares, in the event that the Agents' Option is not exercised or, Value Escrow Shares, in the event that the Agents' Option is exercised. The CPC Escrow Shares are subject to an escrow that continues as part of the initial public offering of Auka, while the Surplus Escrow Shares or Value Escrow Shares, as may be applicable, are subject to an escrow as a result of the Qualifying Transaction.

#### Terms of the Escrow for the CPC Escrow Shares

CPC Escrow Shares are Auka Shares held in escrow pursuant to Section 1.1 of the CPC Policy, and released in accordance with the following timeline:

% of Auka Shares Released from Escrow		Auka Shares Release Date
Tier 2 Issuer	Tier 1 Issuer	
10%	25%	Date of Final Exchange Bulletin
15%	25%	6 months from Final Exchange Bulletin
15%	25%	12 months from Final Exchange Bulletin
15%	25%	18 months from Final Exchange Bulletin
15%	n/a	24 months from Final Exchange Bulletin
15%	n/a	30 months from Final Exchange Bulletin
15%	n/a	36 months from Final Exchange Bulletin

The following table sets out, as of the date hereof and to the knowledge of Auka and DPF, the name and municipality of residence of the securityholders whose Auka Shares and Auka Options will continue to be subject to the CPC Escrow Agreement. A total of 6,490,000 Auka Shares and 1,212,125 Auka Options are held in escrow pursuant to the CPC Escrow Agreement.

Name and Municipality of Residence of Shareholder	Designation of Class	Prior to Giving Effect to the Qualifying Transaction		After Giving Effect to the Qualifying Transaction	
		Number of Securities held in Escrow	Percentage of Class	Number of Securities to be held in Escrow	Percentage of Class <sup>(1)</sup>
Robert Cole Edmonton, Alberta	Auka Shares	950,000	7.60%	950,000	0.56%
	Auka Options	269,400	21.81%	269,400	21.81%
Michael Kaiser Edmonton, Alberta	Auka Shares	200,000	1.60%	200,000	0.12%
	Auka Options	116,845	9.63%	116,845	9.63%
Jay Baraniecki Edmonton, Alberta	Auka Shares	800,000	6.40%	800,000	0.47%
	Auka Options	203,705	16.81%	203,705	16.81%
Frank Y. Sur Calgary, Alberta	Auka Shares	1,200,000	9.60%	1,200,000	0.71%
	Auka Options	279,830	23.09%	279,830	23.09%
Dave Muddle Edmonton, Alberta	Auka Shares	100,000	0.80%	100,000	0.06%
	Auka Options	119,985	9.9%	119,985	9.9%
Jeff Lloyd Edmonton, Alberta	Auka Shares	500,000	4.00%	500,000	0.30%
	Auka Options	148,680	12.10%	148,680	12.10%
Ralf Kaiser Sherwood Park, Alberta	Auka Shares	500,000	4.00%	500,000	0.30%
	Auka Options	73,680	6.08%	73,680	6.08%
Leah Lloyd Edmonton, Alberta	Auka Shares	250,000	2.00%	250,000	0.15%
Jetha Ventures Corporation Calgary, Alberta	Auka Shares	500,000	4.00%	500,000	0.30%
Jason Mullins Calgary, Alberta	Auka Shares	300,000	2.40%	300,000	0.18%
Blair Wentworth Calgary, Alberta	Auka Shares	150,000	1.20%	150,000	0.09%
Douglas Nicol Calgary, Alberta	Auka Shares	300,000	2.40%	300,000	0.18%
Donna Cole	Auka Shares	50,000	0.40%	50,000	0.03%
Talia Cole	Auka Shares	20,000	0.16%	20,000	0.01%
Tyler Cole	Auka Shares	20,000	0.16%	20,000	0.01%
2424970 Alberta Inc.	Auka Shares	500,000	4.00%	500,000	0.30%
RF Securities Clearing LP ITF A/C 500-V580-R	Auka Shares	150,000	1.20%	150,000	0.09%

**Notes:**

- (1) Assumes maximum gross proceeds from the QT Financing, assuming exercise of the Agent's Option.  
(2) 2424970 Alberta Inc. is a corporation wholly-owned by Jalal Jetha.

**Terms of the Escrow for Surplus Escrow Shares**

If applicable, in the event that the Agent's Option is not exercised, all Resulting Issuer Shares being issued under the Definitive Agreement are Surplus Securities as defined in Exchange Policy 5.4, of which it is anticipated that an aggregate of 119,806,283 Resulting Issuer Shares and nil

Resulting Issuer Replacement Warrants will be subject to the release schedule applicable under the QT Escrow Agreement (being a Tier 2 Surplus Security Escrow Agreement) in accordance with the following timeline:

<b>% of Securities Released from Escrow Tier 2 Issuer</b>	<b>Release Date</b>
5%	Date of Final Exchange Bulletin
5%	6 months from Final Exchange Bulletin
10%	12 months from Final Exchange Bulletin
10%	18 months from Final Exchange Bulletin
15%	24 months from Final Exchange Bulletin
15%	30 months from Final Exchange Bulletin
40%	36 months from Final Exchange Bulletin

### Terms of the Escrow for Value Escrow Shares

If applicable, in the event that the Agent's Option is exercised, all Resulting Issuer Shares being issued under the Definitive Agreement are Value Securities as defined in Exchange Policy 5.4, of which it is anticipated that an aggregate of 119,806,283 Resulting Issuer Shares and nil Resulting Issuer Replacement Warrants will be subject to the release schedule applicable under the QT Escrow Agreement (being a Tier 2 Value Security Escrow Agreement) in accordance with the following timeline:

<b>% of Securities Released from Escrow Tier 2 Issuer</b>	<b>Release Date</b>
10%	Date of Final Exchange Bulletin
15%	6 months from Final Exchange Bulletin
15%	12 months from Final Exchange Bulletin
15%	18 months from Final Exchange Bulletin
15%	24 months from Final Exchange Bulletin
15%	30 months from Final Exchange Bulletin
15%	36 months from Final Exchange Bulletin

The following table sets out, as of the date hereof and to the knowledge of Auka and DPF, the name and municipality of residence of the securityholders whose Resulting Issuer Shares and Resulting Issuer Replacement Warrants at the Completion of the Qualifying Transaction will be placed in escrow pursuant to the terms of the QT Escrow Agreement:

<b>Name and Municipality of Residence of Shareholder</b>	<b>Prior to Giving Effect to the Qualifying Transaction</b>				<b>After Giving Effect to the Qualifying Transaction<sup>(1)</sup></b>			
	<b>Number of Shares held in Escrow</b>	<b>% of Class</b>	<b>Number of Warrants held in Escrow</b>	<b>% of Class</b>	<b>Number of Shares held in Escrow</b>	<b>% of Class</b>	<b>Number of Warrants held in Escrow</b>	<b>% of Class</b>

Piyush Sawhney <sup>(2)</sup> Edmonton, Alberta	5,477,231	40.65%	Nil	-	62,660,808	37.15 %	Nil	-
Sunil Kumar Goel Edmonton, Alberta	2,182,886	16.20%	Nil	-	24,972,735	14.81 %	Nil	-
Anil Kumar Verma Edmonton, Alberta	2,182,886	16.20%	Nil	-	24,972,735	14.81 %	Nil	-
Graham Barr <sup>(3)</sup> Edmonton, Alberta	327,791	2.43%	Nil	-	3,750,005	2.22%	Nil	-
<b>TOTALS<sup>(4)</sup></b>	<b>10,170,794</b>	<b>75.49%</b>	<b>Nil</b>	<b>-</b>	<b>116,356,283</b>	<b>68.99 %</b>	<b>Nil</b>	<b>-</b>
Frank Y. Sur Calgary, Alberta	1,200,000	9.60%	Nil	-	1,200,000	0.71%	Nil	-
Robert Cole <sup>(5)</sup> Edmonton, Alberta	950,000	7.60%	Nil	-	950,000	0.56%	Nil	-
Jeff Lloyd Edmonton, Alberta	500,000	4.00%	Nil	-	500,000	0.30%	Nil	-
Jay Baraniecki <sup>(6)</sup> Edmonton, Alberta	800,000	6.40%	Nil	-	800,000	0.47%	Nil	-
<b>TOTALS<sup>(7)</sup></b>	<b>3,450,000</b>	<b>27.6%</b>	<b>Nil</b>	<b>-</b>	<b>3,450,000</b>	<b>2.04%</b>	<b>Nil</b>	<b>-</b>

**Notes:**

- (1) Assumes maximum gross proceeds, assuming exercise of the Agent's Option.
- (2) Piyush will directly hold 24,972,735 Resulting Issuer Shares, beneficially hold 35,079,815 Resulting Issuer Shares through his holding company, 2249379 Alberta Ltd, and beneficially hold 2,608,258 Resulting Issuer Shares through Mobile Zap Ltd., which he controls 100% of
- (3) Graham Barr will hold his Resulting Issuer Shares through his professional corporation, Graham A. B. Barr Prof. Corp., which he controls 100% of.
- (4) The securities and percentages provided above and the totals provided in this row represent DPF securities and the holders thereof.
- (5) Robert will directly hold 700,000 Resulting Issuer Shares and beneficially hold 250,000 Resulting Issuer Shares, through Canaccord Genuity Corp., in trust for Robert.
- (6) Jay will directly hold 300,000 Resulting Issuer Shares and beneficially hold 500,000 Resulting Issuer Shares, through Canaccord Genuity Corp., in trust for Jay.
- (7) The securities and percentages provided above and the totals provided in this row represent Auka securities and the holders thereof.

## PART IV - RISK FACTORS

Where used in this "Risk Factors" section, "DPF" refers to either Dr. Phone Fix Canada Limited or the Resulting Issuer as the context may require. The current business of DPF and its subsidiaries will be the business of the Resulting Issuer upon Completion of the Qualifying Transaction. Accordingly, risk factors relating to DPF's current business will be risk factors relating to the Resulting Issuer's business and references to DPF in these risk factors should, where the context requires, be read to include the risks of the Resulting Issuer. Due to the nature of DPF's business, the legal and economic climate in which it operates and its present stage of

development, DPF is subject to significant risks. The risks presented below should not be considered to be exhaustive and may not be all of the risks that the Resulting Issuer and DPF may face. DPF's future development and operating results may be very different from those expected as at the date of this Filing Statement. Additional risks and uncertainties not presently known to DPF or that DPF currently considers immaterial may also impair the business and operations of the Resulting Issuer and cause the trading price of the Auka Shares to decline. If any of the following or other risks occur, the Resulting Issuer's business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted. In that event, the trading price of the Auka Shares could decline and investors could lose all or part of their investment. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below or other unforeseen risks. Readers should carefully consider all such risks and other information elsewhere in this Filing Statement before making an investment in DPF or the Resulting Issuer and should not rely upon forward-looking statements as a prediction of future results. Risk factors relating to DPF include, but are not limited to, the factors set out below.

## **Business and Environmental Risks**

### *Managing growth*

In order to manage growth and change in strategy effectively, the Resulting Issuer must (i) maintain adequate systems to meet customer demand; (ii) expand sales and marketing, distribution capabilities and administrative functions; (iii) expand the skills and capabilities of its current management team; and (iv) attract and retain qualified employees. While it intends to focus on managing its costs and expenses over the long term, DPF expects to invest to support its growth and may have additional unexpected costs. It may not be able to expand quickly enough to exploit potential market opportunities.

### *DPF has limited operating history and may require additional capital*

DPF began carrying on business in 2019 and is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, and limitations with respect to personnel, financial, and other resources. There is no assurance that DPF will be successful and the likelihood of success must be considered in light of its early stage of operations. To the extent DPF has negative operating cash flow in future periods, it may need to allocate a portion of its cash reserves to fund such operating cash flow. DPF may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that DPF will be able to generate a positive cash flow from operations, that additional capital or other types of financing will be available when needed or that these financings will on favourable terms.

### *Regulatory Compliance*

DPF and its partners are subject to laws, regulations and orders across all jurisdictions in which they operate, relating to product liability, employment and labour, intellectual property, privacy, environment and other matters. Any changes to these laws and regulations could significantly affect DPF's operations and financial condition. Failure to comply with the applicable laws and regulations may result in civil and regulatory actions, investigations or proceedings, fines, and damage to the reputation of DPF.

### *DPF may not achieve its business objectives*

There can be no assurance that DPF will be able to implement its business strategy or achieve its business objectives. Past performance is not necessarily indicative of future results and there can be no assurance that DPF will achieve comparable results or that profitability targets will be met.

### *Retention and Acquisition of Skilled Personnel*

The loss of any member of the Resulting Issuer's management team, could have a material adverse effect on its business and results of operations. In addition, an inability to hire, or the increased costs of new personnel, including members of executive management, could have a material adverse effect on the Resulting Issuer's business and operating results. At present and for the near future, DPF will depend upon a relatively small number of employees to develop, market, sell and support its products. The expansion of marketing and sales of its products will require DPF to find, hire and retain additional capable employees who can understand, explain, market and sell its products. There is intense competition for capable personnel in all of these areas and DPF may not be successful in attracting, training, integrating, motivating, or retaining new personnel, vendors, or subcontractors for these required functions. New employees often require significant training and, in many cases, take significant time before they achieve full productivity. As a result, the Resulting Issuer may incur significant costs to attract and retain employees, including significant expenditures related to salaries and benefits and compensation expenses related to equity awards, and may lose new employees to its competitors or other companies before it realizes the benefit of its investment in recruiting and training them. In addition, as the Resulting Issuer moves into new jurisdictions, it will need to attract and recruit skilled employees in those areas.

### *Competition*

There is potential that DPF will face competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than DPF. Increased competition by competitors who are larger and are more well-capitalized could materially and adversely affect the business, financial condition and results of operations of DPF.

### *The Resulting Issuer's business could be disrupted as a result of actions of certain shareholders or potential acquirers of the Resulting Issuer*

If any of the holders of Resulting Issuer Shares commence a proxy contest, advocate for change that is not necessarily in the best interests of the Resulting Issuer and all of its stakeholders, make public statements critical of the Resulting Issuer's performance or business, or engage in other similar activities, or if the Resulting Issuer becomes subject to a potential acquisition target, then the Resulting Issuer's business could be adversely affected because the Resulting Issuer may have difficulty attracting and retaining employees and clients due to perceived uncertainties as to its future direction and negative public statements about its business. In addition, responding to proxy contests and other similar actions by shareholders is likely to result in the Resulting Issuer incurring substantial additional costs and significantly diverting the attention of management and employees; and, if individuals are elected to board of directions of the Resulting Issuer with a specific agenda, the execution of the Resulting Issuer's strategic plan may be disrupted or a new strategic plan altogether may be implemented, which could have a material adverse impact on its business, financial condition or results of operations. Further, any of these matters or any such

actions by shareholders may impact and result in volatility of the price of the Resulting Issuer Shares.

#### *Legal Proceedings*

From time to time, DPF may be a party to legal and regulatory proceedings, including matters involving governmental agencies, entities with whom it does business and other proceedings arising in the ordinary course of business. DPF will evaluate its exposure to these legal and regulatory proceedings and establish reserves for the estimated liabilities in accordance with generally accepted accounting principles. Assessing and predicting the outcome of these matters involves substantial uncertainties. Unexpected outcomes in these legal proceedings, or changes in management's evaluations or predictions and accompanying changes in established reserves, could have an adverse impact on DPF's financial results.

#### *Unexpected disruptions affecting operations, whether due to labor disruptions, supply disruptions, power disruptions, damage to equipment or otherwise*

DPF's operations may be disrupted by a variety of risks and hazards that are beyond its control, including, but not limited to, fires, power outages, labour disruptions, supply disruptions, flooding, and the inability to obtain suitable or adequate equipment or labour.

#### *Liability, Enforcement, Complaints, etc.*

DPF's operations may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by third parties, other companies and/or various governmental authorities against DPF. Litigation, complaints, and enforcement actions involving DPF could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on DPF's future cash flows, earnings, results of operations and financial condition.

#### *Insurance Coverage*

DPF's production is, in general, subject to different risks and hazards, including adverse weather conditions, fires, plant diseases and pest infestations, other natural phenomena, industrial accidents, labour disputes, changes in the legal and regulatory framework applicable to DPF and environmental contingencies.

#### *Global Economy*

An economic downturn or volatility could have a material adverse effect on DPF's business, financial condition and results of operations. A weakening of economic conditions could lead to reductions in demand for DPF's products. For example, its revenues can be adversely affected by high unemployment and other economic factors. Further, weakened economic conditions or a recession could reduce the amount of income customers are able to spend on DPF's products. In addition, as a result of volatile or uncertain economic conditions, DPF may experience the negative effects of increased financial pressures on its clients. For instance, DPF's business, financial condition and results of operations could be negatively impacted by increased competitive pricing pressure, which could result in DPF incurring increased bad debt expense. If DPF is not able to timely and appropriately adapt to changes resulting from a weak economic environment, its business, results of operations and financial condition may be materially and adversely affected.

## Financial and Accounting Risks

### *Access to Capital*

In executing its business plan, DPF makes, and will continue to make, substantial investments and other expenditures related to acquisitions, research and development and marketing initiatives. Since its incorporation, DPF has financed these expenditures through offerings of its equity securities. DPF will have further capital requirements and other expenditures as it proceeds to expand its business or take advantage of opportunities for acquisitions or other business opportunities that may be presented to it. DPF may incur major unanticipated liabilities or expenses. DPF can provide no assurance that it will be able to obtain financing to meet the growth needs of DPF.

*The Resulting Issuer will be a holding company with its only asset being direct ownership of DPF*

The Resulting Issuer is, at least initially upon completion of the Transaction, a holding company and essentially all of its assets are the capital stock of its subsidiaries. Consequently, the Resulting Issuer's cash flows and ability to leverage future business opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to the Resulting Issuer. The ability of its subsidiaries to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt, if any. In the event of a bankruptcy, liquidation or reorganization of any of its subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the Resulting Issuer.

### *Estimates or Judgments Relating to Critical Accounting Policies*

The preparation of financial statements in conformity with International Financial Reporting Standards, or IFRS, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. DPF bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, as provided in the notes to the DPF Financial Statements set forth in Schedule "C", the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. DPF's operating results may be adversely affected if the assumptions change or if actual circumstances differ from those in the assumptions, which could cause DPF's operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the share price of the Resulting Issuer. Significant assumptions and estimates used in preparing the financial statements include those related to the credit quality of accounts receivable, income tax credits receivable, share based payments, impairment of non-financial assets, fair value of biological assets, as well as revenue and cost recognition.

### *Tax Risks*

The Resulting Issuer will operate and will be subject to income tax and other forms of taxation (which are not based upon income) in multiple tax jurisdictions. Taxation laws and rates which determine taxation expenses may vary significantly in different jurisdictions, and legislation governing taxation laws and rates is also subject to change. Therefore, the Resulting Issuer's

earnings may be impacted by changes in the proportion of earnings taxed in different jurisdictions, changes in taxation rates, changes in estimates of liabilities and changes in the amount of other forms of taxation. The Resulting Issuer may have exposure to greater than anticipated tax liabilities or expenses. The Resulting Issuer will be subject to income taxes and non-income taxes in a variety of jurisdictions and its tax structure is subject to review by both domestic and foreign taxation authorities and the determination of the Resulting Issuer's provision for income taxes and other tax liabilities will require significant judgment.

## **Risks Related to the Resulting Issuer Shares and Completion of the Qualifying Transaction**

### *Market for the Resulting Issuer Shares*

There can be no assurance that an active trading market for the Resulting Issuer Shares will develop or, if developed, that any market will be sustained. DPF cannot predict the prices at which the Resulting Issuer Shares will trade. The price of the Subscription Receipts was determined by negotiations with the Agent in connection with the financing and might not bear any relationship to the market price at which the Resulting Issuer Shares will trade or to any other established criteria of the value of DPF's business. Fluctuations in the market price of the Resulting Issuer Shares could cause an investor to lose all or part of its investment in Resulting Issuer Shares. Factors that could cause fluctuations in the trading price of the Resulting Issuer Shares include: (i) announcements of new offerings, products, services or technologies; commercial relationships, acquisitions or other events by the Resulting Issuer or its competitors; (ii) price and volume fluctuations in the overall stock market from time to time; (iii) significant volatility in the market price and trading volume of agriculture companies; (iv) fluctuations in the trading volume of the Resulting Issuer Shares or the size of the Resulting Issuer's public float; (v) actual or anticipated changes or fluctuations in the Resulting Issuer's results of operations; (vi) whether DPF's results of operations meet the expectations of securities analysts or investors; (vii) actual or anticipated changes in the expectations of investors or securities analysts; (viii) litigation involving the Resulting Issuer, its industry, or both; (ix) regulatory developments in Canada and foreign countries; (x) general economic conditions and trends; (xi) major catastrophic events; (xii) escrow releases, sales of large blocks of the Resulting Issuer Shares; (xiii) departures of key employees or members of management; or (xiv) an adverse impact on DPF from any of the other risks cited herein.

### *No History of Payment of Cash Dividends*

DPF has never declared or paid cash dividends on the DPF Shares. Upon Completion of the Qualifying Transaction, DPF intends to retain future earnings to finance the operation, development and expansion of the business. DPF does not anticipate paying cash dividends on the Resulting Issuer Shares in the foreseeable future. Payment of future cash dividends, if any, will be at the discretion of the Board and will depend on the Resulting Issuer's financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors that the Board considers relevant.

### *Reporting Issuer Status*

From the date of incorporation to the date of this Filing Statement, DPF has not been subject to the continuous and timely disclosure requirements of Canadian securities laws or other rules, regulations and policies of the TSXV. As a reporting issuer, the Resulting Issuer will be subject to reporting requirements under applicable securities law and stock exchange policies. DPF is

working with its legal, accounting and financial advisors to identify those areas in which changes should be made to DPF's financial management control systems to manage its obligations as a subsidiary of a public company. Compliance with these requirements will increase legal and financial compliance costs, make some activities more difficult, time consuming or costly and increase demand on existing systems and resources. Among other things, the Resulting Issuer will be required to file annual, quarterly and current reports with respect to its business and results of operations and maintain effective disclosure controls and procedures and internal controls over financial reporting. In order to maintain and, if required, improve disclosure controls and procedures and internal controls over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm the Resulting Issuer's business and results of operations. The Resulting Issuer may need to hire additional employees to comply with these requirements in the future, which would increase its costs and expenses. Management of DPF expects that being a reporting issuer will make it more expensive to maintain director and officer liability insurance. This factor could also make it more difficult for the Resulting Issuer to retain qualified directors and executive officers.

#### *Tax Issues*

There may be income tax consequences in relation to the Resulting Issuer Shares, which will vary according to circumstances of each investor. Prospective investors should seek independent advice from their own tax and legal advisers.

#### *Completion of the Qualifying Transaction is Subject to Conditions Precedent*

The Completion of the Qualifying Transaction is subject to a number of conditions precedent, including the approval by the TSXV, DPF shareholders and regulatory authorities. Certain of such conditions precedent are outside the control of either or both of Auka and DPF, and there can be no assurance that these conditions will be satisfied.

#### *Termination of the Definitive Agreement*

The Definitive Agreement specifies that the parties' obligation to effect the Qualifying Transaction is conditional upon the satisfaction of a number of conditions, including receipt of all required regulatory approvals. If any of these conditions are not satisfied or waived, the Amalgamation may not be completed. Each of Auka and DPF has the right, in certain circumstances, in addition to termination rights relating to the failure to satisfy the conditions of Closing, to terminate the Definitive Agreement. Accordingly, Auka or DPF cannot provide any assurance, that the Definitive Agreement will not be terminated by either of Auka or DPF prior to the completion of the Amalgamation.

#### *The Amalgamation Agreement may be terminated in certain circumstances*

Each of DPF and Subco has the right to terminate the Amalgamation Agreement in certain circumstances. Accordingly, there is no certainty, nor can either party provide any assurance, that the Amalgamation Agreement will not be terminated before the completion of the Qualifying Transaction.

### *Potential Undisclosed Liabilities Associated with the Amalgamation*

Upon completion of the Amalgamation, DPF will be a direct and indirect wholly-owned subsidiary of the Resulting Issuer and will continue to have the liabilities that existed prior to completion of the Amalgamation. There may be liabilities of DPF that Auka failed to discover or was unable to accurately assess or quantify in its due diligence.

## **PART V - GENERAL MATTERS**

### **AUDITOR, TRANSFER AGENT AND REGISTRAR**

On Completion of the Qualifying Transaction, the auditor of the Resulting Issuer is expected to be EBT Professional Chartered Accountants, located at 307, 579 3 St SE, Medicine Hat, Alberta T1A 0H2.

On Closing, Odyssey Trust Company located at Stock Exchange Tower, 1230 – 300 5th Avenue SW, Calgary, Alberta T2P 3C4 will be transfer agent and registrar for the Resulting Issuer on Completion of the Qualifying Transaction.

### **SPONSORSHIP**

Both Auka and DPF intend to rely on an exemption from the sponsorship requirements of Exchange Policy 2.2. Subject to completion of satisfactory due diligence, the Agent has agreed to provide the Exchange with a confirmation letter contemplated by Section 3.4 of Exchange Policy 2.2.

### **EXPERTS**

No experts, including individuals or companies who are named as having prepared or certified a part of this Filing Statement or prepared or certified a report or valuation described or included in this Filing Statement have, or will have immediately following completion of the Amalgamation, any direct or indirect interest in the Resulting Issuer or DPF.

### **OTHER MATERIAL FACTS**

Auka is not aware of any other material facts relating to Auka, DPF or the Resulting Issuer or to the Qualifying Transaction that are not disclosed under the preceding items and are necessary in order for this Filing Statement to contain full, true and plain disclosure of all material facts relating to Auka, DPF and the Resulting Issuer, assuming Completion of the Qualifying Transaction, other than those set forth herein.

### **BOARD APPROVAL**

**THE BOARD HAS APPROVED THIS FILING STATEMENT. WHERE INFORMATION CONTAINED IN THIS FILING STATEMENT RESTS PARTICULARLY WITHIN THE KNOWLEDGE OF A PERSON OTHER THAN AUKA, AUKA HAS RELIED UPON INFORMATION FURNISHED BY SUCH PERSON.**

**CERTIFICATE OF AUKA CAPITAL CORP.**

DATED NOVEMBER 14, 2024

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of Auka Capital Corp. assuming Completion of the Qualifying Transaction.

(signed) "*Robert Cole*"

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Robert Cole  
Chief Executive Officer

(signed) "*Michael Kaiser*"

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Michael Kaiser  
Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS OF  
AUKA CAPITAL CORP.**

(signed) "*Jeff Lloyd*"

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Jeff Lloyd  
Director

(signed) "*Jay Baraniecki*"

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Jay Baraniecki  
Director

**CERTIFICATE OF DR. PHONE FIX CANADA LIMITED**

DATED NOVEMBER 14, 2024

The foregoing as it relates to Dr. Phone Fix Canada Limited constitutes full, true and plain disclosure of all material facts relating to the securities of Dr. Phone Fix Canada Limited

(signed) "*Piyush Sawhney*"

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Piyush Sawhney  
Chief Executive Officer

(signed) "*Jason Vandenberg*"

---

Jason Vandenberg  
Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS OF  
DR. PHONE FIX CANADA LIMITED**

(signed) "*Sunil Goel*"

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Sunil Goel  
Director

(signed) "*Anil Verma*"

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Anil Verma  
Director

## ACKNOWLEDGEMENT – PERSONAL INFORMATION

"**Personal Information**" means any information about an identifiable individual, and includes information contained in any Items in the attached filing statement/information circular that are analogous to Items 4.2, 11, 12.1, 15, 17.2, 18.2, 23, 24, 26, 31.3, 32, 33, 34, 35, 36, 37, 38, 40 and 41 of TSXV Form 3B1/3B2, as applicable.

The undersigned hereby acknowledges and agrees that it has obtained the express written consent of each individual to:

- (a) the disclosure of Personal Information by the undersigned to the Exchange (as defined in Appendix 6B) pursuant to Exchange Form 3B1/3B2; and
- (b) the collection, use and disclosure of Personal Information by the Exchange for the purposes described in Appendix 6B or as otherwise identified by the Exchange, from time to time.

Dated: November 14, 2024.

(signed) "*Piyush Sawhney*"

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Piyush Sawhney  
Chief Executive Officer

**SCHEDULE "A"**  
**AUKA FINANCIAL STATEMENTS**

(see attached)

**AUKA CAPITAL CORP.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

# AUKA CAPITAL CORP.

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DECEMBER 31, 2022

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## INDEPENDENT AUDITOR'S REPORT

To the shareholders of  
Auka Capital Corp.

### *Opinion*

We have audited the financial statements of Auka Capital Corp., which comprise the Statement of Financial Position as at December 31, 2022 and the Statement of Loss and Deficit and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and the financial performance and cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS).

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **INDEPENDENT AUDITOR'S REPORT, continued**

### *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.

## **INDEPENDENT AUDITOR'S REPORT, continued**

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.

Medicine Hat, Alberta  
April 27, 2023

CHARTERED PROFESSIONAL ACCOUNTANT

**AUKA CAPITAL CORP.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2022**

ASSET	2022	2021
<b>CURRENT ASSET</b>		
Cash	\$ 797,737	\$ 124,265
<b>LIABILITY</b>		
<b>CURRENT LIABILITY</b>		
Accounts payable and accrued liabilities	\$ 40,571	\$ 8,924
<b>SHAREHOLDERS' EQUITY</b>		
<b>SHARE CAPITAL (Note 4)</b>	1,000,000	125,000
<b>DEFICIT</b>	(242,834)	(9,659)
	757,166	115,341
	\$ 797,737	\$ 124,265

On behalf of the Board of Directors

\_\_\_\_\_  
(s) Michael Kaiser Director

\_\_\_\_\_  
(s) Robert Cole Director

**AUKA CAPITAL CORP.**  
**STATEMENT OF LOSS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b>2022</b>	<b>For the period Aug 5, 2021 to Dec 31, 2021</b>
<b>REVENUE</b>	\$ -	\$ -
<b>EXPENSES</b>		
Professional Fees	233,175	8,924
Advertising and promotion	-	735
	233,175	9,659
<b>NET LOSS</b>	<b>\$ (233,175)</b>	<b>\$ (9,659)</b>
<b>BASIC LOSS PER SHARE</b>	<b>(0.0341)</b>	<b>(0.0039)</b>
<b>DILUTED LOSS PER SHARE</b>	<b>(0.0328)</b>	<b>(0.0039)</b>
<b>AVERAGE WEIGHTED NUMBER OF COMMON SHARES</b>	<b>6,847,260</b>	<b>2,500,000</b>
<b>AVERAGE WEIGHTED NUMBER OF DILUTED SHARES</b>	<b>7,104,547</b>	<b>2,500,000</b>

The accompanying notes are an integral part of the financial statements

**AUKA CAPITAL CORP.**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Share capital	Deficit	Total equity
<b>Balance, August 5, 2021</b>	\$ -	\$ -	\$ -
Net loss	-	(9,659)	(9,659)
Issuance of share capital	125,000	-	125,000
<b>Balance, December 31, 2021</b>	125,000	(9,659)	115,341
Net loss	-	(233,175)	(233,175)
Issuance of share capital	875,000	-	875,000
<b>Balance, December 31, 2022</b>	\$ 1,000,000	\$ (242,834)	\$ 757,166

The accompanying notes are an integral part of the financial statements

**AUKA CAPITAL CORP.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b>2022</b>	<b>For the period Aug 5, 2021 to Dec 31, 2021</b>
<hr/>		
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (233,175)	\$ (9,659)
Change in non-cash working capital		
Accounts payable and accrued liabilities	31,647	8,924
	<hr/>	<hr/>
	(201,528)	(735)
<b>FINANCING ACTIVITY</b>		
Issuance of share capital	875,000	125,000
	<hr/>	<hr/>
<b>INCREASE IN CASH</b>	673,472	124,265
<b>CASH, beginning of year</b>	124,265	-
	<hr/>	<hr/>
<b>CASH, end of year</b>	\$ 797,737	\$ 124,265
	<hr/>	<hr/>

The accompanying notes are an integral part of the financial statements

# **AUKA CAPITAL CORP.**

## **NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

### **NATURE OF BUSINESS**

Auka Capital Corp. (the "Company") was incorporated on August 5, 2021 under the laws of the Province of Alberta, Canada as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4.

Head office is located at 1600, 421 7th Avenue SW, Calgary Alberta, T2P 4K9.

The principal business of the Company is the identification and evaluation of assets, or a business, and once identified or evaluated, to negotiate the acquisition or participation in the business (the "Qualifying Transaction"), subject to, if a non-arm's length Qualifying Transaction, receipt of majority approval of the minority shareholders and acceptance by regulatory authorities.

Until the completion of a Qualifying Transaction, the Company will not carry on any other business.

### **1. BASIS OF PRESENTATION**

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

The financial statements were approved by the Board of Directors and authorized for issue on April 27, 2023.

The financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting except for the Statement of Cash Flows.

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

### **2. GOING CONCERN**

These financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. As at December 31, 2022 the Company's management believes it has sufficient cash to satisfy its financial obligations for the next 12 months. The continuation of the Company is dependent upon the continuing financial support of shareholders and the completion of a Qualifying Transaction.

# **AUKA CAPITAL CORP.**

## **NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

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

#### **CASH AND CASH EQUIVALENTS**

Cash consists of balances with financial institutions. Cash in bank deposit accounts, at times, exceeds federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

#### **SHARE-BASED PAYMENTS**

The Company uses the Black-Scholes Option Pricing Model to determine the fair value of options and warrants in order to calculate share-based payments expense and the fair value of agent warrants. The Black-Scholes Option Pricing Model involves key inputs to determine fair value of an option: risk-free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of share-based payments expense.

#### **INCOME TAXES**

Income tax comprises current and deferred tax. Income tax is recognized in the statement of operations except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rate and laws that have been enacted or substantively enacted at the statement of financial statement date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax assets and liabilities are presented as non-current.

# AUKA CAPITAL CORP.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

### 3. SIGNIFICANT ACCOUNTING POLICIES, *continued*

#### **CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND MEASUREMENT UNCERTAINTY**

The preparation of the Company's financial statements, in conformity with IFRS, requires management of the Company to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. These estimates and judgments have been applied in a manner consistent with prior periods.

The following discusses the most significant accounting judgments and estimates that the company has made in the preparation of the financial statements:

#### **Income taxes**

The estimation of income 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 before they expire. The Company's assessment is based upon existing tax laws and estimates of future taxable income. If the assessment of the Company's ability to utilize the underlying future tax deductions changes, the Company would be required to recognize more or fewer of the tax deductions as assets, which would decrease or increase the income tax expense in the period in which this is determined. See Note 5.

# AUKA CAPITAL CORP.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

### 3. SIGNIFICANT ACCOUNTING POLICIES, continued

#### FINANCIAL INSTRUMENTS

Financial instruments are measured at fair value on initial recognition, which is typically the transaction price unless a significant financing component is present. Subsequent measurement is dependent on whether the instrument is classified as "amortized cost", "fair value through profit or loss" or "fair value through other comprehensive income". The classification of financial assets is determined by their characteristics and their context in the Company's business model.

The Corporation classifies financial assets and liabilities as follows:

- Amortized cost: Cash and accounts payable and accrued liabilities are held by the Company to collect or pay contractual cash flows and are measured at amortized cost. Financial instruments measured at amortized cost are recognized initially at fair value, adjusted for any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortized cost using the effective interest rate method, less any impairment losses.

- Fair value through profit or loss or fair value through other comprehensive income: The Company does not have financial instruments that meet the criteria to be measured at fair value and, accordingly, no financial instruments are measured at fair value through profit or loss or fair value through other comprehensive income.

# AUKA CAPITAL CORP.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

### 4. SHARE CAPITAL

The Company is authorized to issue an unlimited number of Preferred Shares without nominal or par value and an unlimited number of Common Shares without nominal or par value.

The Company has the following Common Shares issued and outstanding:

	2022	2021
<b>Issued</b>		
12,500,000 Common Shares	\$ 1,000,000	\$ 125,000

During the period ended December 31, 2022, the Company issued 2,500,000 Common shares at \$0.05 per share and completed their initial public offering issuing an additional 7,500,000 Common shares at \$0.10 per share.

Upon completion of the initial public offering Canaccord Genuity Corp. (the Agent) received warrant options to purchase 750,000 Common Shares at a price of \$0.10 per share for period of five years from September 15, 2022, which is the date of the listing of the Common Shares on the Exchange.

Upon closing of the initial public offering December 13, 2022, the Company granted 758,875 incentive stock options to its directors and officers which are exercisable within ten years from the date of the grant at an exercise price of \$0.10 per Common Share.

	2022		2021	
	Options outstanding	Exercise price	Options outstanding	Exercise price
Warrant options	750,000	0.10	-	-
Incentive stock options	758,875	0.10	-	-
	1,508,875	-	-	-

**AUKA CAPITAL CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**4. SHARE CAPITAL, continued**

Management uses the Black-Scholes valuation model to estimate the value of all options issued. For the year-ended December 31, 2022 management believes the value of the options in aggregate is nil (2021 - nil), based on applying the following inputs to the valuation model:

Risk-free Interest Rate - 2.50%  
Exercise Price - \$0.10  
Share Price - \$0.10  
Expected Dividend Yield - 0.00%  
Expected Life of Warrants - two categories;  
    - 5 years for warrant options  
    - 10 years for incentive stock options  
Expected Volatility - 0.00%

For the year-ended December 31, 2022, no options or warrants were exercised (2021 - nil).

**AUKA CAPITAL CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**5. INCOME TAXES**

- (a) The provision for income taxes recorded in the financial statements differs from the amount which would be obtained by applying the statutory income tax rate of 23% (2021 - 23%) to the loss for the years as follows:

	<b>2022</b>	<b>For the period Aug 5, 2021 to Dec 31, 2021</b>
Loss for the year before income taxes	\$ (233,175)	\$ (9,659)
Anticipated income tax recovery of Tax effect of the following:	\$ (53,630)	\$ (2,222)
Benefit of income tax losses not recognized	53,630	2,222
Income tax benefit	\$ -	\$ -

- (b) For income tax purposes, the Company has non-capital losses carried forward from prior years which can be applied to reduce future years' taxable income. These losses expire as follows:

2041	\$ 9,649	
2042	233,175	
	\$ 242,824	
	<b>2022</b>	<b>2021</b>
Deferred income tax		
Losses available for offset against future taxable income	\$ 242,824	\$ 9,649
Valuation allowance against deferred tax assets	(242,824)	(9,649)
Net deferred income tax assets	\$ -	\$ -

Deferred income tax assets are recognized for loss carry-forwards and other deductible temporary differences to the extent that the realization of the related tax benefit through future taxable profits is probable. The Company does not yet have a history of profitability or other supporting evidence of future profitability to support the recognition of deferred tax assets in excess of deferred tax liabilities. Accordingly, the net deferred tax assets of the Company are offset by a valuation allowance, which is re-evaluated at the end of each reporting period.

# AUKA CAPITAL CORP.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

### 6. RELATED PARTY TRANSACTIONS

The Company is related to Gowling WLG (Canada) LLP by virtue of a partner in Gowling WLG (Canada) LLP who is a director and corporate secretary of the Company. Transactions and balances with these related parties are as follows:

Professional fees in the amount of \$85,971 (2021 - \$1,924) paid to the related party for matters pertaining to the review of prospectus drafts, initial public offering filings, share issuance, and completion during the year.

These transactions are in the normal course of operations and are measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

### 7. FINANCIAL INSTRUMENTS RISKS AND UNCERTAINTIES

The Company's financial instruments include cash, and accounts payable and accrued liabilities. The carrying value of these instruments approximates their fair value due to their short-term maturities.

The Company's activities are exposed to a variety of financial risks, including price risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by financial management in conjunction with overall corporate governance.

The Company is exposed to the following risks in respect of certain of the financial instruments held:

#### (a) LIQUIDITY RISK

The Company does have a liquidity risk in the accounts payable and accrued liabilities of \$40,571 (2021 - \$8,924). Liquidity risk is the risk that the Company cannot repay its obligations when they become due to its creditors. The Company reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due, and maintains an adequate cash balance to repay trade creditors as they become payable. In the opinion of management the liquidity risk exposure to the Company is low and is not material.

# AUKA CAPITAL CORP.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

### 8. CAPITAL MANAGEMENT

The Company is a Capital Pool Company and considers items included in shareholders' equity as capital. The Company has no debt. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets.

In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or make special distributions to shareholders. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. The Company had share capital of \$1,000,000 as of December 31, 2022 (2021 - \$125,000).

The Company currently has no source of revenues. The Company's ability to continue as a going concern on a long-term basis and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation is dependent upon the continuing financial support of shareholders and the completion of a Qualifying Transaction.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets of businesses for future investment, with the exception that up to \$3,000 per month may be used for reasonable general and administrative expenses of the Corporation. These restrictions apply until completion of a qualifying transaction by the Company as defined under the policies of the Exchange Policy 2.4.

# **AUKA CAPITAL CORP.**

## **FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**



CHARTERED PROFESSIONAL ACCOUNTANTS  
an Association to practice Chartered Professional Accountancy

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# AUKA CAPITAL CORP.

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DECEMBER 31, 2023

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## INDEPENDENT AUDITOR'S REPORT

To the shareholders of  
Auka Capital Corp.

### *Opinion*

We have audited the financial statements of Auka Capital Corp., which comprise the Statement of Financial Position as at December 31, 2023 and 2022 and the Statement of Loss and Deficit and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and the financial performance and cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS).

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **INDEPENDENT AUDITOR'S REPORT, continued**

### *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.

## INDEPENDENT AUDITOR'S REPORT, continued

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.

Medicine Hat, Alberta  
April 25, 2024

*Hayden Beck CPA*  
*Professional Corporation*  
CHARTERED PROFESSIONAL ACCOUNTANT



CHARTERED PROFESSIONAL ACCOUNTANTS  
an Association to practice Chartered Professional Accountancy

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# AUKA CAPITAL CORP.

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023

	2023	2022
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 711,186	\$ 797,737
Short-term deposit	5,000	-
	\$ 716,186	\$ 797,737
<b>LIABILITY</b>		
<b>CURRENT LIABILITY</b>		
Accounts payable and accrued liabilities	\$ 15,629	\$ 40,571
<b>SHAREHOLDERS' EQUITY</b>		
<b>SHARE CAPITAL (Note 4)</b>	1,000,000	1,000,000
<b>DEFICIT</b>	(299,443)	(242,834)
	700,557	757,166
	\$ 716,186	\$ 797,737

On behalf of the Board of Directors

(s) "Robert Cole" (President & CEO) Director

(s) "Michael Kaiser" (CEO) Director

**AUKA CAPITAL CORP.**  
**STATEMENT OF LOSS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>2023</b>	<b>2022</b>
<b>REVENUE</b>	\$ -	\$ -
<b>EXPENSES</b>		
Professional fees	56,490	233,175
Interest and bank charges	119	-
	56,609	233,175
<b>NET LOSS</b>	\$ (56,609)	\$ (233,175)
<b>BASIC LOSS PER SHARE</b>	(0.0045)	(0.0341)
<b>DILUTED LOSS PER SHARE</b>	(0.0045)	(0.0328)
<b>AVERAGE WEIGHTED NUMBER OF COMMON SHARES</b>	12,500,000	6,847,260
<b>AVERAGE WEIGHTED NUMBER OF DILUTED SHARES</b>	12,500,000	7,104,547

The accompanying notes are an integral part of the financial statements

**AUKA CAPITAL CORP.**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Share capital	Deficit	Total equity
<b>Balance, August 5, 2021</b>	\$ 125,000	\$ (9,659)	\$ 115,341
Net loss	-	(233,175)	(233,175)
Issuance of share capital	875,000	-	875,000
<b>Balance, December 31, 2022</b>	1,000,000	(242,834)	757,166
Net loss	-	(56,609)	(56,609)
<b>Balance, December 31, 2023</b>	\$ 1,000,000	\$ (299,443)	\$ 700,557

The accompanying notes are an integral part of the financial statements

**AUKA CAPITAL CORP.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>2023</b>	<b>2022</b>
<hr/>		
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (56,609)	\$ (233,175)
Change in non-cash working capital		
Accounts payable and accrued liabilities	(24,942)	31,647
	(81,551)	(201,528)
<b>INVESTING ACTIVITY</b>		
Purchase of short-term deposit	(5,000)	-
<b>FINANCING ACTIVITY</b>		
Issuance of share capital	-	875,000
	(86,551)	673,472
<b>INCREASE (DECREASE) IN CASH</b>	<b>(86,551)</b>	<b>673,472</b>
<b>CASH, beginning of year</b>	<b>797,737</b>	<b>124,265</b>
	(81,551)	(201,528)
<b>CASH, end of year</b>	<b>\$ 711,186</b>	<b>\$ 797,737</b>

The accompanying notes are an integral part of the financial statements

# **AUKA CAPITAL CORP.**

## **NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

### **NATURE OF BUSINESS**

Auka Capital Corp. (the "Company") was incorporated on August 5, 2021 under the laws of the Province of Alberta, Canada as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4.

Head office is located at 1600, 421 7th Avenue SW, Calgary Alberta, T2P 4K9.

The principal business of the Company is the identification and evaluation of assets, or a business, and once identified or evaluated, to negotiate the acquisition or participation in the business (the "Qualifying Transaction"), subject to, if a non-arm's length Qualifying Transaction, receipt of majority approval of the minority shareholders and acceptance by regulatory authorities.

Until the completion of a Qualifying Transaction, the Company will not carry on any other business.

### **1. BASIS OF PRESENTATION**

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

The financial statements were approved by the Board of Directors and authorized for issue on April 25, 2024.

The financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting except for the Statement of Cash Flows.

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

### **2. GOING CONCERN**

These financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. As at December 31, 2023 the Company's management believes it has sufficient cash to satisfy its financial obligations for the next 12 months. The continuation of the Company is dependent upon the continuing financial support of shareholders and the completion of a Qualifying Transaction.

# **AUKA CAPITAL CORP.**

## **NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

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

#### **CASH AND CASH EQUIVALENTS**

Cash consists of balances with financial institutions. Cash in bank deposit accounts, at times, exceeds federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

#### **SHARE-BASED PAYMENTS**

The Company uses the Black-Scholes option pricing model to determine the fair value of options and warrants in order to calculate share-based payments expense and the fair value of agent warrants. The Black-Scholes option pricing model involves key inputs to determine fair value of an option: risk-free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve considerable judgment and could be affected by significant factors that are out of the Company's control. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of share-based payments expense.

#### **INCOME TAXES**

Income tax comprises of both current and deferred tax. Income tax is recognized in the statement of operations except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rate and laws that have been enacted or substantively enacted at the statement of financial statement date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax assets and liabilities are presented as non-current.

# AUKA CAPITAL CORP.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

### 3. SIGNIFICANT ACCOUNTING POLICIES, *continued*

#### **CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND MEASUREMENT UNCERTAINTY**

The preparation of the Company's financial statements, in conformity with IFRS, requires management of the Company to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. These estimates and judgments have been applied in a manner consistent with prior periods.

The following discusses the most significant accounting judgments and estimates that the company has made in the preparation of the financial statements:

#### **Income taxes**

The estimation of income 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 before they expire. The Company's assessment is based upon existing tax laws and estimates of future taxable income. If the assessment of the Company's ability to utilize the underlying future tax deductions changes, the Company would be required to recognize more or fewer of the tax deductions as assets, which would decrease or increase the income tax expense in the period in which this is determined.

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

The company uses the Black-Scholes option pricing model to determine the fair value of options and warrants in order to calculate share-based payments expense and the fair value of stock options and warrants. The Black-Scholes option pricing model involves key inputs to determine fair value of an option: risk-free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control. the Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of share-based payments expense.

# **AUKA CAPITAL CORP.**

## **NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

### **3. SIGNIFICANT ACCOUNTING POLICIES, continued**

#### **FINANCIAL INSTRUMENTS**

Financial instruments are measured at fair value on initial recognition, which is typically the transaction price unless a significant financing component is present. Subsequent measurement is dependent on whether the instrument is classified as "amortized cost", "fair value through profit or loss" or "fair value through other comprehensive income". The classification of financial assets is determined by their characteristics and their context in the Company's business model.

The Company classifies financial assets and liabilities as follows:

- Amortized cost: Cash and accounts payable and accrued liabilities are held by the Company to collect or pay contractual cash flows and are measured at amortized cost. Financial instruments measured at amortized cost are recognized initially at fair value, adjusted for any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortized cost using the effective interest rate method, less any impairment losses.

- Fair value through profit or loss or fair value through other comprehensive income: The Company does not have financial instruments that meet the criteria to be measured at fair value and, accordingly, no financial instruments are measured at fair value through profit or loss or fair value through other comprehensive income.

# AUKA CAPITAL CORP.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

### 4. SHARE CAPITAL

The Company is authorized to issue an unlimited number of Preferred Shares without nominal or par value and an unlimited number of Common Shares without nominal or par value.

The Company has the following Common Shares issued and outstanding:

	<b>2023</b>	<b>2022</b>
<b>Issued</b>		
12,500,000 Common Shares	\$ 1,000,000	\$ 1,000,000

During the period ended December 31, 2022, the Company issued 2,500,000 Common shares at \$0.05 per share and completed their initial public offering issuing an additional 7,500,000 Common shares at \$0.10 per share.

Upon completion of the initial public offering Canaccord Genuity Corp. (the Agent) received warrant options to purchase 750,000 Common Shares at a price of \$0.10 per share for period of five years from September 15, 2022, which is the date of the listing of the Common Shares on the Exchange.

Subsequent to the closing of the initial public offering December 13, 2022, the Company granted 758,875 incentive stock options to its directors and officers which are exercisable within ten years from the date of the grant at an exercise price of \$0.10 per Common Share. In addition, on January 11, 2023, a further 453,250 incentive stock options were issued to certain directors and officers which are exercisable within ten years from the date of the grant at an exercise price of \$0.10 per Common Share.

**AUKA CAPITAL CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**4. SHARE CAPITAL, continued**

	2023		2022	
	Options outstanding	Exercise price	Options outstanding	Exercise price
Warrant options	750,000	0.10	750,000	0.10
Incentive stock options	1,212,125	0.10	758,875	0.10
	1,962,125	-	1,508,875	-

Management uses the Black-Scholes option pricing model to estimate the value of all options issued. For the year-ended December 31, 2023 management believes the value of the options in aggregate is nil (2022 - nil), based on applying the following estimated inputs to the pricing model:

Risk-free Interest Rate - 2.50%  
 Exercise Price - \$0.10  
 Share Price - \$0.10  
 Expected Dividend Yield - 0.00%  
 Expected Life of Warrants - two categories;  
     - 5 years for warrant options  
     - 10 years for incentive stock options  
 Expected Volatility - 0.00%

For the year-ended December 31, 2023, no options or warrants were exercised (2022 - nil). In accordance with IAS 33, options and warrants have a dilutive effect only when the average market price of ordinary shares during the period exceeds the exercise price of the options and warrants. At December 31, 2023, all outstanding options have an exercise price of \$0.10, equal to the average market price (2022 - \$0.10). Therefore, these options are considered antidilutive, and are excluded from the dilution calculations for 2023.

# AUKA CAPITAL CORP.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

### 5. INCOME TAXES

- (a) The provision for income taxes recorded in the financial statements differs from the amount which would be obtained by applying the statutory income tax rate of 23% (2022 - 23%) to the loss for the years as follows:

	2023	2022
Loss for the year before income taxes	\$ (56,609)	\$ (233,175)
Anticipated income tax recovery of Tax effect of the following:	\$ (13,020)	\$ (53,630)
Benefit of income tax losses not recognized	13,020	53,630
Income tax benefit	\$ -	\$ -

- (b) For income tax purposes, the Company has non-capital losses carried forward from prior years which can be applied to reduce future years' taxable income. These losses expire as follows:

2041	\$ 9,649	
2042	233,175	
2043	56,609	
	\$ 299,433	

	2023	2022
Deferred income tax		
Losses available for offset against future taxable income	\$ 299,433	\$ 242,824
Valuation allowance against deferred tax assets	(299,433)	(242,824)
Net deferred income tax assets	\$ -	\$ -

Deferred income tax assets are recognized for loss carry-forwards and other deductible temporary differences to the extent that the realization of the related tax benefit through future taxable profits is probable. The Company does not yet have a history of profitability or other supporting evidence of future profitability to support the recognition of deferred tax assets in excess of deferred tax liabilities. Accordingly, the net deferred tax assets of the Company are offset by a valuation allowance, which is re-evaluated at the end of each reporting period.

# AUKA CAPITAL CORP.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

### 6. RELATED PARTY TRANSACTIONS

The Company is related to Gowling WLG (Canada) LLP by virtue of a partner in Gowling WLG (Canada) LLP who is a director and corporate secretary of the Company. Transactions and balances with these related parties are as follows:

Professional fees in the amount of \$18,791 (2022 - \$85,971) paid to the related party for matters pertaining to the review of prospectus drafts, initial public offering filings, share issuance, and completion during the year.

These transactions are in the normal course of operations and are measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

### 7. FINANCIAL INSTRUMENTS RISKS AND UNCERTAINTIES

The Company's financial instruments include cash, and accounts payable and accrued liabilities. The carrying value of these instruments approximates their fair value due to their short-term maturities.

The Company's activities are exposed to a variety of financial risks, including price risk and liquidity risk. The Company's risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk is managed through overall corporate governance and a high level of scrutiny of financial transactions, combined with a management team familiar with capital markets and corporate finance.

The Company is exposed to the following risks in respect of certain of the financial instruments held:

#### (a) LIQUIDITY RISK

The Company has limited liquidity risk to the extent of its accounts payable and accrued liabilities of \$15,629 (2022 - \$40,571). Liquidity risk is the risk that the Company cannot repay its obligations when they become due to its creditors. The Company reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due, and maintains an adequate cash balance to repay trade creditors as they become payable. In the opinion of management, the liquidity risk exposure to the Company is minimal.

# **AUKA CAPITAL CORP.**

## **NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

### **8. CAPITAL MANAGEMENT**

The Company is a Capital Pool Company and considers items included in shareholders' equity as capital. The Company has no debt. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets.

In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids, or make special distributions to shareholders. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. The Company had share capital of \$1,000,000 as of December 31, 2023 (2022 - \$1,000,000).

The Company currently has no source of revenues. The Company's ability to continue as a going concern on a long-term basis and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation is dependent upon the continuing financial support of shareholders and the completion of a Qualifying Transaction.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets of businesses for future investment, with the exception that up to \$3,000 per month may be used for reasonable general and administrative expenses of the Corporation. These restrictions apply until completion of a qualifying transaction by the Company as defined under the policies of the Exchange Policy 2.4.

**AUKA CAPITAL CORP.**  
**CONDENSED INTERIM FINANCIAL**  
**STATEMENTS**  
(Unaudited)  
**JUNE 30, 2024**



CHARTERED PROFESSIONAL ACCOUNTANTS  
an Association to practice Chartered Professional Accountancy

**Medicine Hat Office**

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# AUKA CAPITAL CORP.

## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (Unaudited)

JUNE 30, 2024

### ASSETS

	2024 (Unaudited)	December 31, 2023 (Audited)
<b>CURRENT ASSETS</b>		
Cash	\$ 624,724	\$ 711,186
Short-term deposit	5,203	5,000
	<b>\$ 629,927</b>	<b>\$ 716,186</b>

### LIABILITY

#### CURRENT LIABILITY

Accounts payable and accrued liabilities (Note 4)	\$ 39,064	\$ 15,629
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### SHAREHOLDERS' EQUITY

<b>SHARE CAPITAL</b>	1,000,000	1,000,000
<b>DEFICIT</b>	(409,137)	(299,443)
	<b>590,863</b>	<b>700,557</b>
	<b>\$ 629,927</b>	<b>\$ 716,186</b>

**GOING CONCERN (Note 2)**

**SUBSEQUENT EVENT (Note 5)**

# AUKA CAPITAL CORP.

## CONDENSED INTERIM STATEMENT OF LOSS

(Unaudited)

FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2024

	2024	For the three month period ended June 30, 2023	For the six month period ended June 30, 2024	For the six month period ended June 30, 2023
<b>REVENUE</b>	\$ -	\$ -	\$ -	\$ -
<b>EXPENSES</b>				
Interest and bank charges	115	68	200	68
Professional fees	97,450	2,147	109,697	14,627
	97,565	2,215	109,897	14,695
<b>LOSS FROM OPERATIONS</b>	(97,565)	(2,215)	(109,897)	(14,695)
<b>INTEREST INCOME</b>	203	-	203	-
<b>NET LOSS</b>	\$ (97,362)	\$ (2,215)	\$ (109,694)	\$ (14,695)
<b>BASIC AND DILUTED LOSS PER SHARE</b>	(0.0078)	(0.0002)	(0.0088)	(0.0012)
<b>AVERAGE WEIGHTED NUMBER OF COMMON SHARES</b>	12,500,000	12,500,000	12,500,000	12,500,000
<b>AVERAGE WEIGHTED NUMBER OF DILUTED SHARES</b>	12,500,000	12,500,000	12,500,000	12,500,000

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

# AUKA CAPITAL CORP.

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Unaudited)

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024

	Number of shares	Share capital	Deficit	Total equity
<b>Balance, December 31, 2022</b>	12,500,000	\$ 1,000,000	\$ (242,834)	\$ 757,166
Net loss for the period	-	-	(14,695)	(14,695)
<b>Balance, June 30, 2023</b>	12,500,000	1,000,000	(257,529)	742,471
Transactions for the period July 1, 2023 to December 31, 2023	-	-	(41,914)	(41,914)
<b>Balance, December 31, 2023</b>	12,500,000	1,000,000	(299,443)	700,557
Net loss for the period	-	-	(109,694)	(109,694)
<b>Balance, June 30, 2024</b>	12,500,000	\$ 1,000,000	\$ (409,137)	\$ 590,863

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

# AUKA CAPITAL CORP.

## CONDENSED INTERIM STATEMENT OF CASH FLOWS (Unaudited)

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024

	2024	For the six month period ended June 30, 2023
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (109,694)	\$ (14,695)
Change in non-cash working capital		
Accounts payable and accrued liabilities	23,435	(38,816)
	(86,259)	(53,511)
<b>INVESTING ACTIVITY</b>		
Purchase of short-term deposit	(203)	(5,000)
<b>DECREASE IN CASH</b>	(86,462)	(58,511)
<b>CASH, beginning of period</b>	711,186	797,737
<b>CASH, end of period</b>	\$ 624,724	\$ 739,226

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

# AUKA CAPITAL CORP.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited)

JUNE 30, 2024

### NATURE OF BUSINESS

Auka Capital Corp. (the "Company") was incorporated on August 5, 2021 under the laws of the Province of Alberta, Canada as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4.

Head office is located at 1600, 421 7th Avenue SW, Calgary Alberta, T2P 4K9.

The principal business of the Company is the identification and evaluation of assets, or a business, and once identified or evaluated, to negotiate the acquisition or participation in the business (the "Qualifying Transaction"), subject to, if a non-arm's length Qualifying Transaction, receipt of majority approval of the minority shareholders and acceptance by regulatory authorities.

Until the completion of a Qualifying Transaction, the Company will not carry on any other business.

### 1. BASIS OF PRESENTATION

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations of the IFRS Interpretations Committee (IFRIC's) and are in compliance with IAS 34.

The condensed interim financial statements were approved by the Board of Directors and authorized for issue on September 27, 2024.

The condensed interim financial statements have been prepared on a historical cost basis. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting except for the Statement of Cash Flows.

The notes presented in these condensed interim financial statements include only significant events and transactions occurring since the Company's last fiscal year end and are not fully inclusive of all matters required to be disclosed by IFRS in the Company's annual consolidated financial statements. As a result, these condensed interim financial statements should be read in conjunction with the annual financial statements.

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

# AUKA CAPITAL CORP.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited)

JUNE 30, 2024

### 2. GOING CONCERN

These condensed interim financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. As at June 30, 2024, the Company's management believes it has sufficient cash to satisfy its financial obligations for the next 12 months. The continuation of the Company is dependent upon the continuing financial support of shareholders and the completion of a Qualifying Transaction.

### 3. SIGNIFICANT ACCOUNTING POLICY

#### FINANCIAL INSTRUMENTS

Financial instruments are measured at fair value on initial recognition, which is typically the transaction price unless a significant financing component is present. Subsequent measurement is dependent on whether the instrument is classified as "amortized cost," "fair value through profit or loss" or "fair value through other comprehensive income". The classification of financial assets is determined by their characteristics and their context in the Company's business model.

The Company classifies financial assets and liabilities as follows:

- Amortized cost: Cash, short-term investment and accounts payable and accrued liabilities are held by the Company to collect or pay contractual cash flows and are measured at amortized cost. Financial instruments measured at amortized cost are recognized initially at fair value, adjusted for any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortized cost using the effective interest rate method, less any impairment losses.

- Fair value through profit or loss or fair value through other comprehensive income: The Company does not have financial instruments that meet the criteria to be measured at fair value and, accordingly, no financial instruments are measured at fair value through profit or loss or fair value through other comprehensive income.

# AUKA CAPITAL CORP.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited)

JUNE 30, 2024

### 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2024 (Unaudited)	December 31, 2023 (Audited)
Trade accounts payable	\$ 39,064	\$ 15,629

Included in accounts payable is \$28,512 (2023 - \$4,772) owing to Gowling WLG (Canada) LLP, a related party, related by virtue of a partner in Gowling WLG (Canada) LLP who is a director and corporate secretary of the Company.

### 5. SUBSEQUENT EVENT

Subsequent to the period, the Company entered into an agreement to combine with the business and assets of Dr. Phone Fix Canada Limited by way of a three-cornered amalgamation. The impact of this combination on the Company's subsequent financial statements is currently unknown.

### 6. RELATED PARTY TRANSACTIONS

The Company is related to Gowling WLG (Canada) LLP by virtue of a partner in Gowling WLG (Canada) LLP who is a director and corporate secretary of the Company. The following related party transactions occurred during the period:

During the three and six month periods ending June 30, 2024, the Company paid \$85,556 and \$85,950, respectively (during three and six month periods ending June 30, 2023, \$2,139 and \$2,139, respectively) to Gowling WLG (Canada) LLP for professional fees for matters pertaining to general corporate matters, the review of purchase agreements, initial public offering filings, share issuance, and completion during the year.

These transactions are in the normal course of operations and are measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

**SCHEDULE "B"**  
**AUKA MANAGEMENT'S DISCUSSION AND ANALYSIS**

(see attached)

**AUKA CAPITAL CORP.**  
**(also referred to as the "Corporation")**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

The following management discussion and analysis ("**MD&A**") is dated April 28, 2022, is in respect of the year ended December 31, 2022, and should be read in conjunction with the audited financial statements for the year ended December 31, 2022 prepared in accordance with International Financial Reporting Standards ("**IFRS**"). Additional information regarding the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com).

All dollar figures included therein and in the following discussion analysis are quoted in Canadian dollars unless otherwise noted.

### **BUSINESS OVERVIEW AND OUTLOOK**

The Corporation was incorporated pursuant to articles of incorporation dated August 5, 2021 under the *Business Corporations Act* (Alberta). The head office and registered office address of the Corporation is Suite 1600, 421 – 7th Avenue S.W., Calgary, Alberta, T2P 4K9, Canada.

On September 15, 2022, the Corporation filed its final prospectus (the "**Prospectus**") to become a Capital Pool Company ("**CPC**"), as defined pursuant to Policy 2.4 of the TSX Venture Exchange (the "**TSXV**") and a "Reporting Issuer" in each of the provinces of Ontario, Alberta and British Columbia.

From the date of incorporation (August 5, 2021) to September 15, 2022, the Corporation issued seed shares of 5,000,000 at a price of \$0.05 per share to the founders of the Corporation, and on December 13, 2022 the Corporation announced the completion of its initial public offering (the "**Offering**") of a total of 7,500,000 common shares in the capital of the Corporation ("**Common Shares**") at a price of \$0.10 per share for gross proceeds of \$750,000.

The Common Shares of the Corporation were listed for trading on the TSX Venture Exchange on December 12, 2022 under the symbol AUK.P.

The Corporation has not commenced operations and has no significant assets other than cash. As a CPC, the Corporation's principal business objective is to identify and evaluate assets, properties or businesses with a view to a potential acquisition or participation by completing a qualifying transaction (a "**Qualifying Transaction**") subject, in certain cases, to shareholders' approval and acceptance by the TSXV. There is no assurance that the Corporation will identify and successfully acquire businesses or assets that will produce a profit. Moreover, if a potential business or asset is identified which warrants acquisition or participation, the Corporation may not be able to obtain such financing on terms which are satisfactory to the Corporation.

### **RISKS AND UNCERTAINTIES**

The Corporation does not have a history of earnings, nor has it paid any dividends. The Corporation has only limited funds and there is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the TSXV, at which time the exchange may suspend or de-list the Corporation's shares from trading.

## SELECTED FINANCIAL INFORMATION

The following table is a summary of selected financial information (in Canadian dollars) derived from the Corporation's financial statements prepared in accordance with International Financial Reporting Standards:

	Year ended Dec 31, 2021	Year ended Dec 31, 2022
Total Assets	\$124,265	\$797,737
Total Liabilities	\$8,924	\$40,571
Net loss and comprehensive loss for the period	\$(9,659)	\$(233,175)
Basic net loss per share for the period	\$(0.0039)	\$(0.0341)
Average Weighted Number of Common Shares	5,000,000	6,847,260

For the year ended December 31, 2022 the Corporation reported no revenue, no discontinued operations, no non-current financial liabilities, and declared no cash dividends.

## RESULTS OF OPERATIONS

During the year ended December 31, 2022, the Corporation incurred a loss of \$233,175, with a basic net loss per share of \$0.0341. This compares to a loss of \$9,659, with a basic loss per share of \$0.0039 for the year ended December 31, 2021. The increased loss is primarily due to an increase in professional fees, regulatory filing fees and share-based compensation during the year ended December 31, 2022.

Professional fees for the year ended December 31, 2022 were \$217,425 compared to \$8,924 in the prior period.

Regulatory and filing fees for the year ended December 31, 2022 were \$15,750 compared to \$0 in the prior period, and were primarily related to filing fees in connection with the Offering on the TSXV.

Share-based compensation for the year ended December 31, 2022 was \$0, compared to \$0 in the prior period and related to the granting of stock options to certain directors and officers of the Corporation.

## SUMMARY OF QUARTERLY RESULTS

	3 Months Ended December 31, 2022	3 Months Ended September 30, 2022	3 Months Ended June 30, 2022	3 Months Ended March 31, 2022
Total Revenues	\$ -	\$ -	\$ -	\$ -
Net loss	\$ 173,238	\$ 8,232	\$ 40,784	\$ 10,921

Basic and diluted loss per share	\$	0.0265	\$	0.0016	\$	0.0038	\$	0.0022	\$
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## **FOURTH QUARTER**

The Corporation began the fourth quarter with 187,202 in cash. During the three months ended December 31, 2022, the Corporation spent \$264,465 on operating activities, net of working capital changes, and raised \$875,000 in share capital to end at December 31, 2022 with \$797,737 in cash.

## **OUTSTANDING SHARE DATA**

### **Common Shares**

On August 5, 2021 and February 28, 2022, the Corporation issued a total of 5,000,000 Common Shares as seed shares at a price of \$0.05 per share for gross proceeds of \$250,000. As at December 31, 2022 and the date of this MD&A, the Corporation had 12,500,000 Common Shares issued and outstanding.

### **Stock Options**

As at December 31, 2022, there were 750,000 stock options outstanding entitling the holders thereof the right to purchase one Common Share for each option held. Further detail on the holders of such options may be found in the Corporation's Prospectus dated September 15, 2022, a copy of which may be found on [www.sedar.com](http://www.sedar.com).

## **LIQUIDITY AND CAPITAL RESOURCES:**

The Corporation completed the Offering as a Capital Pool Company pursuant to Policy 2.4 of the TSX Venture Exchange. The Corporation received net proceeds of \$661,400,54, gross proceeds of \$750,000 less share issuance costs of \$88,599, consisting of \$88,599 cash and \$0 share-based issuance costs, representing the issuance of 7,500,000 common shares of the Corporation at an issuance price of \$0.10. Until the completion of a Qualifying Transaction, not more than 30% of the gross proceeds from the sale of all securities issued by the Corporation, totaling \$300,000 will be used for purposes other than evaluating businesses or assets.

As at December 31, 2022, the Corporation had net working capital of \$757,166 comprised of cash of \$797,737 and accounts payable and accrued liabilities of \$40,571, which management considers to be sufficient for the Corporation to meet its ongoing obligations.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Corporation has no off-balance sheet arrangements.

## **TRANSACTIONS WITH RELATED PARTIES:**

On June 13, 2022, the Corporation authorized the granting of 750,000 options to purchase Common Shares, which vested immediately, at an exercise price of \$0.10 per Common Share for a period of ten years from the date of grant, to directors and officers of the Corporation, such options to be granted after the Corporation has completed its initial public offering of a total of 7,500,000 Common Shares for gross proceeds of \$750,000 (the "**Offering**").

There was no remuneration paid to key management personnel during the year ended December 31, 2022. There was \$0 of share-based compensation in the form of stock options granted to directors and officers during the year ended December 31, 2022. No other related party transactions have occurred during this period.

During the year ended December 31, 2022, the Corporation incurred costs of \$109,175 in legal costs with a law firm related to one of the Corporation's directors. Included in accounts payable as at December 31, 2022 is \$0 owing to the law firm.

## **CRITICAL ACCOUNTING ESTIMATES**

The Corporation's significant accounting policies and estimates are summarized in Note 3 of the audited financial statements for the years ended December 31, 2022 and 2021.

## **FINANCIAL INSTRUMENTS**

The Corporation's senior management oversees the management of these risks and advises on financial risks and the appropriate financial risk governance framework for the Corporation. The Corporation's senior management provides assurance that the Corporation's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured, and managed in accordance with the Corporation's policies and group risk appetite. All derivative activities, if any, for risk management purposes are carried out by a team that has the appropriate skills, experience, and supervision. It is the Corporation's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

### *Credit risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Corporation to concentrations of credit risks consist principally of cash. The cash is currently being held in a solicitor's trust account and a high quality financial institution.

### *Liquidity risk*

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation currently settles its financial obligations out of cash. The ability to do this relies on the Corporation raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

### *Interest rate risk*

The Corporation is not exposed to any significant interest rate risk.

#### *Foreign currency risk*

The Corporation believes it is currently not exposed to foreign currency risk since all of its assets, liabilities and operations are denominated in Canadian dollars.

#### *Price risk*

The Corporation believes it currently has no price risk. The carrying amount of cash, accounts payable and accrued liabilities approximates their fair value due to their short-term nature.

### **CRITICAL ACCOUNTING ESTIMATES**

This MD&A is based on the financial statements which have been prepared in accordance with IFRS. The preparation of the financial statements requires that certain estimates and judgments are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances.

The accounting estimates for share based payments is based on the Black-Scholes option valuation model which was developed for use in estimating the fair value of traded options which were fully tradable with no vesting restrictions. This option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Since the Corporation's stock options have characteristics significantly different from those of traded options and since changes in the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

### **CAPITAL RISK MANAGEMENT**

The Corporation's capital currently consists of common shares and options. The Corporation defines capital as total equity which was \$1,000,000 at December 31, 2022. Its principal source of cash is from the issuance of Common Shares. The Corporation's capital management objectives are to safeguard its ability to continue as a going-concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares.

The proceeds raised from the issuance of Common Shares may only be used to identify and evaluate assets or business for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of Common Shares issued in the Offering may be used to cover prescribed costs of issuing the Common Shares or administrative and general expenses of the Corporation. These restrictions apply until the completion of a Qualifying Transaction.

### **SUBSEQUENT EVENTS**

None.

### **FORWARD LOOKING INFORMATION**

This MD&A contains forward-looking information that involves material assumptions and known and unknown risks and uncertainties, certain of which are beyond the Corporation's control. Such assumptions, risks and uncertainties include, without limitation, those associated with, loss of

markets, volatility of commodity prices, currency fluctuations, delays resulting from the inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources, the effect of general economic conditions in Canada and the United States, industry conditions, changes in laws and regulations and changes in how they are interpreted and enforced, increased competition, the lack of qualified personnel or management, fluctuations in foreign exchange or interest rates, stock market volatility and market valuations of companies with respect to announced transactions and the final valuations thereof, and obtaining required approvals of regulatory authorities. The Corporation's actual results, performance or achievements could differ materially from those expressed in, or implied by, this forward-looking information and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits the Corporation will derive therefrom. The forward-looking information is made as at the date of this MD&A and the Corporation does not undertake any obligation to update publicly or to revise any of the included forward-looking information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

**AUKA CAPITAL CORP.**  
**(also referred to as the "Corporation")**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**FOR THE PERIOD ENDING DECEMBER 31, 2023**

The following discussion and analysis should be read in conjunction with the audited financial statements for the period ended December 31, 2023 prepared accordance with International Financial Reporting Standards ("IFRS"). Additional information regarding the Corporation is available on SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com).

All dollar figures included therein and in the following discussion analysis are quoted in Canadian dollars unless otherwise noted.

## **DATE**

This management's discussion and analysis ("MD&A") is dated April 29, 2024 and is in respect of the period ended December 31, 2023.

The discussion in this MD&A focuses on this period. Estimates and forward-looking information are based on assumptions of future events and actual results may vary from these estimates.

## **DESCRIPTION OF THE CORPORATION'S BUSINESS AND OVERALL PERFORMANCE**

The Corporation was incorporated pursuant to articles of incorporation dated August 5, 2021 under the *Business Corporations Act* (Alberta). The head office and registered office address of the Corporation is Suite 1600, 421 – 7th Avenue S.W., Calgary, Alberta, T2P 4K9, Canada.

The Corporation is a Capital Pool Company ("CPC") as defined pursuant to Policy 2.4 of The TSX Venture Exchange (the "TSXV") and is seeking to identify and evaluate corporations, businesses or assets for acquisition and once identified and evaluated, to negotiate an acquisition or participation subject to receipt of shareholder and regulatory approval.

From the date of incorporation (August 5, 2021) to the period ended December 31, 2023, the Corporation issued an aggregate of 12,500,000 common shares in the capital of the Corporation ("Common Shares") at an average price of \$0.08 per share for gross proceeds of \$1,000,000.

## **RISKS AND UNCERTAINTIES**

The Corporation does not have a history of earnings, nor has it paid any dividends. The Corporation has only limited funds and there is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the TSXV, at which time the exchange may suspend or de-list the Corporation's shares from trading.

## **SELECTED FINANCIAL INFORMATION**

The Corporation was incorporated on August 5, 2021 and was not yet a "Reporting Issuer" pursuant to applicable securities legislation until September 15, 2022, the date of the final receipt for the Corporation's Prospectus as issued by the Ontario, Alberta and British Columbia Securities Commissions, thereby becoming a "Reporting Issuer" in each of the provinces of Ontario, Alberta and British Columbia.

The following table is a summary of selected interim financial information (in Canadian dollars) derived from the Corporation's financial statements prepared in accordance with International Financial Reporting Standards:

	Year ended Dec 31, 2022	Year ended Dec 31, 2023
Total Assets	\$797,737	\$716,186
Total Liabilities	\$40,571	\$15,629
Net loss and comprehensive loss for the period	\$(233,175)	\$(56,609)
Basic net loss per share for the period	\$(0.0341)	\$(0.0045)
<hr/>		
Average Weighted Number of Common Shares	6,847,260	12,500,000

For the period ended December 31, 2023, the Corporation reported no discontinued operations and declared no cash dividends.

## **RESULTS OF OPERATIONS**

During the period ended December 31, 2023, the Corporation incurred a loss of \$(56,609) which mainly relates to professional fees.

## **OUTSTANDING SHARE DATA**

### **Common Shares**

As at December 31, 2022 and the date of this MD&A, the Corporation had 12,500,000 Common Shares issued and outstanding.

### **Stock Options**

As at December 31, 2023, there were 1,962,125 stock options outstanding entitling the holders thereof the right to purchase one common share for each option held. Further detail on the holders of such options may be found in the Corporation's Prospectus dated September 15, 2022, a copy of which may be found on [www.sedar.com](http://www.sedar.com).

## **LIQUIDITY AND CAPITAL RESOURCES:**

As at December 31, 2023, the Corporation had a net working capital of \$716,186 comprised of cash of \$711,186, a term deposit of \$5,000, and accounts payable and accrued liabilities of \$15,629, which management considers to be sufficient for the Corporation to meet its ongoing obligations.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Corporation has no off-balance sheet arrangements.

## **TRANSACTIONS WITH RELATED PARTIES:**

During the period ended December 31, 2022, the Corporation issued 2,500,000 Common shares at \$0.05 per share and completed their initial public offering issuing an additional 7,500,000 Common shares at \$0.10 per share (the "IPO")

Upon completion of the initial public offering Canaccord Genuity Corp. (the Agent) received warrant options to purchase 750,000 Common Shares at a price of \$0.10 per share for period of five years from September 15, 2022, which is the date of the listing of the Common Shares on the Exchange.

Upon closing of the initial public offering December 13, 2022, the Corporation granted 758,875 incentive stock options to its directors and officers which are exercisable within ten years from the date of the grant at an exercise price of \$0.10 per Common Share. On January 11, 2023, an additional 453,250 incentive stock options were issued to certain directors and officers which are exercisable within ten years from the date of the grant at an exercise price of \$0.10 per Common Share.

There was no remuneration paid to key management personnel during the period ended December 31, 2023. There was \$0 of share-based compensation in the form of stock options granted to directors and officers during the period ended December 31, 2023. No other related party transactions have occurred during this period.

During the period the Corporation incurred costs of \$18 791 in legal fees and disbursements with a law firm related to one of the Corporation's directors. Included in accounts payable as at December 31, 2023 is \$4,772.25 owing to the law firm.

## **FINANCIAL INSTRUMENTS**

The Corporation's senior management oversees the management of these risks and advises on financial risks and the appropriate financial risk governance framework for the Corporation. The Corporation's senior management provides assurance that the Corporation's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured, and managed in accordance with the Corporation's policies and group risk appetite. All derivative activities, if any, for risk management purposes are carried out by a team that has the appropriate skills, experience, and supervision. It is the Corporation's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

### *Credit risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Corporation to concentrations of credit risks consist principally of cash. The cash is currently being held in a solicitor's trust account and a high-quality financial institution.

### *Liquidity risk*

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation currently settles its financial obligations out of cash. The ability to do this relies on the Corporation raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

#### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

#### *Interest rate risk*

The Corporation is not exposed to any significant interest rate risk.

#### *Foreign currency risk*

The Corporation believes it is currently not exposed to foreign currency risk since all of its assets, liabilities and operations are denominated in Canadian dollars.

#### *Price risk*

The Corporation believes it currently has no price risk. The carrying amount of cash, accounts payable and accrued liabilities approximates their fair value due to their short-term nature.

### **CRITICAL ACCOUNTING ESTIMATES**

This MD&A is based on the financial statements which have been prepared in accordance with IFRS. The preparation of the financial statements requires that certain estimates and judgments are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances.

The accounting estimates for share based payments is based on the Black-Scholes option valuation model which was developed for use in estimating the fair value of traded options which were fully tradable with no vesting restrictions. This option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Since the Corporation's stock options have characteristics significantly different from those of traded options and since changes in the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

### **CAPITAL RISK MANAGEMENT**

The Corporation's capital currently consists of common shares and options. The Corporation defines capital as total equity which was \$1,000,000 at December 31, 2023. Its principal source of cash is from the issuance of Common Shares. The Corporation's capital management objectives are to safeguard its ability to continue as a going-concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or business for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares issued in the IPO may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions apply until the completion of a Qualifying Transaction.

## **SUBSEQUENT EVENT**

### *Signing of Binding Letter Agreement for Qualifying Transaction*

On April 15, 2024, subsequent to the end of the reporting period but before the issuance of these financial statements, the Corporation entered into a binding letter agreement regarding a business combination (the “Transaction”) with Dr. Phone Fix Canada Limited (“DPF”). The Transaction is subject to customary closing conditions, including regulatory approvals.

The Transaction is anticipated to have a material impact on the Corporation’s financial position, results of operations, and cash flows. The Corporation’s senior management is currently assessing the preliminary implications of this Transaction on the Corporation’s financial statements, including any adjustments to fair values, integration costs, and potential synergies.

As of the date of this MD&A, the Transaction has not yet been completed, and therefore, the financial effects of the transaction are not reflected herein. However, the Corporation will provide further details and disclosures in the subsequent reporting periods as the Transaction progresses and upon its completion.

## **FORWARD LOOKING INFORMATION**

This MD&A contains forward-looking statements and forward-looking information (collectively, “**Forward-Looking Statements**”) in the “Risks and Uncertainties” and “Outlook” sections that involves material assumptions and known and unknown risks and uncertainties, certain of which are beyond the Corporation’s control. In some cases, Forward-Looking Statements can be identified by the use of forward-looking terminology such as “may”, “will”, “expect”, “intend”, “seek”, “potential”, “estimate”, “anticipate”, “believe”, “could”, “would”, “continue”, “plans”, “target”, “is/are likely to”, or the negative of these terms, or similar expressions intended to identify forward-looking statements. This document references “working capital”, which is a non-IFRS measure. Within this MD&A, Forward-Looking Statements may include, without limitation, statements with respect to the Corporation’s future plans, strategies and objectives including, without limitation, those associated with, loss of markets, volatility of commodity prices, currency fluctuations, delays resulting from the inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources, the effect of general economic conditions in Canada and the United States, global political uncertainty, natural disasters, terrorist acts, civil unrest, pandemics and other disruptions and dislocations, such as Covid-19, industry conditions, changes in laws and regulations and changes in how they are interpreted and enforced, increased competition, the lack of qualified personnel or management, fluctuations in foreign exchange or interest rates, stock market volatility and market valuations of companies with respect to announced transactions and the final valuations thereof, and obtaining required approvals of regulatory authorities. Management believes the assumptions used in support of such Forward-Looking Statements to be reasonable however, there can be no assurances or guarantees of any sort as to the actual accuracy of any such assumptions and/or future performance of the Corporation whatsoever. Accordingly, actual results, performance or achievements could and likely will differ materially from those expressed, or implied, in such Forward-Looking statements and readers are cautioned not to place any undue reliance on Forward-Looking Statements. No assurances can be given that any of the events anticipated by the Forward-Looking Statements will transpire or occur, or if any of them do so, what benefits the Corporation will derive therefrom. The Forward-Looking Statements are made as at the date of this MD&A and the Corporation does

not undertake any obligation to update publicly or to revise any of the included forward-looking information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

**AUKA CAPITAL CORP.**  
**(also referred to as the "Corporation")**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**FOR THE PERIOD ENDED June 30, 2024**

The following management discussion and analysis ("**MD&A**") is dated August 12, 2024, is in respect of the period ended June 30, 2024, and should be read in conjunction with the unaudited interim financial statements for the three month period ended June 30, 2024 prepared in accordance with International Financial Reporting Standards ("**IFRS**"). Additional information regarding the Corporation is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

All dollar figures included therein and in the following discussion analysis are quoted in Canadian dollars unless otherwise noted.

**BUSINESS OVERVIEW, OUTLOOK AND INTERIM MD&A QUARTELY HIGHLIGHTS**

The Corporation was incorporated pursuant to articles of incorporation dated August 5, 2021 under the *Business Corporations Act* (Alberta). The head office and registered office address of the Corporation is Suite 1600, 421 – 7th Avenue S.W., Calgary, Alberta, T2P 4K9, Canada.

On September 15, 2022, the Corporation filed its final prospectus (the "**Prospectus**") to become a Capital Pool Company ("**CPC**"), as defined pursuant to Policy 2.4 of the TSX Venture Exchange (the "**TSXV**") and a "Reporting Issuer" in each of the provinces of Ontario, Alberta and British Columbia.

From the date of incorporation (August 5, 2021) to September 15, 2022, the Corporation issued seed shares of 5,000,000 at a price of \$0.05 per share to the founders of the Corporation, and on December 13, 2022 the Corporation announced the completion of its initial public offering (the "**Offering**") of a total of 7,500,000 common shares in the capital of the Corporation ("**Common Shares**") at a price of \$0.10 per share for gross proceeds of \$750,000.

The Common Shares of the Corporation were listed for trading on the TSX Venture Exchange on December 12, 2022 under the symbol AUK.P.

The Corporation has not commenced operations and has no significant assets other than cash. As a CPC, the Corporation's principal business objective is to identify and evaluate assets, properties or businesses with a view to a potential acquisition or participation by completing a qualifying transaction (a "**Qualifying Transaction**") subject, in certain cases, to shareholders' approval and acceptance by the TSXV. There is no assurance that the Corporation will identify and successfully acquire businesses or assets that will produce a profit. Moreover, if a potential business or asset is identified which warrants acquisition or participation, the Corporation may not be able to obtain such financing on terms which are satisfactory to the Corporation.

**RISKS AND UNCERTAINTIES**

The Corporation does not have a history of earnings, nor has it paid any dividends. The Corporation has only limited funds and there is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the TSXV, at which time the exchange may suspend or de-list the Corporation's shares from trading.

## SELECTED FINANCIAL INFORMATION

The following table is a summary of selected financial information (in Canadian dollars) derived from the Corporation's financial statements prepared in accordance with International Financial Reporting Standards:

	Period ended June 30, 2024	Period ended June 30, 2023
Total Assets	\$629,725	\$744,220
Total Liabilities	\$285	\$0
Net loss and comprehensive loss for the period	\$(58,786)	\$(2,214)
Basic net loss per share for the period	\$(0.0047)	\$(0.00018)
<u>Average Weighted Number of Common Shares</u>	12,500,000	12,500,000

For the year ended June 30, 2024 the Corporation reported no revenue, no discontinued operations, no non-current financial liabilities, and declared no cash dividends.

## RESULTS OF OPERATIONS

During the period ended June 30, 2024, the Corporation incurred a loss of \$58,786, with a basic net loss per share of \$0.0047. This compares to a loss of \$2,214 for the period ended June 30, 2023. The increased loss is primarily due to an increase in accounting and legal fees during the period ended March 31, 2024.

Accounting and legal for the year ended June 30, 2024 were \$58,671 compared to \$2,147 in the prior period.

## SUMMARY OF QUARTERLY RESULTS

	3 Months Ended June 30, 2024	3 Months Ended March 31 2023	3 Months Ended December 31, 2023	3 Months Ended September 30, 2023
Total Revenues	\$-	\$-	\$-	\$-
Net loss	\$58,786	\$ 12,332	\$37,600	\$10,554

Basic and diluted loss per share	\$ 0.0047	\$ 0.00099	\$ 0.0003	\$ 0.00084
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## **SECOND QUARTER**

The Corporation began the first quarter with \$624,725 in cash. During the three months ended June 30, 2024, the Corporation spent \$75,104 on operating activities, net of working capital changes, and raised \$0 in share capital to end at June 30, 2024 with \$624,725 in cash.

## **OUTSTANDING SHARE DATA**

### **Common Shares**

On August 5, 2021 and February 28, 2022, the Corporation issued a total of 5,000,000 Common Shares as seed shares at a price of \$0.05 per share for gross proceeds of \$250,000. As at September 30, 2023 and as at the date of this MD&A, the Corporation had 12,500,000 Common Shares issued and outstanding.

### **Stock Options**

As at June 30, 2024, there were 750,000 stock options outstanding entitling the holders thereof the right to purchase one Common Share for each option held. Further detail on the holders of such options may be found in the Corporation's Prospectus dated September 15, 2022, a copy of which may be found on [www.sedarplus.ca](http://www.sedarplus.ca).

## **LIQUIDITY AND CAPITAL RESOURCES:**

The Corporation completed the Offering as a Capital Pool Company pursuant to Policy 2.4 of the TSX Venture Exchange. The Corporation received net proceeds of \$661,401, gross proceeds of \$750,000 less share issuance costs of \$88,599, consisting of \$88,599 cash and \$0 share-based issuance costs, representing the issuance of 7,500,000 common shares of the Corporation at an issuance price of \$0.10. Until the completion of a Qualifying Transaction, not more than 30% of the gross proceeds from the sale of all securities issued by the Corporation, totaling \$300,000 will be used for purposes other than evaluating businesses or assets.

As at June 30, 2024 the Corporation had net working capital of \$629,40 comprised of cash of \$624,725, credit card payable of \$285, accounts payables of \$0 and term deposit of \$5,000, which management considers to be sufficient for the Corporation to meet its ongoing obligations.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Corporation has no off-balance sheet arrangements.

## **TRANSACTIONS WITH RELATED PARTIES:**

On June 13, 2022, the Corporation authorized the granting of 750,000 options to purchase Common Shares, which vested immediately, at an exercise price of \$0.10 per Common Share for

a period of ten years from the date of grant, to directors and officers of the Corporation, such options to be granted after the Corporation has completed its initial public offering of a total of 7,500,000 Common Shares for gross proceeds of \$750,000 (the "**Offering**").

There was no remuneration paid to key management personnel during the three months ended June 30, 2024. There was \$0 of share-based compensation in the form of stock options granted to directors and officers during the three months ended June 30, 2024. No other related party transactions have occurred during this period.

During the three months ended June 30, 2024, the Corporation incurred costs of \$58,671 in legal costs with a law firm related to one of the Corporation's directors.

## **CRITICAL ACCOUNTING ESTIMATES**

The Corporation's significant accounting policies and estimates are summarized in Note 3 of the financial statements for the period ended June 30, 2024.

## **FINANCIAL INSTRUMENTS**

The Corporation's senior management oversees the management of these risks and advises on financial risks and the appropriate financial risk governance framework for the Corporation. The Corporation's senior management provides assurance that the Corporation's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured, and managed in accordance with the Corporation's policies and group risk appetite. All derivative activities, if any, for risk management purposes are carried out by a team that has the appropriate skills, experience, and supervision. It is the Corporation's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

### *Credit risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Corporation to concentrations of credit risks consist principally of cash. The cash is currently being held in a solicitor's trust account and a high quality financial institution.

### *Liquidity risk*

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation currently settles its financial obligations out of cash. The ability to do this relies on the Corporation raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

### *Interest rate risk*

The Corporation is not exposed to any significant interest rate risk.

### *Foreign currency risk*

The Corporation believes it is currently not exposed to foreign currency risk since all of its assets, liabilities and operations are denominated in Canadian dollars.

### *Price risk*

The Corporation believes it currently has no price risk. The carrying amount of cash, accounts payable and accrued liabilities approximates their fair value due to their short-term nature.

## **CRITICAL ACCOUNTING ESTIMATES**

This MD&A is based on the financial statements which have been prepared in accordance with IFRS. The preparation of the financial statements requires that certain estimates and judgments are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances.

The accounting estimates for share based payments is based on the Black-Scholes option valuation model which was developed for use in estimating the fair value of traded options which were fully tradable with no vesting restrictions. This option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Since the Corporation's stock options have characteristics significantly different from those of traded options and since changes in the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

## **CAPITAL RISK MANAGEMENT**

The Corporation's capital currently consists of common shares and options. The Corporation defines capital as total equity which was \$1,000,000 at June 30, 2024. Its principal source of cash is from the issuance of Common Shares. The Corporation's capital management objectives are to safeguard its ability to continue as a going-concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares.

The proceeds raised from the issuance of Common Shares may only be used to identify and evaluate assets or business for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of Common Shares issued in the Offering may be used to cover prescribed costs of issuing the Common Shares or administrative and general expenses of the Corporation. These restrictions apply until the completion of a Qualifying Transaction.

## **SUBSEQUENT EVENTS**

None.

## **FORWARD LOOKING INFORMATION**

This MD&A contains forward-looking information that involves material assumptions and known and unknown risks and uncertainties, certain of which are beyond the Corporation's control. Such assumptions, risks and uncertainties include, without limitation, those associated with, loss of markets, volatility of commodity prices, currency fluctuations, delays resulting from the inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources, the effect of general economic conditions in Canada and the United States,

industry conditions, changes in laws and regulations and changes in how they are interpreted and enforced, increased competition, the lack of qualified personnel or management, fluctuations in foreign exchange or interest rates, stock market volatility and market valuations of companies with respect to announced transactions and the final valuations thereof, and obtaining required approvals of regulatory authorities. The Corporation's actual results, performance or achievements could differ materially from those expressed in, or implied by, this forward-looking information and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits the Corporation will derive therefrom. The forward-looking information is made as at the date of this MD&A and the Corporation does not undertake any obligation to update publicly or to revise any of the included forward-looking information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

**SCHEDULE "C"**  
**DPF FINANCIAL STATEMENTS**

(see attached)

**DR. PHONE FIX CANADA LIMITED**

**CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2023 and 2022

(in Canadian dollars)

## INDEPENDENT AUDITOR'S REPORT

To the directors of  
Dr. Phone Fix Canada Limited

### *Opinion*

We have audited the consolidated financial statements of Dr. Phone Fix Canada Limited, which comprise the consolidated Statements of Financial Position as at December 31, 2023 and 2022, and the consolidated Statements of Comprehensive Income, Changes in Shareholders' Equity (Deficiency) and Cash Flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated 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 in the consolidated financial statements, which describes events and conditions indicating 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.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current and prior period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except for the matter described in the *Material Uncertainty Related to Going Concern* section of our auditor's report, we have determined that there are no other key audit matters to communicate in our report.

## **INDEPENDENT AUDITOR'S REPORT, continued**

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

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

In preparing the consolidated 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 Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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.

## INDEPENDENT AUDITOR'S REPORT, continued

- ◆ 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ◆ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

*Hayden Beck CPA*  
*Professional Corporation*

Medicine Hat, Alberta  
June 21, 2024

CHARTERED PROFESSIONAL ACCOUNTANT



CHARTERED PROFESSIONAL ACCOUNTANTS  
an Association to practice Chartered Professional Accountancy

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**DR. PHONE FIX CANADA LIMITED**

## Consolidated Statements of Financial Position

	Note	December 31, 2023	December 31, 2022
<b>ASSETS</b>			
<b>Current</b>			
Cash		323,837	207,252
Trade and other receivables	4	134,093	446,524
Inventory	5	1,514,378	1,633,229
Prepaid expenses		1,090	4,574
		<b>1,973,398</b>	2,291,579
<b>Non-current</b>			
Property and equipment	6	8,643,138	8,330,454
Right-of-use assets	7	6,352,564	6,557,223
Security deposits		158,953	155,145
Advances to related parties	10	-	-
Deferred tax assets	16	79,694	5,748
<b>Total assets</b>		<b>17,207,747</b>	17,340,149
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
<b>Current liabilities</b>			
Bank indebtedness	8	291,135	221,952
Accounts payable and accrued liabilities	9	709,268	236,822
Due to related parties	10	5,339,574	3,918,840
Short-term debt	11	500,000	-
Current portion of lease liabilities	12	687,451	557,069
Current portion of long-term debt	13	998,575	854,920
		<b>8,526,003</b>	5,789,603
<b>Non-current liabilities</b>			
Lease liabilities	12	6,331,246	6,383,599
Long-term debt	13	8,327,916	7,741,026
Convertible debentures	14	50,827	13,580
Derivative liability	14	56,588	25,220
Deferred tax liabilities	16	-	-
<b>Total liabilities</b>		<b>23,292,580</b>	19,953,028
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Share capital	15	1,143,056	1,142,956
Deficit		(7,227,889)	(3,755,835)
		<b>(6,084,833)</b>	(2,612,879)
<b>Total liabilities and shareholders' equity (deficiency)</b>		<b>17,207,747</b>	17,340,149
<b>Going concern</b>	1		
<b>Subsequent events</b>	23		

See accompanying notes to the consolidated financial statements

*[signed]*

On behalf of board: Piyush Sawhney, Director

**DR. PHONE FIX CANADA LIMITED**

## Consolidated Statements of Comprehensive Income

	Note	Year Ended December 31,	
		2023	2022
<b>Revenue, net</b>		<b>10,062,669</b>	6,316,910
<b>Cost of sales</b>	10	<b>4,665,511</b>	3,362,694
<b>Gross profit</b>		<b>5,397,158</b>	2,954,216
<b>Selling, general and administrative expenses</b>			
Employee salaries and benefits		3,765,365	2,673,483
Depreciation of property and equipment	6	1,109,553	900,596
Depreciation of right-of-use assets	7	819,746	704,402
Variable rent and lease operating charges	12	572,626	491,118
Professional fees		375,787	291,437
Interest and bank charges		215,129	156,103
Utilities		212,065	129,891
Advertising and promotion		149,416	127,473
Insurance		120,418	72,208
Computer		100,662	63,750
Office		60,516	47,641
Travel		46,483	14,740
Business taxes and licences		43,654	1,372
Repairs and maintenance		15,768	1,534
Meals and entertainment		6,868	-
Security		4,241	2,347
Automotive		2,799	-
		<b>7,621,096</b>	5,678,095
<b>Income from operations before the following:</b>		<b>(2,223,938)</b>	(2,723,879)
Interest expense on lease liabilities	12	(435,511)	(391,227)
Interest expense on debt		(908,655)	(505,702)
Gain on derivative liability	14	3,880	-
Government assistance income	13	20,000	13,963
<b>Total other income (expenses)</b>		<b>(1,320,286)</b>	(882,966)
<b>Loss before income tax expense (recovery)</b>		<b>(3,544,224)</b>	(3,606,845)
Current income tax expense		1,776	19,040
Deferred income tax recovery		(73,946)	(23,976)
<b>Income tax expense (recovery)</b>	16	<b>(72,170)</b>	(4,936)
<b>Net and comprehensive loss</b>		<b>(3,472,054)</b>	(3,601,909)
<b>Net loss per share, basic and diluted</b>	17	<b>(\$0.56)</b>	(\$0.61)

*See accompanying notes to the consolidated financial statements*

## DR. PHONE FIX CANADA LIMITED

### Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

In \$	Share capital	Deficit	Total
<b>Balance as at January 1, 2022</b>	300	(153,926)	(153,626)
Net and comprehensive loss	-	(3,601,909)	(3,601,909)
Class "A" common shares issued in rollover transactions with entities under common control	2,710	-	2,710
Class "B" common shares issued in exchange for extinguishment of trade and other payables	1,139,946	-	1,139,946
<b>Balance as at December 31, 2022</b>	<b>1,142,956</b>	<b>(3,755,835)</b>	<b>(2,612,879)</b>
Net and comprehensive loss	-	(3,472,054)	(3,472,054)
Class "A" common shares issued in rollover transactions with entities under common control	100	-	100
<b>Balance as at December 31, 2023</b>	<b>1,143,056</b>	<b>(7,227,889)</b>	<b>(6,084,833)</b>

*See accompanying notes to the consolidated financial statements*

## DR. PHONE FIX CANADA LIMITED

### Consolidated Statements of Cash Flows

	Note	Year Ended December 31,	
		2023	2022
<b>OPERATING ACTIVITIES</b>			
Net loss		(3,472,054)	(3,601,909)
Adjustments to arrive at cash flow from operations:			
Deferred income tax recovery	16	(73,946)	(23,976)
Depreciation	6, 7	1,929,299	1,604,998
Interest expense		1,344,166	896,929
Government assistance income (non-cash)	13	(20,000)	(13,963)
Gain on derivative liability	14	(3,880)	-
Cash generated by operating activities before net change in non-cash working capital relating to operations:		(296,415)	(1,137,921)
Change in trade and other receivables		347,431	120,409
Change in inventory		118,851	(274,269)
Change in prepaid expenses		3,484	19,393
Change in trade and other payables	10	1,200,040	(1,960,282)
<b>Cash generated by (used in) operating activities</b>		<b>1,373,391</b>	<b>(3,232,670)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	6	(1,422,237)	(2,872,238)
Deposits paid		(18,797)	(34,189)
<b>Cash used in investing activities</b>		<b>(1,441,034)</b>	<b>(2,906,427)</b>
<b>FINANCING ACTIVITIES</b>			
Short-term advances received	11	500,000	-
Issuance of long-term debt	13	1,358,074	3,908,117
Repayment of long-term debt	13	(630,359)	(418,161)
Repayment of lease liabilities	12	(560,615)	(376,830)
Interest paid		(1,307,055)	(874,807)
Cash received from related parties	10	755,000	3,751,295
<b>Cash generated by financing activities</b>		<b>115,045</b>	<b>5,989,614</b>
Net change in cash		47,402	(149,483)
Cash (bank indebtedness), beginning of year		(14,700)	134,783
<b>Cash (bank indebtedness), end of year</b>		<b>32,702</b>	<b>(14,700)</b>
<b>Ending cash (bank indebtedness) consists of:</b>			
Cash		323,837	207,252
Bank indebtedness		(291,135)	(221,952)
<b>Cash (bank indebtedness), end of year</b>		<b>32,702</b>	<b>(14,700)</b>

See accompanying notes to the consolidated financial statements, including Note 18

## **DR. PHONE FIX CANADA LIMITED**

### **Notes to the Consolidated Financial Statements**

**December 31, 2023 and 2022**

## **NATURE OF BUSINESS**

Dr. Phone Fix Canada Limited (“Dr. Phone Fix” or “the Company”) is incorporated in Canada under the Business Corporations Act of Alberta. The Company’s registered office is 10123 99 St NW #2500, Edmonton, Alberta T5J 3H1, Canada. Dr. Phone Fix is engaged in repair services for electronic devices and sales of pre-owned electronic devices in Canada through its 34 stores in the provinces of Alberta, British Columbia, Saskatchewan, and Ontario. The Company has been operating since 2020.

## **1) GOING CONCERN**

### **Going concern**

These Financial Statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due.

Historically the Company has had operating losses, negative cash flows, and working capital deficiencies. While the Company has established and dedicated itself to robust plans to achieve profitability and positive cash flow in the future, whether, and when, the Company will attain profitability and positive cash flows is uncertain. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern.

The Company will need to raise additional capital to continue to pursue its growth strategy and to fund its operations. While the Company has been successful in raising capital in the past, there can be no assurance that it will be able to do so in the future. The ability to raise capital may be adversely impacted by uncertain market conditions.

Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they come due. These Financial Statements do not reflect adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company was unable to realize its assets and settle its liabilities as a going concern in the normal course of operation. These adjustments could be material.

## **2) BASIS OF PRESENTATION**

### **Statement of compliance**

These consolidated financial statements for the years ended December 31, 2023 and 2022 (“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.

These Financial Statements were approved and authorized for issue by the Company’s board of directors (“Board”) on June 21, 2024.

## DR. PHONE FIX CANADA LIMITED

### Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

#### Basis of presentation

These Financial Statements have been prepared under the historical cost convention, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value, and are expressed in Canadian dollars unless otherwise indicated. Other measurement bases used are outlined in Note 3 and in other applicable notes.

### 3) ACCOUNTING POLICIES

#### Basis of consolidation

The Financial Statements include the accounts of the Company and those of its 34 wholly owned subsidiaries, which are all entities over which the Company has control. Control exists when the Company has power over an investee, is exposed to or has rights to variable returns from its involvement and has the ability to affect those returns. The results of operations of the new subsidiaries during the period are included from the time at which the Company obtains control, which is typically from inception. The Company assesses control through share ownership and voting rights; notwithstanding, entities owned by one or more of the shareholders of the Company that are in substance entities under common control with the subsidiaries of the Company are considered to be controlled by the Company irrespective of legal ownership. The following companies have been consolidated in the Financial Statements:

Entity	Operating in	Entity	Operating in
Dr. Phone Fix Canada Limited	Alberta, Canada	2190097 Alberta Ltd	Alberta, Canada
2298974 Alberta Ltd	Alberta, Canada	2363328 Alberta Ltd	Alberta, Canada
2342889 Alberta Ltd	Alberta, Canada	2510006 Alberta Ltd	Alberta, Canada
2323470 Alberta Ltd	Alberta, Canada	2326467 Alberta Ltd	Alberta, Canada
2289857 Alberta Ltd	Alberta, Canada	2288224 Alberta Ltd	British Columbia, Canada
2323466 Alberta Ltd	Alberta, Canada	2276837 Alberta Ltd	British Columbia, Canada
2309626 Alberta Ltd	Alberta, Canada	2374409 Alberta Ltd	British Columbia, Canada
2234434 Alberta Ltd	Alberta, Canada	2372228 Alberta Ltd	British Columbia, Canada
2221160 Alberta Ltd	Alberta, Canada	2382141 Alberta Ltd	British Columbia, Canada
2400483 Alberta Ltd	Alberta, Canada	2276825 Alberta Ltd	British Columbia, Canada
2333409 Alberta Ltd	Alberta, Canada	2323381 Alberta Ltd	Saskatchewan, Canada
2316999 Alberta Ltd	Alberta, Canada	2323377 Alberta Ltd	Saskatchewan, Canada
2381941 Alberta Ltd	Alberta, Canada	2323383 Alberta Ltd	Saskatchewan, Canada
2042886 Alberta Ltd	Alberta, Canada	1000065510 Ontario Ltd	Ontario, Canada
2381935 Alberta Ltd	Alberta, Canada	1000034072 Ontario Ltd	Ontario, Canada
2434632 Alberta Ltd	Alberta, Canada	1000228608 Ontario Inc	Ontario, Canada
2195277 Alberta Ltd	Alberta, Canada	1000023414 Ontario Ltd	Ontario, Canada
2326460 Alberta Ltd	Alberta, Canada		

Intercompany balances and transactions, and any unrealized gains or losses arising from intercompany transactions, are eliminated in preparing the Financial Statements.

## DR. PHONE FIX CANADA LIMITED

### Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

#### Cash

Cash consists of cash on hand and balances with financial institutions. Cash in bank deposit accounts, at times, exceeds federally insured limits.

#### Inventories

Inventories are measured at the lower of weighted-average cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories includes expenditures incurred in acquiring the inventories and other costs incurred in bringing the inventories to their existing location and condition.

#### Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset or its development when those costs are necessarily incurred for the asset to function in the manner intended by management. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

All assets having limited useful lives are depreciated using the declining balance or straight-line method over their estimated useful lives. Internally constructed assets are depreciated from the time an asset is capable of operating in the manner intended by management. No depreciation is recorded on property and equipment that is not available for use.

Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the asset will flow to the Company, and the costs can be measured reliably. This would include costs related to the refurbishment or replacement of major components of the asset, when the refurbishment results in a significant extension in the physical life of the component, and in which case, the carrying amount of the replaced part is derecognized. The costs of the day-to-day maintenance of property and equipment are expensed as incurred in profit or loss.

Any gain or loss on de-recognition of an asset is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognized on a net basis in profit or loss.

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date. The methods and rates of depreciation for each class of asset are as follows:

<b>Asset Class</b>	<b>Method</b>	<b>Rate</b>
Computer equipment	Declining balance	55%
Furniture and fixtures	Declining balance	20%
Leasehold improvements	Straight line	*

\*Depreciation of leasehold improvements is recorded over the remaining term of the lease plus any renewal options that are reasonably certain to be exercised at the time the improvements are recorded.

## **DR. PHONE FIX CANADA LIMITED**

### **Notes to the Consolidated Financial Statements**

**December 31, 2023 and 2022**

#### **Impairment**

##### ***a. Financial assets at amortized cost***

An 'expected credit loss' impairment model applies, which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account. The resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously-recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

##### ***b. Non-financial assets***

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows from other assets or groups of assets or cash-generating units ("CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. 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 or the CGU. Impairment losses recognized in prior years are reviewed by the Company 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 asset's carrying amount, increased through the reversal of an impairment loss, must not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### **Leases**

At inception of a contract, the Company assesses whether the contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of any identified assets: this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- The Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and

## **DR. PHONE FIX CANADA LIMITED**

### **Notes to the Consolidated Financial Statements**

**December 31, 2023 and 2022**

- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - The Company has the right to operate the asset; or
  - The Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

#### ***As a lessee***

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless it is reasonably certain that the Company will purchase or receive title to the asset at or before the end of the lease term, in which case the asset is depreciated over its useful life regardless of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are comprised of the following:

- Fixed payments, including in-substance fixed payments; and
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date; and
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an option renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate

## **DR. PHONE FIX CANADA LIMITED**

### **Notes to the Consolidated Financial Statements**

**December 31, 2023 and 2022**

of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to nil.

#### ***Short-term leases and leases of low value assets***

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low value assets including information technology equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### **Financial Instruments**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. 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 the Company has opted to measure them at FVTPL.

The Company classifies the fair value of financial instruments according to the following hierarchy based on the reliability 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 in this level are those with inputs for the asset or liability that are not based on observable market data.

## **DR. PHONE FIX CANADA LIMITED**

### **Notes to the Consolidated Financial Statements**

**December 31, 2023 and 2022**

The Company's financial instruments include cash, trade and other receivables, bank indebtedness, accounts payable and accrued liabilities, due to related parties, short-term and long-term debt, lease liabilities, and convertible debentures. The carrying value of current financial instruments approximate their fair value due to their immediate or short term to maturity, or their ability for liquidation at comparable amounts. The fair value of the Company's non-current financial instruments is approximated by their carrying values as the contractual interest rates are comparable to current market interest rates.

The Company has made the following classifications:

#### ***a. Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables are comprised of trade and other short-term receivables and are included in current assets due to their short-term nature unless they are contractually receivable more than twelve months from the reporting date. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less any provision for impairment.

#### ***b. Financial liabilities at amortized cost***

Financial liabilities at amortized cost include trade accounts payable and accrued liabilities, amounts due to related parties, long-term debt, lease liabilities, and convertible debentures. Current financial liabilities are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, they are measured at amortized cost using the effective interest method. Lease liabilities are initially recognized at fair value net of transaction costs that are directly attributable to the financial liability, and subsequently at amortized cost using the effective interest method.

#### ***c. Financial liabilities at fair value through profit and loss***

Financial liabilities at FVTPL include derivative liabilities. These financial liabilities are initially recognized at fair value and are remeasured and adjusted to fair value at each reporting date.

### **Income taxes**

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rate and laws that have been enacted or substantively enacted at the statement of financial statement date and are

## **DR. PHONE FIX CANADA LIMITED**

### **Notes to the Consolidated Financial Statements**

**December 31, 2023 and 2022**

expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred income tax assets and liabilities are presented as non-current.

#### **Revenue recognition**

Revenue from the sale of products is recognized when the risks and rewards of the products have been substantially transferred to the customer (usually at the point of sale), which is the Company's sole performance obligation. The Company experiences few product returns and, accordingly, does not record an obligation for estimated returns. Collection of the Company's invoices is consistently high and typically occurs at the time of the sale.

Revenue from the rendering of service contracts is recognized as earned, which is generally when the services are rendered, and when reasonable assurance exists regarding the measurement and collection of the consideration given.

#### **Accounting for government assistance**

The Company applied IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance in relation to receiving the CEBA loans (Note 13). Government assistance is recognized only when there is reasonable assurance that (a) the Company will comply with any conditions attached to the grant and (b) the grant will be received.

#### **Loss per common share**

Basic loss per common share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the period. Diluted loss per common share is calculated by dividing the applicable net loss by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the period. If the Company incurs a net loss during a reporting period, the calculation of fully diluted loss per share will not include potentially dilutive equity instruments which would reduce the net loss per share.

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

Share-based payments to non-employees are measured at the fair value of goods or services received and are recorded at the date the goods or services are received. If it is determined that the fair value of the goods or services cannot be reliably measured, these payments are measured based on the fair value of the equity instruments issued.

#### **Critical accounting estimates, judgments and measurement uncertainty**

The preparation of these Financial Statements requires management of the Company to make judgments in applying accounting policies. Judgments that have the most significant effect on the amounts recognized in the Financial Statements are described below. Management also makes assumptions and critical estimates. Critical estimates are those which are most subject to uncertainty and have the most significant risk of resulting in a material change to the carrying amounts of assets and liabilities within the next year. Judgments, assumptions, and estimates are based on historical experience, business trends, and all available information that management considers relevant at the time of the preparation of the Financial Statements. However, future events and their effects cannot be anticipated with certainty; accordingly, as confirming events occur, actual results could differ materially from those estimates.

## **DR. PHONE FIX CANADA LIMITED**

### **Notes to the Consolidated Financial Statements**

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The following discusses the most significant accounting judgments and estimates that the Company has made in the preparation of these Financial Statements. The sensitivity analysis below should be used with caution as the changes are hypothetical and the impact of changes in each key assumption may not be linear.

#### ***a. Going concern***

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

#### ***b. Income taxes***

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

The estimation of income 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 before they expire. The Company's assessment is based upon existing tax laws and estimates of future taxable income. If the assessment of the Company's ability to utilize the underlying future tax deductions changes, the Company would be required to recognize more or fewer of the tax deductions as assets, which would decrease or increase the income tax expense in the period in which this is determined. See Note 16.

#### ***c. Inventories***

Management makes estimates of the future customer demand for products when establishing appropriate provisions for inventory. In making these estimates, management considers the product life of inventory and the profitability of recent sales of inventory. In many cases, products sold by the Company turn quickly and inventory on-hand values are relatively low, thus reducing the risk of inventory obsolescence. To the extent that actual losses on inventory differ from those estimated, inventory, net income (loss), and comprehensive income (loss) will be affected in future periods.

#### ***d. Property and equipment***

Components of an item of plant and equipment may have different useful lives. Management makes significant estimates and judgments when determining asset depreciation rates and useful lives, which require taking into account company-specific factors, such as past experience and expected use. The Company monitors and reviews asset depreciation rates and useful lives at least once per year and revises them if they are different from previous estimates. The Company recognizes the effect of changes in estimates in net income prospectively. Changes to estimates could be caused by a variety of factors, including changes to the physical life of the assets. A change in any of the estimates would result in a change in the amount of depreciation and, as a result, a charge to profit or loss recorded in the period in which the change occurs, with a similar change in the carrying value of the asset in the Consolidated Statement of Financial Position.

## **DR. PHONE FIX CANADA LIMITED**

### **Notes to the Consolidated Financial Statements**

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Furthermore, property and equipment is reviewed for indicators of impairment at each reporting date. Where impairment indicators are identified, the Company uses the fair-value-less-cost-to-sell approach to determine the recoverable amount of the assets included in property and equipment, which drives the conclusion of whether impairment exists, and if it does, the amount of impairment to record.

Management regularly evaluates these estimates and assumptions. 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.

#### ***e. Lease accounting***

Critical judgments required in the application of IFRS 16 include the following:

- Determining whether it is reasonably certain that an extension, purchase or termination option will be exercised, on a lease-by-lease basis. The Company considers all facts and circumstances and examines whether there is an economic incentive or penalty affecting the decision to exercise an option

Key sources of estimation uncertainty in the application of IFRS 16 include the following:

- Estimating the lease term. The Company determines the lease term as the non-cancellable period of the lease at the commencement date, adjusted for any purchase, renewal or termination options it deems reasonably certain to exercise;
- Determining the appropriate incremental borrowing rate specific to each leased asset. The Company establishes incremental borrowing rates used as discount factors in discounting payments reflecting the Company's borrowing rate, duration of lease term and credit spread; and
- Assessing whether a right-of-use asset ("ROU asset") is impaired if indicators are present.

Unanticipated changes in these judgments or estimates could affect the identification and determination of the fair value of lease liabilities and ROU assets at initial recognition, as well as the subsequent measurement of lease liabilities and ROU assets. Changes in the economic environment or changes in the retail industry may impact management's assessment of lease terms, and any changes in management's estimate of lease terms may have a material impact on the Company's Consolidated Statements of Financial Position and Consolidated Statements of Comprehensive Income. In addition, the Company's assessed incremental borrowing rates are subject to change mainly due to macroeconomic changes in the environment and the Company's creditworthiness. These items could potentially result in changes to amounts reported in the Consolidated Statements of Comprehensive Income and Financial Position of the Company.

## DR. PHONE FIX CANADA LIMITED

### Notes to the Consolidated Financial Statements

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#### 4) TRADE AND OTHER RECEIVABLES

In \$, Balance comprised of:	December 31, 2023	December 31, 2022
Trade receivables	3,238	-
Tenant improvement allowance receivables	87,890	219,520
Goods and Services Tax receivables	42,965	227,004
Income taxes recoverable	-	-
	<b>134,093</b>	446,524

#### 5) INVENTORY

The Company's inventory is summarized below. Inventory expensed in cost of sales for the year ended December 31, 2023 amounted to \$4,665,511 (year ended December 31, 2022 - \$3,362,694).

In \$, Balance comprised of:	December 31, 2023	December 31, 2022
Parts	879,460	973,541
Accessories	566,059	577,710
Devices	68,779	81,697
Other	80	281
	<b>1,514,378</b>	1,633,229

#### 6) PROPERTY AND EQUIPMENT

In \$	Leasehold improvements	Furniture and fixtures	Computer equipment	Total
<b>Balance as at January 1, 2022</b>				
Cost	6,433,766	462,931	38,512	6,935,209
Accumulated depreciation	(530,267)	(36,244)	(9,886)	(576,397)
Net book value	5,903,499	426,687	28,626	6,358,812
Purchases	2,630,477	241,761	-	2,872,238
Depreciation	(776,420)	(108,431)	(15,745)	(900,596)
<b>Balance as at December 31, 2022</b>				
Cost	9,064,243	704,692	38,512	9,807,447
Accumulated depreciation	(1,306,687)	(144,675)	(25,631)	(1,476,993)
Net book value	7,757,556	560,017	12,881	8,330,454
Purchases	1,312,827	77,430	31,980	1,422,237
Depreciation	(973,928)	(119,746)	(15,879)	(1,109,553)
<b>Balance as at December 31, 2023</b>				
Cost	<b>10,377,070</b>	<b>782,122</b>	<b>70,492</b>	<b>11,229,684</b>
Accumulated depreciation	<b>(2,280,615)</b>	<b>(264,421)</b>	<b>(41,510)</b>	<b>(2,586,546)</b>
Net book value	<b>8,096,455</b>	<b>517,701</b>	<b>28,982</b>	<b>8,643,138</b>

## DR. PHONE FIX CANADA LIMITED

### Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

## 7) RIGHT-OF-USE ASSETS

	Store Leases
<b>Balance as at January 1, 2022</b>	
Cost	5,759,066
Accumulated depreciation	-
Net book value	5,759,066
Additions	1,502,559
Depreciation	(704,402)
<b>Balance as at December 31, 2022</b>	
Cost	7,261,625
Accumulated depreciation	(704,402)
Net book value	6,557,223
Additions	615,087
Depreciation	(819,746)
<b>Balance as at December 31, 2023</b>	
Cost	7,876,712
Accumulated depreciation	(1,524,148)
Net book value	6,352,564

## 8) BANK INDEBTEDNESS

The Company has various revolving operating and term loan facilities, authorized to an aggregate maximum of \$375,000 (2022 - \$235,000), bearing interest at prime plus 1.85% - 5.0%. At year-end, \$120,640 (2022 - \$117,009) had been drawn on these facilities. These credit facilities are secured by a General Security Agreement, providing a security interest over all present and after-acquired personal property proceeds and Continuing Guarantee and Postponement of Claim from a shareholder, limited to the maximum authorized balance.

This balance also includes cheques written in excess of cash balances.

## 9) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

In \$, Balance comprised of:	December 31, 2023	December 31, 2022
Trade accounts payable	386,828	160,829
Goods and Services Tax payable	260,045	-
Accrued wages and benefits payable	60,726	60,028
Accrued interest on long-term debt	-	11,315
Income taxes payable	1,669	4,650
	709,268	236,822

## DR. PHONE FIX CANADA LIMITED

### Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

## 10) RELATED PARTY TRANSACTIONS

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. No amounts are owing to or owing from the related parties in respect of the transactions unless otherwise referenced in the table below.

	In \$	
	2023	2022
<b>a. Amounts included in purchases (inventory or cost of sales):</b>		
Purchases from an entity owned by a shareholder of the Company	3,015,727	1,927,804
<b>b. Amounts included in Selling, general and administrative expenses:</b>		
Compensation of key management personnel ("KMP") <sup>1</sup> :		
Cash compensation to individuals	113,106	-
Cash compensation to separate management company owned by an officer of the Company	55,814	-
Compensation added to payable to shareholder	84,508	-
Total compensation of KMP	253,428	-

<sup>1</sup> KMP consist of those that have the authority and responsibility for planning, directing and controlling the activities of the Company, which includes the senior executive team.

Related party cash flow information is included in the consolidated statements of cash flows by caption and in Note 18. Related party amounts included in the consolidated statements of financial position are as follows:

	In \$	
	December 31, 2023	December 31, 2022
<b>Due to related parties:</b>		
Payable to shareholders	623,180	566,844
Advances from entity under common control	4,107,306	3,351,996
Net increase in accounts payable to an entity owned by a shareholder (net of payments of \$666,590)	609,088	-
	5,339,574	3,918,840

The amounts above are unsecured, non-interest bearing and have no established terms of repayment, and as such have been recorded as non-current assets or current liabilities.

## 11) SHORT-TERM DEBT

In June 2023, the Company received a short-term advance of funds of \$500,000 from an unrelated party with no set repayment terms. The amount is expected to either be paid in cash or with common shares in 2024.

## DR. PHONE FIX CANADA LIMITED

### Notes to the Consolidated Financial Statements

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## 12) LEASE LIABILITIES

The Company is obligated under various lease agreements for its store facilities, which are summarized below by maturity year. The leases require escalating payments. The current payments as of December 31, 2023 are shown in the summary below, and the future escalating payments are reflected in the estimated future payment tables below. Most of the leases provide one or two options to extend the term of the lease by an additional five years. The lease terms used to calculate the lease liabilities do not include the renewal periods. The discount rates used for the lease liability calculations range from 6% - 8%. The obligations under the lease agreements are guaranteed by the majority shareholders of the Company.

Finance leases for store facilities, all secured by asset financed	Monthly instalments including interest	In \$	
		December 31, 2023	December 31, 2022
Initial lease term ending in 2027	2,176	89,211	109,308
Initial lease term ending in 2028	6,530	330,721	-
Initial lease term ending in 2029	5,582	342,094	387,081
Initial lease term ending in 2030	7,922	564,495	623,747
Initial lease term ending in 2031	38,557	2,977,062	3,245,359
Initial lease term ending in 2032	28,397	2,396,009	2,575,173
Initial lease term ending in 2033	4,199	319,105	-
<b>Total lease liabilities</b>	93,363	<b>7,018,697</b>	6,940,668
Less current portion		(687,451)	(557,069)
<b>Long-term lease liabilities</b>		<b>6,331,246</b>	6,383,599

Estimated future payments on finance leases are as follows	In \$
Year ending December 31, 2024	1,102,275
2025	1,145,313
2026	1,164,682
2027	1,185,200
2028	1,156,973
Thereafter	3,126,076
Total future minimum lease payments	8,880,519
Less amount representing interest	(1,861,822)
Lease liabilities	7,018,697

Estimated principal repayments are as follows	In \$
Year ending December 31, 2024	687,451
2025	775,437
2026	845,030
2027	920,542
2028	951,081
Thereafter	2,839,156
	7,018,697

## DR. PHONE FIX CANADA LIMITED

### Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

A reconciliation of the balance of lease liabilities for the years ended December 31, 2023 and 2022 is as follows:

In \$	2023	2022
Opening balance	6,940,668	5,712,970
Additions related to new lease agreements	635,098	1,601,188
Total cash outflows for leases	(1,565,206)	(1,255,835)
Variable lease payments not included in the measurement of lease liabilities	572,626	491,118
Portion of lease payments allocated to interest expense	435,511	391,227
Balance as at December 31	7,018,697	6,940,668
Less current portion	(687,451)	(557,069)
Long-term portion as at December 31	6,331,246	6,383,599

See Note 7 for information regarding the related right-of-use assets and depreciation of those assets.

The Company entered into two additional lease agreements after December 31, 2023 as disclosed in Note 23. One of these leases is for a new store and is a ten-year lease with base rent starting at \$3,040 per month; the other is a five-year lease of a head office building with base rent starting at \$3,074 per month and increasing 2.5% per year.

### 13) LONG-TERM DEBT

Long-term debt consists of the following:

	Maturity	December 31, 2023	December 31, 2022
Term loans bearing interest at rates between prime plus 2.75% and prime plus 4%, repayable in aggregate monthly payments of \$92,999, plus interest, collateralized by equipment and leasehold improvements having a net book value of \$6,105,115	2026 - 2033	6,523,117	5,970,427
Term loans bearing interest at rates between prime plus 2.75% and prime plus 3%, repayable in aggregate monthly payments of \$27,694, collateralized by equipment and leasehold improvements having a net book value of \$2,504,755	2026 - 2033	2,623,374	2,399,681
Canada Emergency Business Account ("CEBA") loan (net of discount), interest free through December 31, 2023, after which it bears interest at 5%. Payment terms renegotiated after December 31, 2023 (see Note 23)	(a)	180,000	225,838
Total long-term debt		9,326,491	8,595,946
Less: current portion		(998,575)	(854,920)
		8,327,916	7,741,026

- a) Four subsidiaries of Dr Phone Fix Canada Limited held CEBA loans at January 1, 2022 with face value of \$240,000 and fair value of \$225,608 using a discount rate of 6.2%. On January 12, 2022, the due date of the loans was extended by one year and, accordingly, the fair value of the CEBA loans was updated based on the new terms. The non-forgivable portion of one of the loans was repaid with proceeds from a new term loan of \$40,000 in December

## DR. PHONE FIX CANADA LIMITED

### Notes to the Consolidated Financial Statements

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2023 and, accordingly, the debt forgiveness of \$20,000 was recorded as the condition was met. Two of the other CEBA loans were repaid in the same way after December 31, 2023 before the new extended date for refinancing, and the fourth was converted into a 3-year term loan at face value (see Note 23).

The following table summarizes the outstanding balance and changes in the amounts recognized in the components of the CEBA loans during the years ended December 31, 2023 and 2022:

In \$	2023	2022
<b>Beginning balance</b>	<b>225,838</b>	225,608
Fair value adjustment (government assistance income)	-	(13,963)
Interest accretion expense – effective interest method	14,162	14,193
Debt forgiveness (government assistance income)	(20,000)	-
Principal paid by new term loan	(40,000)	-
<b>Ending balance of CEBA loans, net of discount</b>	<b>180,000</b>	225,838

## 14) CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITIES

### Issued December 31, 2022

The Company entered into an agreement in 2022 with a vendor to issue convertible debentures (the “Debentures”) from time to time as payment for past services. The Debentures accrue interest at a rate of 6% per annum and mature December 31, 2025 unless an earlier date is agreed upon by both parties. The principal of the Debentures, plus any accrued and unpaid interest thereon, are convertible by the holder of the Debenture on the maturity date or on an earlier date with prior written consent of the Company into the percentage of then-outstanding common shares of the Company equal to the ratio of the convertible debt balance to the estimated equity value of the Company at that time. If the vendor still performs services for the Company at the conversion date, the vendor will receive an additional 2% of the outstanding common shares upon conversion. The agreement limits the total percentage of common shares upon conversion to 5%, with any additional outstanding debenture amount being converted to a six-year amortizing note payable at 6% interest per annum. If the conversion option is not exercised, the whole Debenture converts to a note payable on the conversion date with those same terms. The note payable would be paid out over twelve semi-annual payments from the conversion date and can be repaid in full following the first anniversary with a 20% penalty. At any time before the conversion date, the Company has the option to pay down a portion of the convertible amount to the vendor, provided that such payments do not result in the value of the convertible amount converting into less than 3% of the common shares of the Company at the conversion date.

The Company issued convertible debentures of \$38,800 under this agreement on December 31, 2022. Because the conversion is not based on a set number of common shares, the “fixed-for-fixed” criteria for equity treatment of the conversion feature was not met; accordingly, all components of the convertible debentures are presented as liabilities. The fair value of the derivative liabilities relating to the conversion feature was estimated as at the issuance date using the Black Scholes model, with the following inputs and an estimate of conversion to 194,000 common shares: strike price equal to share price, 3 years to maturity, risk-free rate of 4.24%, and volatility of 100%.

## DR. PHONE FIX CANADA LIMITED

### Notes to the Consolidated Financial Statements

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The residual value was assigned to the convertible debenture liability. The assigned values are as follows:

<b>As at December 31, 2022</b>	
Convertible debenture fair value	13,580
Conversion feature	25,220
<b>Total Debentures issued</b>	<b>38,800</b>

Coupon interest of \$2,328 was accrued in 2023 on the outstanding principle balance of \$38,800, with \$8,407 being accreted from the convertible debenture discount as additional interest expense.

The derivative liability associated with the issuance above was adjusted to fair value at December 31, 2023 using the inputs disclosed below, resulting in a gain on derivative liability of \$3,880.

#### Issued December 31, 2023

The Company issued additional Debentures of \$61,760 under the agreement described above on December 31, 2023.

The fair value of the derivative liability relating to the conversion feature of this amount and the accrued interest as at December 31, 2023 was estimated as at the issuance date using the Black Scholes model, with the following inputs and an estimate of conversion to 320,440 common shares: strike price equal to share price, 2 years to maturity, risk-free rate of 4.25%, and volatility of 100%.

The residual value was assigned to the convertible debenture liability. The assigned values are as follows:

<b>As at December 31, 2023</b>	
Convertible debenture fair value	28,840
Conversion feature	35,248
<b>Total Debentures issued plus accrued interest</b>	<b>64,088</b>

The following table summarizes the outstanding balance and changes in the amounts recognized in the components of the Debentures during the years ended December 31, 2023 and 2022:

	<b>Convertible Debentures</b>	<b>Derivative Liability</b>
Beginning balance – January 1, 2022	-	-
Debentures issued	13,580	25,220
Balance as at December 31, 2022	13,580	25,220
Interest accrued	2,328	-
Accretion of discount	8,407	-
Fair value adjustment of derivative liability	-	(3,880)
Debentures issued	26,512	35,248
<b>Balance as at December 31, 2023</b>	<b>50,827</b>	<b>56,588</b>

## DR. PHONE FIX CANADA LIMITED

### Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

## 15) SHARE CAPITAL

### Authorized share capital

The Company is authorized for an unlimited number of shares without nominal or par value as follows:

- Unlimited number of Class A Common Voting Shares
- Unlimited number of Class B Common Non-Voting Shares
- Unlimited number of Class C and Class D Redeemable Preferred Non-Voting Shares

### Common shares issued and outstanding

A reconciliation of the Company's Share Capital is as follows:

	Note	Share Capital				
		Class A common voting shares		Class B common non-voting shares		Total
		Number	\$	Number	\$	\$
Balance as at January 1, 2022		3,000,000	300	-	-	300
Shares issued in rollover transactions with entities under common control	a	3,000,000	2,710	-	-	2,710
Shares issued as payment for trade payables	b	-	-	227,990	1,139,946	1,139,946
Closing balance, December 31, 2022		6,000,000	3,010	227,990	1,139,946	1,142,956
Shares issued in rollover transactions with entities under common control	a	30	100	-	-	100
<b>Closing balance, December 31, 2023</b>		<b>6,000,030</b>	<b>3,110</b>	<b>227,990</b>	<b>1,139,946</b>	<b>1,143,056</b>

#### a. Class A shares issued in rollover transactions

Each of the Class A shareholders legally owned shares of some of the subsidiaries because they initially created the corporations under their own names. As the three shareholders have operated as a group since inception of the business as a whole, these subsidiaries have been consolidated as if they were legally owned by the Company since inception. These shareholders legally rolled over their shares of the subsidiaries into the Company throughout 2022 and 2023 for income tax purposes and so that the legal structure would reflect the substance of the Company's organization. As such, the common shares issued in these transactions have been assigned a nominal value based on the value of the common shares rolled into the Company. IFRS 3 *Business Combinations* does not apply to these transactions because they constitute a combination of entities under common control.

#### b. Class B shares issued as payment to related party vendor

On December 31, 2022, the Company issued 227,990 Class "B" common shares as payment for trade and other payables to a corporation owed by a shareholder in the amount of \$1,139,946. The Company measured the fair value of the payables, and the equity used to pay them, based on the invoiced amount.

## DR. PHONE FIX CANADA LIMITED

### Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

## 16) INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes for the years ended December 31 is as follows:

In \$	2023	2022
Net loss for the year before income taxes	(3,544,224)	(3,606,845)
Expected income tax at statutory tax rates (23.0% - 26.5%)	(835,025)	(839,262)
Change in unrecognized deductible temporary differences	748,883	887,304
Other	13,972	(52,978)
Total income tax expense	(72,170)	(4,936)
Current income tax expense	1,776	19,040
Deferred income tax recovery	(73,946)	(23,976)

For Canadian income tax purposes, the Company has losses carried forward from prior years totaling \$6,960,567 which can be applied to reduce future years' taxable income. These losses expire throughout 2041-2043.

Deferred income tax assets are recognized for loss carry-forwards and other deductible temporary differences to the extent that the realization of the related tax benefit through future taxable profits is probable. This analysis is performed separately for each corporation. For those corporations without a history of tax-basis profitability or other supporting evidence of future profitability to support the recognition of deferred tax assets in excess of deferred tax liabilities, the net deferred tax assets are not recognized. The Company's net deferred income tax assets and liabilities are as follows:

	In \$	
Deferred tax balances relating to:	December 31, 2023	December 31, 2022
<b>Deferred tax assets:</b>		
Losses available for offset against future taxable income	1,627,689	871,891
Net lease accounting differences	168,908	101,892
Property and equipment	-	1,234
Long-term debt, convertible debt, and derivative liability	15,377	15,144
	1,811,974	990,161
Unrecognized deferred tax assets	(1,732,280)	(983,397)
Deferred tax assets offset against liabilities	-	(1,016)
<b>Deferred tax assets</b>	<b>79,694</b>	<b>5,748</b>
<b>Deferred tax liabilities:</b>		
Property and equipment	-	1,016
Deferred tax liabilities offset against assets	-	(1,016)
<b>Net deferred income tax liabilities</b>	<b>-</b>	<b>-</b>

## DR. PHONE FIX CANADA LIMITED

### Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

## 17) LOSS PER SHARE

Basic loss per share is calculated by dividing the net loss by the weighted average number of shares outstanding during the year. The potentially dilutive Common Shares issuable on the conversion option of the convertible debentures are non-dilutive and are therefore excluded from the diluted loss per share. The weighted average number of shares outstanding for the year was 6,227,991 (2022 – 5,945,793).

## 18) NON-CASH TRANSACTIONS AND CASH FLOW DISCLOSURES

Non-cash transactions took place during the years as follows:

In \$	2023	2022
1 Lease capitalization and related adjustments:		
Increase in lease liability	635,098	1,601,188
Increase in right-of-use assets	615,087	1,502,559
Increase other receivable	35,000	109,380
Decrease in prepaid rent	14,989	10,751
2 Conversion of accounts payable to convertible debentures:		
Increase in convertible debentures	26,512	13,580
Increase in derivative liability	35,248	25,220
Decrease in accounts payable	61,760	38,800
3 Common shares issued in common control entity rollover:		
Increase in common shares	100	2,800
Increase in investment in subsidiaries (eliminated)	100	2,800
4 Class "B" common shares issued as payment of accounts payable:		
Increase in share capital	-	1,139,946
Decrease in accounts payable to related party	-	1,139,946

The Company paid income taxes of \$4,757 during the year ended December 31, 2023 (2022 - \$12,743). Interest paid is disclosed in the consolidated statements of cash flows.

## 19) SEGMENTED INFORMATION

The Company's chief operating decision maker is the Chief Executive Officer, along with the other two voting shareholders. While the stores of the Company largely operate independently from each other, when reviewing the consolidated operations, they review the operating performance of the Company together as a single segment given the similar nature of the operations of each store.

## 20) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's current financial instruments include cash, trade and other receivables, bank indebtedness, accounts payable and accrued liabilities, due to related parties, and short-term debt and are measured at amortized cost. The carrying values of these instruments approximate their fair value due to their short-term maturities. The Company's non-current financial instruments measured at amortized cost consist of long-term debt, lease liabilities, and convertible debt; the derivative liability is carried at FVTPL and is remeasured at each reporting date using a combination of Level 2 and Level 3 inputs.

## **DR. PHONE FIX CANADA LIMITED**

### **Notes to the Consolidated Financial Statements**

**December 31, 2023 and 2022**

The Company's activities are exposed to a variety of financial risks, including interest rate risk, credit risk, liquidity risk, and price risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by financial management in conjunction with overall corporate governance.

The Company, as part of its operations, carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

#### **Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Company is exposed to interest rate price risk on its bank indebtedness and long-term debt as they are at variable rates of prime plus 2.75% to prime plus 5.00%. During the year, the Company's exposure to interest rate risk increased because of increases in outstanding debt. The prime rate was increased from 6.70% to 7.20%, which significantly increased the interest paid on long-term debt. For every 1% increase in the prime rate, the Company would incur additional interest expense of about \$92,000 per year.

#### **Liquidity risk**

The Company actively maintains its credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost. Management believes that cash flows from operations, along with available credit under existing banking facilities, will be adequate to support the payment of the Company's financial liabilities. The Company manages its liquidity risk through the management of its capital structure and financial leverage as outlined in Note 21. It also manages liquidity risk by continuously monitoring actual cash flows.

## **21) CAPITAL DISCLOSURE**

The Company's objectives when managing capital are:

- to ensure sufficient liquidity to enable the financing of capital projects;
- to develop a strong capital base to increase investor, creditor and market confidence; and
- to ultimately provide an adequate return to shareholders.

The Company's capital is currently composed of share capital, short-term and long-term debt, and convertible debentures. The Company's primary uses of capital in the past have been to finance its operations, growth, and asset purchases. The Company typically finances each new store with term loans using the purchased assets as collateral, while entering into long-term lease agreements for the facility.

The Board does not establish quantitative return on capital criteria for management. The Company is not subject to any externally imposed capital requirements.

## **DR. PHONE FIX CANADA LIMITED**

### **Notes to the Consolidated Financial Statements**

**December 31, 2023 and 2022**

## **22) CONTINGENCIES**

From time to time, the Company is subject to legal proceedings and or claims in the normal course of business. Management vigorously defends any allegations under such suits or claims that arise from time to time and believes that the ultimate liability, if any, under any pending matters will not materially affect the financial position or results of operations of the Company. At December 31, 2023, the Company was not subject to any material legal proceedings.

## **23) SUBSEQUENT EVENTS**

### **Opening of additional store**

Subsequent to the date of these Financial Statements, the Company has opened an additional store location and borrowed funds to open this location. The new debt includes the following:

- a revolving operating loan of up to \$20,000 bearing interest of prime plus 5% per annum and maturing in April 2025
- a term loan of \$340,000 bearing interest of prime plus 3% per annum and maturing in April 2025. This loan requires interest-only payments until the 4th month, and blended payments of \$4,650 per month thereafter through the maturity date

The Company also entered into a new lease agreement for this store commencing in April 2024. The lease has a term of ten years with base rent starting at \$3,040 per month and escalating in year 6.

### **New lease for head office facilities**

The Company entered into a new lease agreement for a five-year lease of a head office building with base rent starting at \$3,074 per month and increasing 2.5% per year.

### **CEBA loan activity**

Two of the CEBA loans described in Note 13 were refinanced in time to take advantage of the \$20,000 of government-provided debt forgiveness for each loan. They were refinanced as follows:

- The Company issued two non-revolving demand loans in February 2024 with an amortization period of 36 months, bearing interest of prime plus 3.5% per annum, each requiring blended monthly payments of \$1,336.
- The last remaining CEBA loan was not refinanced and, accordingly, automatically converted in March 2024 according to its terms into a 3-year note payable bearing interest of 5% per annum.

### **Letter of agreement for qualifying transaction**

On April 24, 2024, the Company announced that it had entered into a binding letter agreement concerning its proposed arm's length qualifying transaction ("Transaction") involving a business combination with AUKA CAPITAL CORP. The Company intends that the Transaction will constitute its "Qualifying Transaction" under Policy 2.4 – Capital Pool Companies – of the TSX Venture Exchange.

**DR. PHONE FIX CANADA LIMITED**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS (UNAUDITED)**

**FOR THE THREE AND SIX MONTHS ENDED  
JUNE 30, 2024 AND 2023  
(in Canadian dollars)**

**DR. PHONE FIX CANADA LIMITED**

Condensed Interim Consolidated Statements of Financial Position

	Note	(Unaudited) June 30, 2024	(Audited) December 31, 2023
<b>ASSETS</b>			
<b>Current</b>			
Cash		273,684	323,837
Trade and other receivables	3	221,432	134,093
Inventory	4	1,196,372	1,514,378
Prepaid expenses		5,164	1,090
		1,696,652	1,973,398
<b>Non-current</b>			
Property and equipment	5	8,430,640	8,643,138
Right-of-use assets	6	6,143,079	6,352,564
Security deposits		169,953	158,953
Deferred tax assets		88,281	79,694
<b>Total assets</b>		<b>16,528,605</b>	<b>17,207,747</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
<b>Current liabilities</b>			
Bank indebtedness		544,662	291,135
Accounts payable and accrued liabilities	7	1,410,926	709,268
Due to related parties	10	5,703,017	5,339,574
Short-term debt		570,000	500,000
Current portion of lease liabilities		729,428	687,451
Current portion of long-term debt		888,058	998,575
		9,846,091	8,526,003
<b>Non-current liabilities</b>			
Lease liabilities	8	6,194,352	6,331,246
Long-term debt	9	8,357,895	8,327,916
Convertible debentures		66,858	50,827
Derivative liability		49,361	56,588
<b>Total liabilities</b>		<b>24,514,557</b>	<b>23,292,580</b>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Share capital		1,143,056	1,143,056
Deficit		(9,129,008)	(7,227,889)
		(7,985,952)	(6,084,833)
<b>Total liabilities and shareholders' equity (deficiency)</b>		<b>16,528,605</b>	<b>17,207,747</b>
Going concern	1		
Subsequent events	14		

See accompanying notes to the condensed interim consolidated financial statements

[signed]

On behalf of board: Piyush Sawhney, Director

## DR. PHONE FIX CANADA LIMITED

Condensed Interim Consolidated Statements of Comprehensive Income

(Unaudited)	Note	Three months ended June 30,		Six months ended June 30,	
		2024	2023	2024	2023
<b>Revenue, net</b>		<b>2,525,482</b>	2,488,259	<b>4,712,225</b>	4,415,737
<b>Cost of sales</b>	4	<b>1,215,558</b>	1,240,422	<b>2,234,654</b>	2,207,336
<b>Gross profit</b>		<b>1,309,924</b>	1,247,837	<b>2,477,571</b>	2,208,401
<b>Selling, general and administrative expenses</b>					
Employee salaries and benefits		888,327	866,515	1,789,608	1,652,969
Depreciation of property and equipment		295,647	277,388	584,969	554,776
Depreciation of right-of-use assets		218,201	203,235	430,999	394,150
Variable rent and lease operating charges		154,176	140,736	317,313	291,553
Professional fees		129,202	35,493	191,197	52,625
Utilities		54,522	43,899	118,334	119,713
Interest and bank charges		58,375	50,186	101,018	84,090
Insurance		30,333	36,167	62,843	63,948
Computer		27,942	36,860	52,546	61,524
Office		15,423	24,520	23,245	54,284
Advertising and promotion		3,012	29,056	21,458	55,931
Business taxes and licences		10,110	14,185	16,692	23,686
Other		7,465	29,917	11,383	38,727
		<b>1,892,735</b>	1,788,157	<b>3,721,605</b>	3,447,976
<b>Income from operations before the following:</b>		<b>(582,811)</b>	(540,320)	<b>(1,244,034)</b>	(1,239,575)
Interest expense on lease liabilities		(109,937)	(109,701)	(217,619)	(213,201)
Interest expense on debt		(246,570)	(238,945)	(495,280)	(400,672)
Gain on derivative liability		3,338	970	7,227	1,940
Government assistance income	9	-	-	40,000	-
<b>Total other income (expenses)</b>		<b>(353,169)</b>	(347,676)	<b>(665,672)</b>	(611,933)
<b>Loss before income tax expense (recovery)</b>		<b>(935,980)</b>	(887,996)	<b>(1,909,706)</b>	(1,851,508)
Current income tax expense		-	-	-	-
Deferred income tax recovery		1,173	(18,487)	(8,587)	(36,974)
<b>Income tax expense (recovery)</b>		<b>1,173</b>	(18,487)	<b>(8,587)</b>	(36,974)
<b>Net and comprehensive loss</b>		<b>(937,153)</b>	(869,509)	<b>(1,901,119)</b>	(1,814,534)
<b>Net loss per share, basic and diluted</b>	11	<b>(\$0.15)</b>	(\$0.14)	<b>(\$0.31)</b>	(\$0.29)

See accompanying notes to the condensed interim consolidated financial statements

## DR. PHONE FIX CANADA LIMITED

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

<b>(Unaudited), In \$</b>	<b>Share capital</b>	<b>Deficit</b>	<b>Total</b>
<b>Balance as at December 31, 2022</b>	1,142,956	(3,755,835)	(2,612,879)
Net and comprehensive loss	-	(1,814,534)	(1,814,534)
<b>Balance as at June 30, 2023</b>	1,142,956	(5,570,369)	(4,427,413)
<b>Balance as at December 31, 2023</b>	<b>1,143,056</b>	<b>(7,227,889)</b>	<b>(6,084,833)</b>
Net and comprehensive loss	-	(1,901,119)	(1,901,119)
<b>Balance as at June 30, 2024</b>	<b>1,143,056</b>	<b>(9,129,008)</b>	<b>(7,985,952)</b>

*See accompanying notes to the condensed interim consolidated financial statements*

**DR. PHONE FIX CANADA LIMITED**

Condensed Interim Consolidated Statements of Cash Flows

<b>(Unaudited)</b>	Note	<b>Six months ended June 30,</b>	
		<b>2024</b>	<b>2023</b>
<b>OPERATING ACTIVITIES</b>			
Net loss		(1,901,119)	(1,814,534)
Adjustments to arrive at cash flow from operations:			
Deferred income tax recovery		(8,587)	(36,974)
Depreciation		1,015,968	948,926
Interest expense		712,899	613,873
Government assistance income (non-cash)	9	(40,000)	-
Gain on derivative liability		(7,227)	(1,940)
Cash used in operating activities before net change in non-cash working capital relating to operations:		(228,066)	(290,649)
Change in trade and other receivables	3	(63,839)	461,544
Change in inventory	4	318,007	14,847
Change in prepaid expenses		(4,074)	(10,415)
Change in accounts payable and accrued liabilities	7	701,656	366,964
<b>Cash generated by operating activities</b>		<b>723,684</b>	<b>542,291</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	5	(372,471)	(680,926)
Deposits paid		(11,000)	(3,808)
<b>Cash used in investing activities</b>		<b>(383,471)</b>	<b>(684,734)</b>
<b>FINANCING ACTIVITIES</b>			
Short-term advances received		70,000	500,000
Issuance of long-term debt	9	342,439	687,387
Repayment of long-term debt	9	(387,311)	(290,518)
Repayment of lease liabilities	8	(344,864)	(268,047)
Interest paid		(687,600)	(613,873)
Cash received from related parties, net	10	363,443	113,803
<b>Cash generated by (used in) financing activities</b>		<b>(643,893)</b>	<b>128,752</b>
Net change in cash		(303,680)	(13,691)
Cash (bank indebtedness), beginning of period		32,702	(14,700)
<b>Bank indebtedness, end of period</b>		<b>(270,978)</b>	<b>(28,391)</b>
<b>Ending cash (bank indebtedness) as at June 30 consists of:</b>			
Cash		273,684	205,449
Bank indebtedness		(544,662)	(233,840)
<b>Bank indebtedness, end of period</b>		<b>(270,978)</b>	<b>(28,391)</b>

See accompanying notes to the condensed interim consolidated financial statements

## DR. PHONE FIX CANADA LIMITED

Notes to the Condensed Interim Consolidated Financial Statements  
June 30, 2024 and 2023 (Unaudited)

### NATURE OF BUSINESS

Dr. Phone Fix Canada Limited (“Dr. Phone Fix” or “the Company”) is incorporated in Canada under the Business Corporations Act of Alberta. The Company’s registered office is 10123 99 St NW #2500, Edmonton, Alberta T5J 3H1, Canada. Dr. Phone Fix is engaged in repair services for electronic devices and sales of pre-owned electronic devices in Canada through its 34 stores in the provinces of Alberta, British Columbia, Saskatchewan, and Ontario. The Company has been operating since 2019.

### 1) GOING CONCERN

**Going concern** These condensed interim consolidated financial statements for the three and six months ended June 30, 2024 and 2023 (“Financial Statements”) have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due.

Historically the Company has had operating losses, negative cash flows, and working capital deficiencies. While the Company has established and dedicated itself to robust plans to achieve profitability and positive cash flow in the future, whether, and when, the Company will attain profitability and positive cash flows is uncertain. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern.

The Company will need to raise additional capital to continue to pursue its growth strategy and to fund its operations. While the Company has been successful in raising capital in the past, there can be no assurance that it will be able to do so in the future. The ability to raise capital may be adversely impacted by uncertain market conditions.

Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they come due. These Financial Statements do not reflect adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company was unable to realize its assets and settle its liabilities as a going concern in the normal course of operation. These adjustments could be material.

### 2) BASIS OF PRESENTATION

**Statement of compliance** 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 and are presented in condensed form in compliance with IAS 34 *Interim Financial Reporting*.

These Financial Statements were approved and authorized for issue by the Company’s board of directors (“Board”) on October 11, 2024.

## DR. PHONE FIX CANADA LIMITED

### Notes to the Condensed Interim Consolidated Financial Statements June 30, 2024 and 2023 (Unaudited)

#### Basis of presentation

These Financial Statements have been prepared under the historical cost convention, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value, and are expressed in Canadian dollars unless otherwise indicated. Other measurement bases used are detailed in the Company's annual consolidated financial statements ("Annual Financial Statements").

The notes presented in these Financial Statements include only significant events and transactions occurring since the Company's last fiscal year end and are not fully inclusive of all matters required to be disclosed by IFRS in the Company's annual consolidated financial statements. As a result, these Financial Statements should be read in conjunction with the Annual Financial Statements.

These Financial Statements follow the same accounting policies and methods of application as the most recent Annual Financial Statements.

### 3) TRADE AND OTHER RECEIVABLES

In \$, Balance comprised of:	June 30, 2024	December 31, 2023
Trade receivables	-	3,238
Tenant improvement allowance receivables	23,500	87,890
Goods and Services Tax receivables	197,932	42,965
	<b>221,432</b>	134,093

### 4) INVENTORY

The Company's inventory is summarized below. Inventory expensed in cost of sales for the three and six months ended June 30, 2024 amounted to \$1,215,558 and \$2,234,654, respectively (three and six months ended June 30, 2023 - \$1,240,422 and \$2,207,336, respectively).

In \$, Balance comprised of:	June 30, 2024	December 31, 2023
Parts	678,583	879,460
Accessories	456,799	566,059
Devices	60,949	68,779
Other	41	80
	<b>1,196,372</b>	1,514,378

## DR. PHONE FIX CANADA LIMITED

Notes to the Condensed Interim Consolidated Financial Statements  
June 30, 2024 and 2023 (Unaudited)

### 5) PROPERTY AND EQUIPMENT

In \$	Leasehold improvements	Furniture and fixtures	Computer equipment	Total
<b>Balance as at December 31, 2022</b>				
Cost	9,064,243	704,692	38,512	9,807,447
Accumulated depreciation	(1,306,687)	(144,675)	(25,631)	(1,476,993)
Net book value	7,757,556	560,017	12,881	8,330,454
Purchases	636,949	32,375	11,602	680,926
Depreciation	(486,964)	(59,873)	(7,939)	(554,776)
<b>Balance as at June 30, 2023</b>				
Cost	9,701,192	737,067	50,114	10,488,373
Accumulated depreciation	(1,793,651)	(204,548)	(33,570)	(2,031,769)
Net book value	7,907,541	532,519	16,544	8,456,604
<b>Balance as at December 31, 2023</b>				
Cost	10,377,070	782,122	70,492	11,229,684
Accumulated depreciation	(2,280,615)	(264,421)	(41,510)	(2,586,546)
Net book value	8,096,455	517,701	28,982	8,643,138
Purchases	340,439	9,314	22,718	372,471
Depreciation	(523,118)	(52,007)	(9,844)	(584,969)
<b>Balance as at June 30, 2024</b>				
Cost	10,717,509	791,436	93,210	11,602,155
Accumulated depreciation	(2,803,733)	(316,428)	(51,354)	(3,171,515)
Net book value	7,913,776	475,008	41,856	8,430,640

## DR. PHONE FIX CANADA LIMITED

Notes to the Condensed Interim Consolidated Financial Statements  
June 30, 2024 and 2023 (Unaudited)

### 6) RIGHT-OF-USE ASSETS

	Store Leases
<b>Balance as at December 31, 2022</b>	
Cost	7,261,625
Accumulated depreciation	(704,402)
Net book value	6,557,223
Additions	615,087
Depreciation	(394,150)
<b>Balance as at June 30, 2023</b>	
Cost	7,876,712
Accumulated depreciation	(1,098,552)
Net book value	6,778,160
<b>Balance as at December 31, 2023</b>	
Cost	7,876,712
Accumulated depreciation	(1,524,148)
Net book value	6,352,564
Additions	221,514
Depreciation	(430,999)
<b>Balance as at June 30, 2024</b>	
Cost	8,098,226
Accumulated depreciation	(1,955,147)
Net book value	6,143,079

### 7) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

In \$, Balance comprised of:	June 30, 2024	December 31, 2023
Trade accounts payable	695,156	332,421
Credit cards payable	160,445	54,407
Goods and Services Tax payable	481,419	260,045
Accrued wages and benefits payable	72,237	60,726
Income taxes payable	1,669	1,669
	<b>1,410,926</b>	<b>709,268</b>

### 8) LEASE LIABILITIES

The Company is obligated under various lease agreements for its store facilities, which are summarized below by maturity year. The leases require escalating payments. The current payments as of June 30, 2024 are shown in the summary below, and the future escalating payments are reflected in the estimated future payment tables below. Most of the leases provide one or two options to extend the term of the lease by an additional five years. The lease terms used to calculate the lease liabilities do not include the renewal periods. The discount rates used for the lease liability calculations range from 6% - 8%. The obligations under the lease agreements are guaranteed by the majority shareholders of the Company.

## DR. PHONE FIX CANADA LIMITED

Notes to the Condensed Interim Consolidated Financial Statements  
June 30, 2024 and 2023 (Unaudited)

Finance leases for store facilities, all secured by asset financed	Monthly instalments including interest	In \$	
		June 30, 2024	December 31, 2023
Initial lease term ending in 2027	2,176	78,702	89,211
Initial lease term ending in 2028	6,530	304,331	330,721
Initial lease term ending in 2029	5,582	318,570	342,094
Initial lease term ending in 2030	7,977	533,177	564,495
Initial lease term ending in 2031	38,646	2,833,067	2,977,062
Initial lease term ending in 2032	28,440	2,296,007	2,396,009
Initial lease term ending in 2033	4,199	309,977	319,105
Initial lease term ending in 2034	3,040	249,949	-
<b>Total lease liabilities</b>	96,590	6,923,780	7,018,697
Less current portion		(729,428)	(687,451)
<b>Long-term lease liabilities</b>		6,194,352	6,331,246

Estimated future payments and principal repayments of lease liabilities as at June 30, 2024 are relatively similar to those disclosed in the most recent Annual Financial Statements.

A reconciliation of the balance of lease liabilities for the six months ended June 30, 2024 and 2023 is as follows:

In \$	2024	2023
Opening balance	7,018,697	6,940,668
Additions related to new lease agreements	245,014	635,098
Total cash outflows for leases	(874,863)	(772,799)
Variable lease payments not included in the measurement of lease liabilities	317,313	291,553
Portion of lease payments allocated to interest expense	217,619	213,201
Balance as at June 30	6,923,780	7,307,721
Less current portion	(729,428)	(628,956)
Long-term portion as at June 30	6,194,352	6,678,765

See Note 6 for information regarding the related right-of-use assets and depreciation of those assets.

### Execution of new lease for head office facilities

In April 2024, the Company entered into a new lease agreement for a five-year lease of a head office building with base rent starting at \$3,074 per month and increasing 2.5% per year. The lease term commences in October 2024.

## 9) LONG-TERM DEBT

The Company has begun the process to open an additional store location and borrowed funds to open this location. The new long-term debt includes a term loan of \$340,439 bearing interest of Prime plus 3% per annum and maturing in April 2025. This loan requires interest-only payments until the 4th month, and blended payments of \$4,650 per month thereafter through the maturity date.

## DR. PHONE FIX CANADA LIMITED

### Notes to the Condensed Interim Consolidated Financial Statements June 30, 2024 and 2023 (Unaudited)

Long-term debt consists of the following:

	Maturity	June 30, 2024	December 31, 2023
Term loans bearing interest at rates between Prime plus 2.75% and Prime plus 4%, repayable in aggregate monthly payments of \$101,943, plus interest, collateralized by equipment and leasehold improvements	2025 - 2033	6,695,693	6,523,117
Term loans bearing interest at rates between Prime plus 2.75% and Prime plus 3%, repayable in aggregate monthly payments of \$28,422, collateralized by equipment and leasehold improvements	2026 - 2033	2,490,260	2,623,374
Canada Emergency Business Account ("CEBA") loan, interest free through December 31, 2023, after which it bears interest at 5% and requires interest-only payments through March 2027	(a)	60,000	180,000
Total long-term debt		9,245,953	9,326,491
Less: current portion		(888,058)	(998,575)
		8,357,895	8,327,916

- a) In February 2024, the Company refinanced two of its CEBA loans to take advantage of the government-provided debt forgiveness. Each loan of \$60,000 was repaid with proceeds of \$40,000 from a new term loan, resulting in government assistance income of \$20,000 for each of the two loans. An extra \$1,000 was advanced on each of these new term loans, resulting in new debt of \$2,000. The last remaining CEBA loan was not refinanced by the deadline and, as such, no debt forgiveness was received, and in March 2024 it converted to a three-year interest-only note payable of \$60,000.

## 10) RELATED PARTY TRANSACTIONS

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. No amounts are owing to or owing from the related parties in respect of the transactions unless otherwise referenced in the table below.

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
<b>a. Amounts included in purchases (inventory or cost of sales):</b>				
Purchases from an entity owned by a shareholder	192,960	703,563	348,636	1,253,497
<b>b. Amounts included in Selling, general and administrative expenses:</b>				
Compensation of key management personnel ("KMP") <sup>1</sup> :				
Cash compensation to individuals	59,077	34,375	108,372	40,104
Cash compensation to separate management company owned by an officer of the Company	-	-	-	27,500
Compensation added to payable to shareholder	5,298	28,333	20,378	56,979
Total compensation of KMP	64,375	62,708	128,750	124,583

## DR. PHONE FIX CANADA LIMITED

### Notes to the Condensed Interim Consolidated Financial Statements June 30, 2024 and 2023 (Unaudited)

<sup>1</sup> KMP consist of those that have the authority and responsibility for planning, directing and controlling the activities of the Company, which includes the senior executive team.

Related party cash flow information is included in the consolidated statements of cash flows. Related party amounts included in the consolidated statements of financial position are as follows:

	In \$	
	June 30, 2024	December 31, 2023
<b>Due to related parties:</b>		
Payable to shareholders	760,180	623,180
Advances from entity under common control	4,247,306	4,107,306
Accounts payable to an entity owned by a shareholder	695,531	609,088
	<b>5,703,017</b>	<b>5,339,574</b>

The amounts above are unsecured, non-interest bearing and have no established terms of repayment, and as such have been recorded as non-current assets or current liabilities.

## 11) LOSS PER SHARE

Basic loss per share is calculated by dividing the net loss by the weighted average number of shares outstanding during the year. The potentially dilutive Common Shares issuable on the conversion option of the convertible debentures are non-dilutive and are therefore excluded from the diluted loss per share. The weighted average number of shares outstanding for the three and six months ended June 30, 2024 was 6,228,020 (three and six months ended June 30, 2023 – 6,227,990).

## 12) NON-CASH TRANSACTIONS AND CASH FLOW DISCLOSURES

Non-cash transactions took place as follows during the six months ended June 30, 2024 and 2023:

In \$	June 30,	June 30,
	2024	2023
1 Lease capitalization and related adjustments:		
Increase in lease liability	245,014	635,098
Increase in right-of-use assets	221,514	615,087
Increase other receivable	23,500	35,000
Decrease in prepaid rent	-	14,989

## 13) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's current financial instruments include cash, trade and other receivables, bank indebtedness, accounts payable and accrued liabilities, due to related parties, and short-term debt and are measured at amortized cost. The carrying values of these instruments approximate their fair value due to their short-term maturities. The Company's non-current financial instruments measured at amortized cost consist of long-term debt, lease liabilities, and convertible debt;

## **DR. PHONE FIX CANADA LIMITED**

### **Notes to the Condensed Interim Consolidated Financial Statements June 30, 2024 and 2023 (Unaudited)**

the derivative liability is carried at FVTPL and is remeasured at each reporting date using a combination of Level 2 and Level 3 inputs.

The Company's activities are exposed to a variety of financial risks, including interest rate risk, credit risk, liquidity risk, and price risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by financial management in conjunction with overall corporate governance.

The Company, as part of its operations, carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

#### **Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Company is exposed to interest rate price risk on its bank indebtedness and long-term debt as they are at variable rates of Prime plus 2.75% to Prime plus 5.00%. During the period, the Company's exposure to interest rate risk decreased slightly because of minor decreases in outstanding debt. The Prime rate decreased during the period by 25 basis points to 6.95%, and has seen two more rate reductions subsequently as described in Note 14. For every 1% change in the Prime rate, interest expense would change by about \$92,000 per year.

#### **Liquidity risk**

The Company actively maintains its credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost. Management believes that cash flows from operations, along with available credit under existing banking facilities, will be adequate to support the payment of the Company's financial liabilities. The Company manages its liquidity risk through the management of its capital structure and financial leverage as outlined in Note 21 to the Annual Financial Statements. It also manages liquidity risk by continuously monitoring actual cash flows.

## **14) SUBSEQUENT EVENTS**

### **Letter of agreement for qualifying transaction**

On July 16, 2024, the Company executed a definitive agreement concerning its proposed arm's length qualifying transaction ("Transaction") involving a business combination with AUKA CAPITAL CORP. ("Auka"). The Company intends that the Transaction will constitute its "Qualifying Transaction" under Policy 2.4 – Capital Pool Companies – of the TSX Venture Exchange.

As Auka operates as a capital pool company, it does not carry on a business, other than the identification and evaluation of businesses or assets with a view to completing a proposed qualifying transaction. As such, the Transaction will not have a material impact to the Company regarding its financial performance and cash flows. Auka does, however, have positive

## **DR. PHONE FIX CANADA LIMITED**

### **Notes to the Condensed Interim Consolidated Financial Statements June 30, 2024 and 2023 (Unaudited)**

working capital which will be contributed to the Resulting Issuer, although expected transaction costs of the Transaction will mitigate the impact of this working capital contribution to the Resulting Issuer.

#### **Share issuance for conversion of debentures**

In July 2024, the Company issued 327,791 class A common shares valued at \$600,000 as consideration for the following:

- Conversion of all outstanding convertible debentures with total conversion value of \$106,153,
- Prepaid legal services of \$293,847 as advance consideration under the convertible debentures agreement, and
- A bonus of \$200,000 in relation to the base conversion of 2% of class A common shares under the convertible debentures agreement.

This transaction extinguishes all outstanding convertible debentures as well as the related derivative liability.

#### **Interest rate reduction**

On July 24, 2024, the Canadian Prime rate of interest was reduced by 25 basis points to 6.70%. On September 4, 2024, the Canadian Prime rate of interest was reduced by another 25 basis points to 6.45%. As most of the Company's debt bears interest at variable rates that fluctuate with the Canadian Prime rate, this will lead to interest savings in the future on the existing debt.

**SCHEDULE "D"**  
**DPF MANAGEMENT'S DISCUSSION AND ANALYSIS**

(see attached)



# DR. PHONE FIX CANADA LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended December 31, 2023 and 2022

August 29, 2024

**Dr. Phone Fix Canada Limited**  
**Management's Discussion & Analysis**  
**December 31, 2023 and 2022**

**FOREWORD**

The following is Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Dr. Phone Fix Canada Limited (the "Company" or "DPF") for the years ended December 31, 2023 and 2022. This MD&A should be read in conjunction with the audited consolidated financial statements of the Company and accompanying notes as at and for the years ended December 31, 2023 and 2022 (the "Financial Statements"). The Financial Statements and the "SELECTED FINANCIAL INFORMATION" section of this MD&A have been prepared using International Financial Reporting Standards ("IFRS") and all amounts are reported in Canadian dollars ("CAD") unless otherwise noted. Additional information about the Company can be found on the Company's website at [www.docphonefix.com](http://www.docphonefix.com). Readers should also read the section "CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS" contained at the end of this document.

Unless otherwise stated, in preparing this MD&A the Company has taken into account information available to it up to the date of this MD&A, August 29, 2024, being the date the Company's board of directors (the "Board") approved this MD&A.

**NON-GAAP MEASURES:** The Company refers to EBITDA and Adjusted EBITDA. These measures are not defined under IFRS and are considered non-GAAP measures. These measures do not have a standardized meaning and may not be comparable to similar measures presented by other issuers and should not be viewed as a substitute for measures reported under IFRS. These financial measures are reconciled to IFRS in the section titled "NON-GAAP DISCLOSURE" towards the end of this document.

**BACKGROUND AND CORE BUSINESS**

The Company is incorporated in Canada under the Business Corporations Act of Alberta, and its registered office is 10123 99 St NW #2500, Edmonton, Alberta T5J 3H1, Canada. The Company operates a rapidly-growing network of 35 corporately-owned stores that provide repair services for electronic devices and sell pre-owned electronic devices in Alberta, British Columbia, Saskatchewan, and Ontario, and has been operating since 2019.

**CORPORATE DEVELOPMENTS AND SIGNIFICANT MERGERS AND FACTORS AFFECTING RESULTS OF OPERATIONS**

**Letter of agreement for qualifying transaction**

The Company has entered into a binding letter agreement with Auka Capital Corp. ("Auka") dated April 23, 2024 (the "Letter Agreement") pursuant to which DPF and Auka intend to complete a business combination to effect the going public transaction in Canada for DPF ("Transaction"). The Transaction will be by way of a three-cornered amalgamation to form the resulting issuer to be called "Dr. Phone Fix Corporation" ("Resulting Issuer"), or such other name as may be determined by DPF and Auka, as would be acceptable to the TSX Venture Exchange ("TSX-V"). The Transaction is intended to constitute Auka's "Qualifying Transaction" under Policy 2.4 – Capital Pool Companies – of the TSX-V.

Pursuant to the proposed Transaction:

- i. DPF will, prior to closing, convert approximately \$5.5 million in debt into approximately 3 million DPF shares.

**Dr. Phone Fix Canada Limited**  
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- ii. DPF is expected to complete a a brokered private placement (the "Private Placement") of subscription receipts of DPF ("Subscription Receipts") for aggregate gross proceeds of up to \$3,500,000, at a price of approximately \$1.83 per Subscription Receipt. Each Subscription Receipt would be automatically converted, without payment of additional consideration or further action by the holder thereof, into one unit ("Unit") comprised of one DPF Class A Common share and one-half of one common share purchase warrant of DPF, subject to adjustment in certain events, immediately before the completion of the Transaction upon the satisfaction or waiver of certain escrow release conditions.
- iii. DPF will amalgamate with a newly-formed subsidiary of Auka ("Subco") to form an amalgamated entity ("Amalco"), which will continue as a wholly-owned subsidiary of Auka. In connection with the completion of the Amalgamation, each holder of DPF shares immediately prior to closing (including those issued under the Private Placement) will exchange their DPF shares for common shares in the capital of the Resulting Issuer on the basis of approximately 9.15 fully paid and non-assessable Resulting Issuer shares for every one (1) DPF share held, at a deemed price of approximately \$1.83 per DPF share.

Management plans to employ the proceeds from the Private Placement as follows:

<b>USES</b>		
<b>\$000s</b>	<b>Low</b>	<b>High</b>
New Store Openings	\$300	\$1,200
CPO Investment	\$1,200	\$1,200
Industry Partnerships Investment	\$800	\$800
Working Capital	\$200	\$300
<b>Total</b>	<b>\$2,500</b>	<b>\$3,500</b>

DPF and Auka executed a formal definitive agreement (the "Formal Agreement") governing the proposed Transaction on July 16, 2024.

The Resulting Issuer will be positioned to be a market leader of electronic device repair services and certified pre-owned ("CPO") device and accessory products and will continue the business currently carried on by DPF.

As Auka operates as a capital pool company under Policy 2.4 of the Exchange, it does not carry on a business, other than the identification and evaluation of businesses or assets with a view to completing a proposed qualifying transaction. As such, the Transaction will not have a material impact to DPF regarding its financial performance and cash flows. Auka does, however, have positive working capital which will be contributed to the Resulting Issuer, although expected transaction costs of the Transaction will mitigate the impact of this working capital contribution to the Resulting Issuer.

**Management team updates**

Upon completion of the Transaction, the Resulting Issuer will be led by the existing management team of DPF, consisting of the following individuals: Piyush Sawhney (Chief Executive Officer and Director); Sunil Goel (President and Director); Jason Vandenberg (Chief Financial Officer); and Anil Verma (VP – Store Development). Upon completion of the Transaction, the Resulting Issuer's board of directors will be comprised of Piyush Sawhney, Sunil Goel, Anil Verma, Graham Barr, Jay Baraniecki, Jeff Lloyd and Robert Cole.

# Dr. Phone Fix Canada Limited

## Management's Discussion & Analysis

### December 31, 2023 and 2022

#### 2023 HIGHLIGHTS

The year 2023 was a year of significant growth for the Company. While there were only two additional stores opened in 2023, the Company's revenue increased by \$3.7 million (59%) in 2023 compared with the previous year. Much of this revenue growth is a result of stores being open for the full year in 2023 versus a partial year in 2022; however, the fourth quarter of 2023 saw 17% revenue growth compared to the same quarter in 2022 for mature stores.

Gross margin also improved significantly to 54% in 2023, up from 47% in 2022. Operating expenses increased at a much slower rate of 34% compared to revenue growth of 59%, which helped decrease the loss from operations before other income and expenses by \$0.5 million (18%) as compared to 2022. EBITDA improved by 75% to negative \$0.3 million, and operating cash flow increased by \$4.6 million year over year, to \$1.4 million in 2023. Despite these positive results, the Company's net working capital decreased by \$1.1 million in 2023 (excluding advances from related parties and other amounts with no set terms of repayment). The Company still has work to do to reach profitability and improve its liquidity, but it made good progress in 2023.

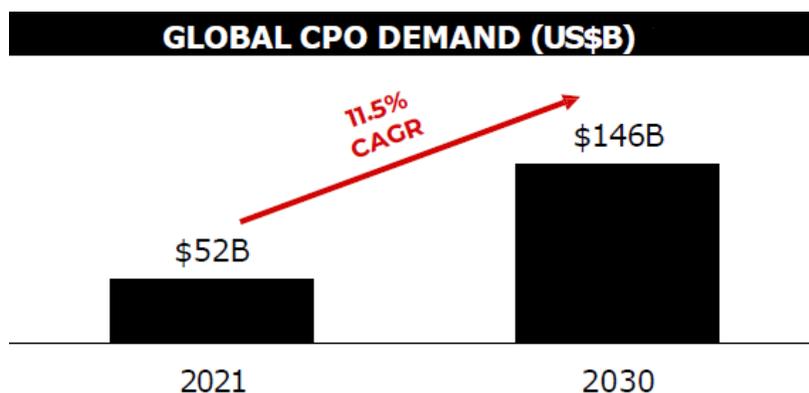
In March 2023, DPF was designated as an Authorized Samsung Service Partner and, as a result, DPF store locations and contact information are listed on the Samsung Canada website.

In May 2023, DPF was approved as an Apple Independent Repair Provider ("IRP"), granting them access to genuine Apple parts, tools, manuals, and diagnostics for repairs. This relationship further enhances DPF's credibility and reputation by showcasing the ability to meet stringent OEM standards.

DPF has partnered with global insurance providers, Likewise and Assurant, to purchase CPO devices and is also finalizing agreements to complete repairs for insured customers.

#### OUTLOOK

The market in which DPF operates is poised for significant growth. The digital revolution and rising cell phone prices have significantly increased the demand for professional cell phone repair and CPO devices. The global CPO market was valued at US\$52B in 2021 and is forecasted to more than double by 2030<sup>1</sup>.



<sup>1</sup> Source: [Custom Market Insights](#)

## Dr. Phone Fix Canada Limited

Management's Discussion & Analysis  
December 31, 2023 and 2022

By implementing its growth strategies discussed below, management will work to claim the largest portion of this future market growth that is possible for the Company.

Company management sees a clear path to become a highly profitable nation-wide chain of stores. DPF is a market leader in the fast growing and highly fragmented cell phone repair and CPO resale market and is a strong brand in Western Canada. The Company has received 21,000+ online reviews with an average Google rating of 4.9 stars. DPF has rapidly grown to 35 stores in 22 cities across 4 provinces since 2019, with plans to open 2 additional stores in by Q2 2025.



### Growth Strategies

The Company plans to maximize its growth in sustainable and healthy ways by focusing on:

- revenue growth at existing stores
- opening new stores in strategic locations, and
- watching for opportunities to acquire smaller cell phone repair chains.

**Revenue growth at existing stores has been strong in the past, and this growth is expected to continue.** The stores have seen revenue growth in both device repair services and in sales of CPO devices and accessories. DPF will continue to focus on both sales and service, with a particular focus on sale of CPO devices given the expected increase in demand. As part of that focus, DPF plans to use a portion of the proceeds from the Private Placement to make bulk purchases of CPO devices in order to buy at the lowest cost possible and increase its inventory to prepare for sales growth. New industry partnerships are also expected to contribute significantly to future revenue growth.

**Opening new stores in strategic locations will expand the Company's reach into new markets and strengthen its presence in existing markets.** New stores take about 6 months on average to ramp up, with a cost of about \$300,000 per new store. While the investment is significant, much of the initial cost has long-term benefits, such as leasehold improvements for leased facilities with typically 10-year terms. Most new stores are generating in excess of \$20,000 in

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**Management's Discussion & Analysis**  
**December 31, 2023 and 2022**

monthly revenue after the ramp-up period. DPF plans to use a portion of the proceeds from the Private Placement to cover some of the cost of opening new stores, which will accelerate growth in the number of stores.

**Watching for opportunities to acquire smaller cell phone repair chains, if those opportunities are pursued, will expedite total store count growth.** DPF will evaluate these opportunities as they come available and pursue acquisitions that are accretive and can be completed with a combination of cash and share issuance. Completion of the proposed Transaction will put the Company in a much better position to make strategic acquisitions.

### SELECTED FINANCIAL INFORMATION

A summary of selected financial information for years ended December 31, 2023 and 2022, as expressed in Canadian dollars, and in accordance with IFRS:

	Year ended December 31,		% Change
	In \$ unless otherwise stated		
	2023	2022	2023
Revenue	10,062,669	6,316,910	59
Gross profit	5,397,158	2,954,216	83
Gross profit as a percentage of revenue (" <b>Gross margin</b> ")	54%	47%	
EBITDA <sup>1</sup>	(270,759)	(1,104,918)	75
Adjusted EBITDA <sup>1</sup>	114,703	(764,417)	115
Net and comprehensive loss	(3,472,054)	(3,601,909)	4
Total assets	17,207,747	17,340,149	(1)
Total non-current financial liabilities	14,709,989	14,138,205	4
Loss per share, basic and diluted <sup>2</sup>	(0.56)	(0.61)	8
Weighted average number of common shares – basic and diluted <sup>2</sup>	6,227,991	5,945,793	5

(1) See NON-GAAP DISCLOSURE towards the end of this document

(2) Percentage change based on unrounded earnings per share

The Company transitioned to IFRS effective January 1, 2022. In 2021, the Company reported in accordance with Canadian Accounting Standards for Private Enterprises ("ASPE"). As such, the results of operations and assets and liabilities are not comparable to the 2023 and 2022 results which are stated in accordance with IFRS. Unaudited 2021 figures in accordance with ASPE are as follows: revenue of \$3,756,513, net loss of \$524,013, total assets of \$8,741,320, and total non-current financial liabilities of \$4,656,908.

### OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

The Company's revenue increased by \$3.7 million (59%) in 2023 compared with the previous year. Of this growth, 50% is from stores opened prior to 2022, 47% is from stores opened in 2022, and 3% is from stores opened in 2023. Length of store presence, full versus partial operating period of stores opened in 2022, and market growth all contributed to the revenue growth. The fact that 50% of revenue growth came from mature stores is encouraging, and management continues to focus on increasing revenue at existing stores as well as opening new stores. While revenue growth will likely be less in 2024 due to the small number of new stores opened in 2023, management does expect significant growth at the existing stores.

**Dr. Phone Fix Canada Limited**  
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Gross profit improved to \$5.4 million (54% margin) from \$3.0 million (47% margin), which is largely attributable to lower cost of products resulting from increased purchasing power at larger scale, and strategic partnerships with suppliers.

EBITDA improved by 75% (\$0.8 million) in 2023 as compared to 2022. The \$2.4 million additional gross profit in 2023 is partially offset by increased operating expenses, as follows:

- Increase in personnel costs of \$1.1 million (41%) due to increased employees for new stores in 2022 (partial year) and 2023, combined with rising wage rates
- Increase in occupancy costs of \$0.2 million (29%) due to new stores in 2022 (partial year) and 2023
- Increase in other G&A costs of \$0.3 million (45%) due to overall growth of the business

Adjusted EBITDA for the years 2023 and 2022 is calculated as EBITDA adjusted for startup costs of new stores and other amounts not representative of normal business operations. The improvement in Adjusted EBITDA is a result of the improvement in EBITDA, plus additional costs added back of about \$45,000 in 2023 as compared to 2022, primarily relating to increased professional fees.

The 2023 net and comprehensive loss of \$3.5 million improved by \$0.1 million over 2022 primarily as a result of increased EBITDA of \$0.8 million as described above, partially offset by:

- Increase in depreciation of \$0.3 million (20%) due to increased property and equipment and right-of-use assets relating to new stores, and
- Increase in interest expense of \$0.4 million (50%) due to increased debt and lease liabilities relating to the addition of new stores, as well as a significant increase in interest rates. Most of the Company's debt bears interest at rates based upon the bank's prime rate, which increased from 2.45% at the end of 2021 to 6.45% by the end of 2022 (7 increases throughout the year), and up to 7.20% by the end of 2023. The prime rate has seen one decrease in 2024 to date, and is expected to come down further in the future.

The resulting loss per share of \$0.56 in 2023 improved from \$0.61 in 2022 due to the improvement in net loss, the effect of which was increased by an increase in weighted average common shares of 5% over the same period in 2022.

**Current income tax expense**

Current income tax expense is minimal in both periods and relates to those entities with positive taxable income for the year after use of any non-capital losses carried forward from previous periods. The Company has non-capital losses of \$7.0 million to be used against future taxable income on an entity-by-entity basis.

**Deferred tax recovery**

The deferred income tax recovery in 2023 and 2022 primarily relates to the increase in recognizable net deferred tax assets. Deferred tax assets not offset by deferred tax liabilities within the same entity and tax jurisdiction are not recognized by the Company unless they relate to legal entities with a history of taxable income.

**SELECTED QUARTERLY FINANCIAL INFORMATION**

As at the date of this MD&A, the Company is not a reporting issuer. Accordingly, it did not prepare IFRS compliant interim financial statements for the eight previous quarters and, pursuant to the accommodations of National Instrument 51-102 Continuous Disclosure Obligations, is not presenting quarterly information prior to December 31, 2023.

**Dr. Phone Fix Canada Limited**  
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**December 31, 2023 and 2022**

**FINANCIAL CONDITION**

*Readers should refer to Note 1 to the Financial Statements regarding the going concern assumption in conjunction with the discussion below.*

The following chart highlights significant changes in the Consolidated Statements of Financial Position from December 31, 2022 to December 31, 2023.

Line item	Increase (decrease) in \$	Primary factors explaining change for the year 2023
Current assets	(318,181)	Increase in cash from operations of \$0.1 million, offset by decrease in inventory of a similar amount due to routine fluctuations of stock levels. Decrease in trade and other receivables of \$0.3 million largely due to receipt in 2023 of tenant improvement allowances receivable at the end of 2022 and decreases in Goods and Service Tax receivables.
Property and equipment	312,684	Increase is a result of additions of \$1.4 million for leasehold improvements and equipment for new stores, partially offset by depreciation of \$1.1 million
Right-of-use assets	(204,659)	Decrease of \$0.8 million from depreciation, partially offset by additions of \$0.6 million relating to leases for new stores
Other assets	77,754	Increase primarily due to increase in deferred tax assets based on management's analysis of recognizable future tax benefits
Current liabilities	2,736,400	Increase consists of an increase in bank indebtedness of \$0.1 million from operational cash fluctuations, increase in accounts payable and accrued liabilities of \$0.5 million (consisting primarily of an increase in trade accounts payable of \$0.2 million and an increase in Goods and Service Tax payables of \$0.3 million), an increase in advances from related parties of \$1.4 million due to increased support from and or balances due to related parties, an increase in short-term debt of \$0.5 million to cover cash flow needs, and an increase in current portion of lease liabilities and long-term debt of \$0.3 million
Lease liabilities	(52,353)	Decrease due to payments on lease liabilities of \$0.6 million, partially offset by additions relating to leases for new stores
Long-term debt	586,890	Increase consists of additional issuances of debt of \$1.4 million relating to continued growth and cash flow needs, partially offset by repayments of \$0.6 million and reclassifications to current portion
Other liabilities	68,615	Increase due to additional issuances of convertible debt and recognition of related derivative liabilities and accrued interest, partially offset by fair value adjustment of derivative liabilities
Equity	(3,471,954)	Primarily due to comprehensive loss of \$3.5 million

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**LIQUIDITY AND CAPITAL RESOURCES**

**Going Concern**

Readers should refer to Note 1 to the Financial Statements.

For the year ended December 31, 2023, the Company had a net loss of \$3.5 million (including non-cash expenses) and meager net cash flows of \$0.05 million. As at December 31, 2023 the working capital deficit was \$6.6 million (including current liabilities due to related parties and others of \$5.8 million with no set terms of repayment).

The Company has in the past routinely issued additional debt to finance the opening of new store locations, using the assets of the new store as collateral. The Company leases its store facilities as a method of financing the building. These have been the main sources of funding for growth, combined with funds borrowed from related parties. The Company expects to raise equity funding in the future in connection with the go-public transaction that is currently being pursued, as discussed previously. While the Company has been successful in raising capital in the past, there can be no assurance that it will be able to do so in the future. The ability to raise capital may be adversely impacted by uncertain market conditions. The outcome of these matters cannot be predicted at this time.

Historically the Company has had operating losses, negative cash flows, and working capital deficiencies. While the Company has established and dedicated itself to robust plans to achieve profitability and positive cash flow in the future, whether, and when, the Company will attain profitability and positive cash flows is uncertain. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. Management is continuing to address the need to increase revenue. Management remains focused on controlling operational costs and investing efficiently for continued growth. Management believes these activities, in conjunction with prudent management of working capital, will enable DPF to support operations over the next year and beyond.

Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they come due. The Financial Statements do not reflect adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operation. These adjustments could be material.

**Analysis of Cash Flows**

In \$	Year ended December 31,		
Summary of Cash Flows from:	2023	2022	Increase (decrease)
Net loss	(3,472,054)	(3,601,909)	129,855
Non-cash and non-operational items	3,175,639	2,463,988	711,651
<b>Cash operating loss</b>	<b>(296,415)</b>	<b>(1,137,921)</b>	<b>841,506</b>
Non-cash working capital changes	1,669,806	(2,094,749)	3,764,555
Operating activities	1,373,391	(3,232,670)	4,606,061
Investing activities	(1,441,034)	(2,906,427)	1,465,393
Financing activities	115,045	5,989,614	(5,874,569)
Increase (decrease) in cash	47,402	(149,483)	196,885

**Dr. Phone Fix Canada Limited**  
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Cash (bank indebtedness), beginning of year	(14,700)	134,783	(149,483)
Cash (bank indebtedness), end of year	32,702	(14,700)	47,402

As shown in the table above, cash flows from operating activities before changes in non-cash working capital improved by \$0.8 million in 2023 over 2022. The increase mostly reflects the increased operating income from additional gross profit in excess of the increase in operating expenses.

Management is focused on improving the cash flow from operations through increased revenue-generating activities and operating efficiencies resulting from spreading operating costs over increased operations as the Company continues to grow.

The net increase in cash flows from non-cash working capital changes of \$3.8 million mostly reflects a net increase in accounts payable and accrued liabilities (including related party balances relating to operations) of \$1.2 million in contrast to a net paydown of accounts payable and accrued liabilities of \$2.0 million in 2022. Also included is net cash received from receivables of \$0.3 million as opposed to only \$0.1 in 2022, and a net decrease in inventory of \$0.1 million in 2023 as opposed to net cash spent to increase inventory in 2022 of \$0.3 million.

The decrease in cash used in investing activities of \$1.5 million mostly reflects the decrease in stores opened in 2023 (2) as compared to the number opened in 2022 (12). Some of the costs incurred for opening the stores in 2022 were incurred in 2023, which is why there is not a larger difference.

The decrease in cash flows from financing activities of \$5.9 million primarily reflects a decrease in the amount of debt issued by \$2.0 million and the amount of related party advances by \$3.0 million, both as a result of opening fewer stores in 2023 and because of the significant increase in operating cash flow. The remainder is comprised of fluctuations in the amounts paid for debt and lease payments and for interest.

## FINANCIAL INSTRUMENTS

The Company's current financial instruments are listed in Note 20 to the Financial Statements.

The Company's activities are exposed to a variety of financial risks, including interest rate risk, credit risk, liquidity risk, and price risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by financial management in conjunction with overall corporate governance.

The Company is exposed to the following risks in respect of certain of the financial instruments held:

### **Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Company is exposed to interest rate risk on its bank indebtedness and long-term debt as they are at variable rates of prime plus 2.75% to prime plus 5.00%. During the year, the Company's exposure to interest rate risk increased because of increases in outstanding debt. The prime rate was increased from 6.70% to 7.20%, which significantly increased the interest paid on long-term debt. For every 1% increase in the prime rate, the Company would incur additional interest

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expense of about \$92,000 per year. The prime rate has been reduced twice subsequent to year end for a total reduction of 50 basis points, and further decreases are expected in the future.

**Credit risk**

As the Company's business operations carry relatively minimal trade accounts receivable, credit risk is limited.

**Liquidity risk**

The Company actively maintains its credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost. Management believes that cash flows from operations, along with available credit under existing banking facilities, will be adequate to support the payment of the Company's financial liabilities. The Company manages its liquidity risk through the management of its capital structure and financial leverage as outlined in Note 21 to the Financial Statements. It also manages liquidity risk by continuously monitoring actual cash flows.

**Other price risk**

The Company's exposure to other price risk is limited since there are no significant financial instruments which fluctuate as a result of changes in market prices.

**Off-balance sheet arrangements**

The Company does not have any special purpose entities nor is it party to any arrangement that would be excluded from the balance sheet.

**SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES**

All related party transactions are reviewed by the board of directors of the Company. Note 10 to the Financial Statements sets out the amounts of related party transactions, the nature of which are further outlined below.

**a) Amounts included in purchases (inventory or cost of sales)**

**Purchases from an entity owned by a shareholder of the Company**

One of the shareholders of the Company owns a company that sources and sells products used and sold by the Company. Management has determined that an ongoing relationship with this supplier is a strategic benefit to the business and does not anticipate reducing the scope of its relationship or purchasing with this supplier.

**b) Amounts included in Selling, general and administrative expenses**

**Compensation of Key Management Personnel**

Prior to 2023, all key management personnel, who are all major shareholders, were not explicitly compensated for their services. In 2023, all three members of key management began to be compensated, either directly or through separate management companies.

**c) Due to related parties and other transactions**

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From time to time, the Company is and has been financed by related parties, often to bridge cash flow needs until the Company is able to raise capital. This support is not unusual for companies like DPF which are in the initial growth stage of the business life cycle, where often traditional sources of financing are unavailable or insufficient.

**Other amounts due to related parties**

Refer to Note 10 to the Financial Statements for further related party transaction detail and amounts owed to and from these related parties in respect of the above-mentioned transactions and other advances.

These related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

The Company initially adopted IFRS with transition date of January 1, 2022, and has not changed or adopted any significant new accounting policies since that time.

**VOTING SECURITIES AND SECURITIES CONVERTIBLE INTO VOTING SECURITIES OUTSTANDING**

As of the date of the MD&A, the Company had the following voting shares outstanding:

<b>Designation of Securities</b>	<b>Number of instruments outstanding as of date of MD&amp;A</b>	<b>Number of Common Shares Issuable upon Conversion or Exercise</b>
Common Shares – Class A	6,327,821	6,327,821
<b>Total Fully Diluted Capital<sup>1</sup></b>		<b>6,327,821</b>

<sup>1</sup> Excludes 227,990 Class B common shares because they are non-voting shares

**RISKS AND UNCERTAINTIES**

The following are certain factors relating to the business of DPF. These risks and uncertainties are not the only ones facing DPF. Additional risks and uncertainties not presently known to DPF or currently deemed immaterial by DPF, may also impair the operations of DPF. If any such risks actually occur, shareholders of DPF could lose all or part of their investment and the business, financial condition, liquidity, results of operations and prospects of DPF could be materially adversely affected and the ability of DPF to implement its growth plans could be adversely affected.

**Business Structure Risk**

DPF is a holding company and effectively all its assets are the capital stock of its subsidiaries. It has no material assets other than ownership of its subsidiaries. As a result, investors in DPF are subject to the risks attributable to its subsidiaries. As a holding company, DPF conducts substantially all its business through its subsidiaries, which generate all its revenues. Consequently, DPF's cash flows and ability to complete current or desirable future enhancement opportunities are

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dependent on the earnings of its subsidiaries and the distribution of those earnings to DPF. To the extent that DPF requires funds, and its subsidiaries and such other entities are restricted from making such distributions by applicable law, regulation or contract, or are otherwise unable to provide such funds, it could materially adversely affect DPF's liquidity and financial condition, as well as its ability to make distributions to its shareholders. In the event of a bankruptcy, liquidation or reorganization of any of DPF's material subsidiaries, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of those subsidiaries before DPF.

DPF has no earnings or dividend record, and the ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. Dividends paid by DPF would be subject to tax and, potentially, withholdings. DPF does not anticipate paying any dividends on its common shares in the near future.

### **Operating Risks**

#### **Competition**

DPF competes with numerous competitors, some of which have greater financial resources than those of DPF. These factors may result in higher trade marketing costs, discounts and/or promotional rebates used to promote DPF's products and may affect DPF's revenues. DPF may also be affected by new entrants into the marketplace from the expansion or renovation of existing competitors. Failure by DPF to sustain its competitive position could adversely impact DPF's financial performance.

#### **Economic Conditions and Retail Trends**

DPF's revenue and profitability are impacted by consumer discretionary spending, which is influenced by general economic conditions. These economic conditions could include high levels of unemployment, political uncertainty, energy costs, natural disasters, acts of terrorism, inflation, interest rate changes, and access to consumer credit. As a result of evolving retail customer trends, DPF must anticipate and meet these trends in a competitive environment on a timely basis. DPF's failure to anticipate and react to shifting consumer trends and preferences through successful innovation could result in decreased demands for its products, which could in turn affect the financial performance of DPF.

#### **Cash Flow**

DPF's cash flow may not be sufficient to fund its ongoing activities at all times and from time to time, DPF may require additional financing to conduct its business. There is risk that if the economy and banking industry experienced unexpected and/or prolonged deterioration, DPF's access to additional financing may be affected. Failure to obtain such financing on a timely basis could have a material adverse effect on DPF.

#### **Cybersecurity**

DPF depends on the uninterrupted operation of information technology ("IT") systems to process, transmit and store information for the operation of its business. Some of this information concerns the business, its customers or partners and may be sensitive or confidential in nature. DPF has implemented security measures to protect and prevent unauthorized access to its IT systems. However, these IT systems may still be vulnerable to an increasing number of sophisticated cyber threats and other failures such as interruptions, natural disasters, human error and other security issues.

If DPF does not allocate and effectively manage the resources necessary to build and sustain reliable IT infrastructure, fails to identify or respond to cybersecurity threats in a timely manner, or the Company's IT systems are damaged, destroyed, shut down or cease to function properly, DPF's business could be disrupted, which could adversely affect the Company's reputation, operations or financial performance.

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**Trademark and Brand Protection**

DPF believes its brands and other intellectual property are important to its success. DPF relies on a number of trademarks, copyrights, trade secrets and other intellectual property rights to protect its brands and products. The Company depends on its continued ability to use its intellectual property to increase brand awareness and further develop brands and products. The Company has taken steps to protect certain of its intellectual property in Canada. However, the Company's proprietary rights could be challenged, circumvented, infringed or invalidated by third parties. There can be no assurance that the processes and resources invested by the Company to protect its intellectual property from third party infringement will be sufficient. Third parties may also assert or prosecute infringement claims against the Company for its use of intellectual property allegedly owned by third parties. The materialization of any of these risks could result in substantial costs, diversion of resources, the invalidation of the Company's intellectual property, or otherwise adversely affect the reputation, operations or financial performance of the Company.

**Insurance**

DPF has insurance to protect its assets, operations and employees. While DPF believes its insurance coverage addresses the material risks to which it is exposed and is adequate for its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for all the risks and hazards to which DPF is exposed. If DPF were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, DPF could experience adverse impacts to its operations or financial performance.

**Inventory Management**

DPF is subject to risks associated with managing its inventory. Failure to successfully manage such risks could result in shortages of inventory, or excess or obsolete inventory which cannot be sold profitably or at all. Any of these outcomes could adversely affect the financial performance of DPF.

**Employee Attraction and Development**

DPF's continued growth is dependent on its ability to hire, retain and develop its leaders and other key personnel. Any failure to effectively attract talented and experienced employees and to establish adequate succession planning and retention strategies could result in a lack of requisite knowledge, skill and experience. This could negatively affect DPF's ability to operate its business, which in turn, could adversely affect DPF's reputation, operations or financial performance.

**Reliance on Key Personnel**

DPF's success depends in part on certain key personnel and effective leadership. The loss of the services of such key personnel may have a material adverse effect on the operations or financial performance of DPF or affect its ability to implement its long-term strategic objectives.

**Management of Growth**

DPF may be subject to growth-related risks including capacity constraints and pressures on its internal systems and controls. The ability of DPF to manage growth effectively will require it to continue to implement and improve its operational and financial systems and expand, train and manage its employee base. The inability of DPF to deal with such growth-related challenges may have a material adverse effect on DPF, its operations or financial performance.

**Internal Controls**

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties

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encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's financial statements and have a materially adverse effect on the trading price of the Company's shares.

#### **Need for Additional Financing and Possible Effects of Dilution**

The Company may issue equity securities to finance its activities, including future acquisitions. If the Company were to issue additional shares, existing holders of the Company's shares may experience dilution in their holdings. Moreover, when DPF's intention to issue additional equity securities becomes publicly known, the Company's share price may be adversely affected.

#### **Litigation**

DPF may become subject to legal proceedings, which may involve suppliers, customers, regulators, tax authorities or other persons. The potential outcome of legal proceedings and claims could result in a material adverse affect on DPF's reputation, operations or financial performance.

#### **Third Party Risk**

DPF has a variety of key business relationships with third parties including vendors, suppliers, and contractors. DPF has no direct influence on the operation or management of such third parties. Negative events affecting such third parties could adversely impact DPF's reputation, operations or financial performance. Additionally, the loss or disruption of any of DPF's supply or distribution network could interrupt product supply. If not effectively managed or remedied, this could negatively impact DPF's ability to attract and retain customers, and could adversely affect DPF's reputation, operations or financial performance.

#### **Supply of Inventories**

DPF's costs are directly impacted by fluctuations in the prices of CPO devices and electronic device parts and accessories. Fluctuations in inventory prices can therefore drive DPF's financial results upward or downward and may materially impact DPF's financial performance.

#### **Financial Risks**

DPF is subject to various financial risks, including interest rate risk, credit risk, liquidity risk, and price risk. READERS SHOULD REFER TO "FINANCIAL INSTRUMENTS" SECTION ABOVE AND THE GOING CONCERN ASSUMPTION IN NOTE 1 TO THE FINANCIAL STATEMENTS.

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**NON-GAAP DISCLOSURE**

EBITDA is used by management and investors to analyze the Company's profitability based on the Company's principal business activities regardless of how these activities are financed, assets are depreciated and amortized, and results are taxed in various jurisdictions or subject to entity specific tax planning. EBITDA is defined by the Company as a financial measure equal to net income (loss) before finance costs, depreciation and amortization, loss (gain) on property and equipment, impairment, current and deferred income tax provisions and recoveries, and share-based compensation.

Below is a reconciliation of the non-GAAP measures of EBITDA and Adjusted EBITDA:

	2023	2022
Net loss:	(3,472,054)	(3,601,909)
Add (subtract):		
Interest expense	1,344,166	896,929
Income tax expense (recovery)	(72,170)	(4,936)
Depreciation	1,929,299	1,604,998
<b>EBITDA</b>	<b>(270,759)</b>	<b>(1,104,918)</b>
Add (subtract):		
Fair value adjustments	(3,880)	-
Government assistance income	(20,000)	(13,963)
Marketing and travel costs for new stores	154,062	129,466
Training costs for new stores	76,868	94,584
Professional fees, commissions, and other	178,412	130,414
<b>Adjusted EBITDA</b>	<b>114,703</b>	<b>(764,417)</b>

EBITDA is compared to net income (loss), the closest comparable IFRS measure. To arrive at EBITDA, the following items are excluded from net loss as follows:

- 1) Interest expense is added back as it is related to financing decisions
- 2) Income tax expense (recovery) is added back as it is reflective of taxation jurisdiction or entity-specific tax planning, not related to core operational performance.
- 3) Depreciation and amortization, as they are non-cash charges and not indicative of operational performance.
- 4) Share-based compensation, which is a non-cash expense.
- 5) Other income (expenses) as follows:
  - a. Items related to investing decisions:
    - Gain (loss) on disposal of assets
  - b. Items that are not related to core operations and are not indicative of operational performance:
    - Interest income
    - Impairment losses

Adjusted EBITDA further adjusts the non-GAAP measure of EBITDA by the following items:

- 1) Discontinued operations

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- 2) Extraordinary, unusual or infrequent items
- 3) Amounts resulting from changes in accounting policies or principles
- 4) Interest on lines of credit and other interest included in operating income

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This MD&A contains “forward-looking information” and “forward-looking statements” within the meaning of Canadian securities laws (“forward-looking statements”). Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on management’s current beliefs, expectations or assumptions regarding the future of the business, future plans and strategies, objectives, operational results and other future conditions of the Company. In addition, the Company may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Company that are not statements of historical fact and may also constitute forward-looking statements.

All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as “may”, “will”, “would”, “could”, “should”, “believes”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words and includes, among others, information regarding: expectations for the effects of any transactions; expectations for the potential completion of or benefits of any transactions, including the Transaction; statements relating to the business and future activities of, and developments related to, the Company after the date of this MD&A, including, but not limited to, such things as future business strategy, the Private Placement and any amount of the financing, the terms and timing on which the Transaction and the Private Placement are intended to be completed, the use of the net proceeds from the Private Placement, the proposed business and business plans of the Resulting Issuer, the name of the Resulting Issuer, competitive strengths, goals, expansion and growth of the Company’s business, operations and plans; expectations that acquisitions will be pursued; expectations of market size and growth; expectations for other economic, business, regulatory and/or competitive factors related to the Company; and other events or conditions that may occur in the future.

Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as of and at the date they are made and are based on information currently available and on the then current expectations. Holders of securities of the Company are cautioned that forward-looking statements are not based on historical facts but instead are based on reasonable assumptions and estimates of management of the Company at the time they were provided or made and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to: the available funds of the Company and the anticipated use of such funds; the fact that the completion of the Transaction (and the proposed terms upon which the Transaction is proposed to be completed) and the Private Placement, may not occur by certain specified dates or at all and could differ materially as a result of known and unknown risk factors and uncertainties affecting the companies involved in the Transaction, including the risk that DPF or Auka may not obtain all requisite approvals for the Transaction; the availability of financing opportunities; risks associated with economic conditions, dependence on management; other governmental and environmental regulation; risks related to contracts with third-party service providers; risks related to the enforceability of contracts; reliance on the expertise and judgment of senior management of the Company, and ability to retain such senior management; risks related to proprietary intellectual property and potential infringement by third parties; risks relating to the management of growth; increasing competition in the industry; reliance on key inputs, suppliers and skilled labor; cybersecurity risks; ability and constraints on marketing products; fraudulent activity by employees, contractors and consultants; tax- and insurance-related risks;

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risks related to the economy generally; risk of litigation; conflicts of interest; risks related to future acquisitions or dispositions; sales by existing shareholders; as well as those risk factors discussed under "Risk Factors" described in the Financial Statements.

The purpose of forward-looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose. In particular, but without limiting the foregoing, disclosure in this MD&A as well as statements regarding the Company's objectives, plans and goals, including future operating results and economic performance may make reference to or involve forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct.

A number of factors could cause actual events, performance or results to differ materially from what is projected in the forward-looking statements. You should not place undue reliance on forward-looking statements contained in this MD&A. Such forward-looking statements are made as of the date of this MD&A. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.



# DR. PHONE FIX CANADA LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2024 and 2023

October 11, 2024

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**FOREWORD**

The following is Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Dr. Phone Fix Canada Limited (the "Company" or "DPF") for the three months ended June 30, 2024 ("Q2 2024") and 2023 ("Q2 2023") and the six months ended June 30, 2024 ("Q2 2024 YTD") and 2023 ("Q2 2023 YTD"). This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company and accompanying notes for the three and six months ended June 30, 2024 and 2023 (the "Financial Statements") and the audited consolidated financial statements of the Company and accompanying notes as at and for the years ended December 31, 2023 and 2022 (the "Annual Financial Statements"). The Financial Statements and the "SELECTED FINANCIAL INFORMATION" section of this MD&A have been prepared using International Financial Reporting Standards ("IFRS") and all amounts are reported in Canadian dollars ("CAD") unless otherwise noted. Additional information about the Company can be found on the Company's website at [www.docphonefix.com](http://www.docphonefix.com). Readers should also read the section "CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS" contained at the end of this document.

Unless otherwise stated, in preparing this MD&A the Company has taken into account information available to it up to the date of this MD&A, October 11, 2024, being the date the Company's board of directors (the "Board") approved this MD&A.

**NON-GAAP MEASURES:** The Company refers to EBITDA and Adjusted EBITDA. These measures are not defined under IFRS and are considered non-GAAP measures. These measures do not have a standardized meaning and may not be comparable to similar measures presented by other issuers and should not be viewed as a substitute for measures reported under IFRS. These financial measures are reconciled to IFRS in the section titled "NON-GAAP DISCLOSURE" towards the end of this document.

**BACKGROUND AND CORE BUSINESS**

The Company is incorporated in Canada under the Business Corporations Act of Alberta, and its registered office is 10123 99 St NW #2500, Edmonton, Alberta T5J 3H1, Canada. The Company operates a rapidly-growing network of 35 corporately-owned stores that provide repair services for electronic devices and sell pre-owned electronic devices in Alberta, British Columbia, Saskatchewan, and Ontario, and has been operating since 2019.

**CORPORATE DEVELOPMENTS AND SIGNIFICANT TRANSACTIONS**

**Letter of agreement for qualifying transaction**

The Company has entered into a binding letter agreement with Auka Capital Corp. ("Auka") dated April 23, 2024 (the "Letter Agreement") pursuant to which DPF and Auka intend to complete a business combination to effect the going public transaction in Canada for DPF ("Transaction"). The Transaction will be by way of a three-cornered amalgamation to form the resulting issuer to be called "Dr. Phone Fix Corporation" ("Resulting Issuer"), or such other name as may be determined by DPF and Auka, as would be acceptable to the TSX Venture Exchange ("TSX-V"). The Transaction is intended to constitute Auka's "Qualifying Transaction" under Policy 2.4 – Capital Pool Companies – of the TSX-V.

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Pursuant to the proposed Transaction:

- i. DPF will, prior to closing, convert approximately \$5.5 million in debt into approximately 3 million DPF shares.
- ii. DPF is expected to complete a a brokered private placement (the "Private Placement") of subscription receipts of DPF ("Subscription Receipts") for aggregate gross proceeds of up to \$3,500,000, at a price of approximately \$1.83 per Subscription Receipt, subject to the agent under the Private Placement exercising an option to increase the aggregate size of the Private Placement by up to an additional \$525,000. Each Subscription Receipt would be automatically converted, without payment of additional consideration or further action by the holder thereof, into one unit ("Unit") comprised of one DPF Class A Common share and one-half of one common share purchase warrant of DPF, subject to adjustment in certain events, immediately before the completion of the Transaction upon the satisfaction or waiver of certain escrow release conditions.
- iii. DPF will amalgamate with a newly-formed subsidiary of Auka ("Subco") to form an amalgamated entity ("Amalco"), which will continue as a wholly-owned subsidiary of Auka. In connection with the completion of the Amalgamation, each holder of DPF shares immediately prior to closing (including those issued under the Private Placement) will exchange their DPF shares for common shares in the capital of the Resulting Issuer on the basis of approximately 9.15 fully paid and non-assessable Resulting Issuer shares for every one (1) DPF share held, at a deemed price of approximately \$1.83 per DPF share.

Management plans to employ the proceeds from the Private Placement as follows:

<b>USES</b>		
<b>\$000s</b>	<b>Low</b>	<b>High</b>
New Store Openings	\$300	\$1,200
CPO Investment	\$1,200	\$1,200
Industry Partnerships Investment	\$800	\$800
Working Capital	\$200	\$300
<b>Total</b>	<b>\$2,500</b>	<b>\$3,500</b>

DPF and Auka executed a formal definitive agreement (the "Formal Agreement") governing the proposed Transaction on July 16, 2024.

The Resulting Issuer will be positioned to be a market leader of electronic device repair services and certified pre-owned ("CPO") device and accessory products and will continue the business currently carried on by DPF.

As Auka operates as a capital pool company under Policy 2.4 of the Exchange, it does not carry on a business, other than the identification and evaluation of businesses or assets with a view to completing a proposed qualifying transaction. As such, the Transaction will not have a material impact to DPF regarding its financial performance and cash flows. Auka does, however, have positive working capital which will be contributed to the Resulting Issuer, although expected transaction costs of the Transaction will mitigate the impact of this working capital contribution to the Resulting Issuer.

**Management team updates**

Upon completion of the Transaction, the Resulting Issuer will be led by the existing management team of DPF, consisting of the following individuals: Piyush Sawhney (Chief Executive Officer and Director); Sunil Goel (President and Director);

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Jason Vandenberg (Chief Financial Officer); and Anil Verma (VP – Store Development). Upon completion of the Transaction, the Resulting Issuer's board of directors will be comprised of Piyush Sawhney, Sunil Goel, Anil Verma, Graham Barr, Jay Baraniecki, Jeff Lloyd and Robert Cole.

#### Q2 2024 HIGHLIGHTS

As discussed previously, the Company entered into an agreement for a qualifying transaction with the aim to ultimately become a publicly traded company. During Q2 2024, the Company completed its initial audits under IFRS accounting standards, which is a significant accomplishment and milestone towards successful completion of the Transaction.

The Company entered into a lease agreement for a new store location, the term of which began in April 2024. With this agreement, new debt for development, and other preparations, the Company is well on its way to opening its 35<sup>th</sup> store.

During Q2 2024 DPF continued to generate significant online customer reviews, totaling over 2,000 new verified reviews for the quarter and boosting its total reviews at the end of the quarter to 21,325 reviews.

Revenue in Q2 2024 represented growth of 15% over Q1 2024 and growth of 1% over Q2 2023. Revenue growth is expected to continue as the new store opens, other new stores are added, and existing stores continue to mature and increase their sales volume

Changes in gross margin for Q2 2024 are mixed, with an increase of 1.7% over Q2 2023, but a decrease of 1.5% from Q1 2024. Gross margin for Q2 2024 YTD is up 2.6% from Q2 2023 YTD, so the longer-term trend is positive. Operating expenses in Q2 2024 YTD increased as compared to Q2 2023 YTD at a slower rate of 6.2% compared to gross profit growth of 12.2%, which helped decrease the loss from operations before other income and expenses by about \$55,000 (4.5%) as compared to Q2 2023 YTD. EBITDA for Q2 2024 improved by 90% from Q2 2023 to negative \$5,945, and operating cash flow increased by \$0.2 million in Q2 2024 YTD as compared to Q2 2023 YTD. The Company still has work to do to reach profitability and improve its liquidity, but it continued to make meaningful progress in Q2 2024.

#### OUTLOOK

The market in which DPF operates is poised for significant growth. The digital revolution and rising cell phone prices have significantly increased the demand for professional cell phone repair and CPO devices. The global CPO market was valued at US\$52B in 2021 and is forecasted to more than double by 2030<sup>1</sup>.

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<sup>1</sup> Source: [Custom Market Insights](#)

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By implementing its growth strategies discussed below, management will work to claim the largest portion of this future market growth that is possible for the Company.

Company management sees a clear path to become a highly profitable nation-wide chain of stores. DPF is a market leader in the fast growing and highly fragmented cell phone repair and CPO resale market and is a strong brand in Western Canada. The Company has received 23,000+ online reviews with an average Google rating of 4.9 stars. DPF has rapidly grown to 35 stores in 21 cities across 4 provinces since 2019, with plans to open 2 additional stores in Q2 2025.



### Growth Strategies

The Company plans to maximize its growth in sustainable and healthy ways by focusing on:

- revenue growth at existing stores
- opening new stores in strategic locations, and
- watching for opportunities to acquire smaller cell phone repair chains.

**Revenue growth at existing stores has been strong in the past, and this growth is expected to continue.** The stores have seen revenue growth in both device repair services and in sales of CPO devices and accessories. DPF will continue to focus on both sales and service, with a particular focus on sale of CPO devices given the expected increase in demand. As part

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of that focus, DPF plans to use a portion of the proceeds from the Private Placement to make bulk purchases of CPO devices in order to buy at the lowest cost possible and increase its inventory to prepare for sales growth. New industry partnerships are also expected to contribute significantly to future revenue growth.

**Opening new stores in strategic locations will expand the Company's reach into new markets and strengthen its presence in existing markets.** New stores take about 6 months on average to ramp up, with a cost of about \$300,000 per new store. While the investment is significant, much of the initial cost has long-term benefits, such as leasehold improvements for leased facilities with typically 10-year terms. Most new stores are generating in excess of \$20,000 in monthly revenue after the ramp-up period. DPF plans to use a portion of the proceeds from the Private Placement to cover some of the cost of opening new stores, which will accelerate growth in the number of stores.

**Watching for opportunities to acquire smaller cell phone repair chains, if those opportunities are pursued, will expedite total store count growth.** DPF will evaluate these opportunities as they come available and pursue acquisitions that are accretive and can be completed with a combination of cash and share issuance. Completion of the proposed Transaction will put the Company in a much better position to make strategic acquisitions.

**SELECTED FINANCIAL INFORMATION**

A summary of selected financial information for the three and six months ended June 30, 2024 and 2023, as expressed in Canadian dollars, and in accordance with IFRS:

	Q2 2024	Q2 2023	Change	Q2 2024 YTD	Q2 2023 YTD	Change
Revenue	2,525,482	2,488,259	1%	4,712,225	4,415,737	7%
Gross profit	1,309,924	1,247,837	5%	2,477,571	2,208,401	12%
Gross profit as a percentage of revenue ("Gross margin")	51.9%	50.2%		52.6%	50.0%	
EBITDA <sup>1</sup>	(65,625)	(58,727)	(12%)	(180,839)	(288,709)	37%
Net and comprehensive loss	(937,153)	(869,509)	(8%)	(1,901,119)	(1,814,534)	(5%)
Loss per share, basic and diluted <sup>2</sup>	(\$0.15)	(\$0.14)	(8%)	(\$0.31)	(\$0.29)	(5%)
Weighted average number of common shares – basic and diluted	6,228,020	6,227,090	0%	6,228,020	6,227,990	0%

	In \$, As at		
	Jun 30, 2024	Dec 31, 2023	Change
Total assets	16,528,605	17,207,747	(4%)
Total non-current financial liabilities	14,619,106	14,709,989	(1%)

(1) See NON-GAAP DISCLOSURE towards the end of this document

(2) Percentage change based on unrounded earnings per share

**OVERALL PERFORMANCE AND RESULTS OF OPERATIONS**

The Company's revenue increased by \$0.04 million (1%) in Q2 2024 compared with Q2 2023. The new store in 2024 had not yet produced revenue, and the revenue from established stores was relatively consistent. Revenue for Q2 2024 YTD increased by \$0.3 million (7%) as compared to Q2 2023 YTD primarily from Q1 growth. Of the growth in the first quarter,

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69% was from stores that were open at the start of both periods, and 31% is from stores opened after Q1 2023. Length of store presence and market growth contributed to the revenue growth. The fact that the majority of revenue growth came from existing stores is encouraging, and management continues to focus on increasing revenue at existing stores as well as opening new stores.

Gross profit improved to \$1.3 million (51.9% margin) in Q2 2024 from \$1.2 million (50.2% margin) in Q2 2023, which is largely attributable to lower cost of products resulting from increased purchasing power at larger scale, and strategic partnerships with suppliers. Gross profit for Q2 2024 YTD improved by \$0.3 million (12%) as compared to Q2 2023 YTD for the same reasons.

EBITDA decreased by 12% (\$0.01 million) in Q2 2024 as compared to Q2 2023. While the net loss in Q2 2024 was greater than in Q2 2023 by \$0.07 million, the net loss for Q2 2024 included a higher proportion of depreciation and interest expense, and an improvement in the adjustment for income taxes. EBITDA improved by 37% (\$0.1 million) in Q2 2024 YTD as compared to Q2 2023 YTD for the same reasons.

The Q2 2024 net and comprehensive loss of \$0.9 million was relatively consistent with that of Q2 2023. The \$0.1 million increase in gross profit over Q2 2023 was offset by:

- Increased professional fees of about \$94,000 as a result of the audit engagement and other costs in preparation for the Transaction
- Net increase in other operating costs of about \$11,000 due to additional stores and increased operations, and
- Small net increase in other expenses, and an increase in income tax expense of about \$20,000 due to fluctuations of deferred tax assets recognized.

The Q2 2024 YTD net and comprehensive loss of \$1.9 million was relatively consistent with that of Q2 2023 YTD. The \$0.3 million increase in gross profit over Q2 2023 YTD was more than offset by:

- Increase in employee salaries and benefits by about \$137,000 due to opening of new stores in Q2 2023 YTD (open for part of that period versus full period in Q2 2024 YTD)
- Increased professional fees of about \$139,000 as a result of the audit engagement and other costs in preparation for the Transaction
- Net increase in other operating costs of about \$95,000 due to additional stores and increased operations, and
- Increase in interest expense of about \$99,000 due to increased debt and lease liabilities relating to the addition of new stores, as well as an increase in interest rates. Most of the Company's debt bears interest at rates based upon the bank's Prime rate, which increased from 6.45% at the end of 2022 up to 7.20% by the end of 2023 and through most of Q2 2024 YTD. The Prime rate has seen three decreases in 2024 to date (one in June, one in July, and one in September) and is expected to decline further in the future.
- Decrease in deferred tax recovery of about \$28,000 as described below
- The following partially offset the increases above:
  - Net decrease in discretionary costs of about \$97,000 due to cost-cutting measures and lower start-up costs
  - Government assistance income (debt forgiveness) of \$40,000 in Q2 2024 YTD as compared to \$nil in Q2 2023 YTD. The Company does not expect to recognize any further government assistance income unless new programs are implemented by the government in the future that would benefit the Company and for which the Company would qualify.

The resulting loss per share of \$0.14 in Q2 2024 and \$0.30 in Q2 2024 YTD was consistent with that of the comparative periods due to a similar net loss in both periods as well as consistent weighted average shares outstanding.

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**Current income tax expense**

Current income tax expense is \$nil in all periods because all entities with positive taxable income for the periods have non-capital losses carried forward from previous periods to offset the taxable income. The Company has non-capital losses of \$8.7 million to be used against future taxable income on an entity-by-entity basis.

**Deferred tax recovery**

The deferred income tax recovery in Q2 2024 YTD and Q2 2023 YTD primarily relates to the increase in recognizable net deferred tax assets. Deferred tax assets not offset by deferred tax liabilities within the same entity and tax jurisdiction are not recognized by the Company unless they relate to legal entities with a history of taxable income.

**SELECTED QUARTERLY FINANCIAL INFORMATION**

As at the date of this MD&A, the Company is not a reporting issuer. Accordingly, it did not prepare IFRS compliant interim financial statements for the eight previous quarters and, pursuant to the accommodations of National Instrument 51-102 Continuous Disclosure Obligations, is not presenting quarterly information prior to December 31, 2023.

	<b>Q2 2024</b>	<b>Q1 2024</b>
Revenue	<b>2,525,482</b>	2,186,744
Gross profit	<b>1,309,924</b>	1,167,648
Net loss	<b>(937,153)</b>	(963,967)
Loss per share	<b>(\$0.15)</b>	(\$0.15)

**Revenue and gross profit**

The revenue growth of \$0.3 million (15.5%) quarter over quarter is attributed partially to seasonality, as Q1 has historically been the weakest quarter for the business, and partially to continued growth in existing stores. The number of operating stores remained the same from Q1 to Q2, as the new store is not yet producing revenue. The increase in gross profit of \$0.1 million (12.2%) is largely in line with the revenue growth, but at a slightly reduced margin. Some change in margin is expected with the increase in use of a new major supplier; we will continue to watch the margin closely and take action as needed to avoid further erosion of margins.

**Net loss and loss per share**

The slight improvement in net loss of \$0.03 million is primarily due to the increase in gross profit quarter over quarter, partially offset by an increase in professional fees as described previously, as well as a decrease in government assistance income of \$40,000 and an increase in income tax expense of about \$11,000. The number of weighted average shares outstanding remained constant; as such, the loss per share was unchanged in line with the similar net loss.

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**FINANCIAL CONDITION**

*Readers should refer to Note 1 to the Financial Statements regarding the going concern assumption in conjunction with the discussion below.*

The following chart highlights significant changes in the Consolidated Statements of Financial Position from December 31, 2023 to June 30, 2024.

Line item	Increase (decrease) in \$	Primary factors explaining change for Q2 2024 YTD
Current assets	(276,746)	Primarily reflects a decrease in inventory of \$0.3 million due to routine fluctuations of stock levels.
Property and equipment	(212,498)	Decrease is the result of depreciation of \$0.6 million, partially offset by additions of \$0.4 million consisting of leasehold improvements and equipment for development of new store.
Right-of-use assets	(209,485)	Decrease is the result of depreciation of \$0.4 million, partially offset by additions of \$0.2 million relating to a lease for the new store.
Other assets	19,587	Increase due to increase in deferred tax assets based on management's analysis of recognizable future tax benefits, as well as a deposit paid on a new lease for the head office which will commence in October 2024.
Current liabilities	1,320,088	Increase consists of an increase in bank indebtedness of \$0.3 million from operational cash fluctuations, increase in accounts payable and accrued liabilities of \$0.7 million as a result of cash management, and an increase in advances from related parties of \$0.4 million due to increased support from and or balances due to related parties.
Lease liabilities	(136,894)	Decrease due to payments on lease liabilities of \$0.3 million, partially offset by the addition of a lease liability of \$0.2 million for the new store.
Long-term debt	29,979	Consists primarily of repayments of \$0.4 million partially offset by debt issuances of \$0.3 million for the new store, and reclassifications from current portion due to refinancing of CEBA loans

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Other liabilities	8,804	Increase due to accrued interest on convertible debenture and accretion of debt discount, partially offset by fair value adjustment of derivative liabilities
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Equity	(1,901,119)	Decrease due to comprehensive loss of \$1.9 million
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## LIQUIDITY AND CAPITAL RESOURCES

### Going Concern

Readers should refer to Note 1 to the Financial Statements.

For the six months ended June 30, 2024, the Company had a net loss of \$1.9 million. For the year ended December 31, 2023, the Company had a net loss of \$3.5 million. As at June 30, 2024 the working capital deficit was \$8.1 million (including current liabilities due to related parties and others of \$6.3 million with no set terms of repayment, which management intends to repay through issuance of common shares).

The Company has in the past routinely issued additional debt to finance the opening of new store locations, using the assets of the new store as collateral. The Company leases its store facilities as a method of financing the building. These have been the main sources of funding for growth, combined with funds borrowed from related parties. The Company expects to raise equity funding in the future in connection with the go-public transaction that is currently being pursued, as discussed previously. While the Company has been successful in raising capital in the past, there can be no assurance that it will be able to do so in the future. The ability to raise capital may be adversely impacted by uncertain market conditions. The outcome of these matters cannot be predicted at this time.

Historically the Company has had operating losses, negative cash flows, and working capital deficiencies. While the Company has established and dedicated itself to robust plans to achieve profitability and positive cash flow in the future, whether, and when, the Company will attain profitability and positive cash flows is uncertain. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. Management is continuing to address the need to increase revenue. Management remains focused on controlling operational costs and investing efficiently for continued growth. Management believes these activities, in conjunction with prudent management of working capital, will enable DPF to support operations over the next year and beyond.

Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they come due. The Financial Statements do not reflect adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operation. These adjustments could be material.

### Analysis of Cash Flows

In \$	Six months ended June 30,		
Summary of Cash Flows from:	2024	2023	Change
Net loss	(1,901,119)	(1,814,534)	(86,585)
Non-cash and non-operational items	1,673,053	1,523,885	149,168
<b>Cash operating loss</b>	<b>(228,066)</b>	(290,649)	62,583
Non-cash working capital changes	951,750	832,940	118,810
Operating activities	723,684	542,291	181,393

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Investing activities	<b>(383,471)</b>	(684,734)	301,263
Financing activities	<b>(643,893)</b>	128,752	(772,645)
Decrease in cash	<b>(303,680)</b>	(13,691)	(289,989)
Cash (bank indebtedness), beginning of period	<b>32,702</b>	(14,700)	47,402
Bank indebtedness, end of period	<b>(270,978)</b>	(28,391)	(242,587)

As shown in the table above, cash flows from operating activities before changes in non-cash working capital improved by \$0.1 million in Q2 2024 YTD over Q2 2023 YTD. The increase mostly reflects the increased proportion of depreciation and interest expense to net loss, reflecting higher asset and debt balances in Q2 2024 YTD as compared to Q2 2023 YTD.

Management is focused on improving the cash flow from operations through increased revenue-generating activities and operating efficiencies resulting from spreading operating costs over increased operations as the Company continues to grow.

The net increase in cash flows from non-cash working capital changes of \$0.1 million mostly reflects the following:

- \$0.3 million increase due to a net decrease in inventory of \$0.3 million in Q2 2024 YTD as compared to a net decrease of \$0.01 million in Q2 2023 YTD, attributable to timing of inventory purchases and sales.
- \$0.2 million decrease due to fluctuations of accounts receivable and accounts payable in the normal course of operations by \$0.2 million more in Q2 2024 YTD as compared to Q2 2023 YTD.

The decrease in cash used in investing activities of \$0.3 million largely reflects additions relating to two new stores in Q2 2023 YTD, as opposed to only one new store in Q2 2024 YTD.

The increase in cash used in financing activities of \$0.8 million primarily reflects the following:

- Decrease in issuance of short-term debt by \$0.4 million – this is not a recurring source of financing and is dependent on willingness of the counterparty to lend additional funds from time to time as needed
- Decrease in issuance of long-term debt by \$0.3 million relating to opening of one new store in Q2 2024 YTD as opposed to two new stores in Q2 2023 YTD.
- Debt and lease payments increased by \$0.2 million due to higher debt and lease balances because of new stores
- Higher interest paid by \$0.1 million as a result of higher debt balances and increased interest rates due to increases in the Prime rate of interest
- Increased amount of advances received from related parties by \$0.2 million based on cash flow needs and availability of funding

## FINANCIAL INSTRUMENTS

The Company's current financial instruments are listed in Note 13 to the Financial Statements.

The Company's activities are exposed to a variety of financial risks, including interest rate risk, credit risk, liquidity risk, and price risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by financial management in conjunction with overall corporate governance.

The Company is exposed to the following risks in respect of certain of the financial instruments held:

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**Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Company is exposed to interest rate price risk on its bank indebtedness and long-term debt as they are at variable rates of Prime plus 2.75% to Prime plus 5.00%. During the period, the Company's exposure to interest rate risk decreased slightly because of minor decreases in outstanding debt. The Prime rate decreased during the period by 25 basis points to 6.95%, and has seen two more rate reductions subsequently as described in Note 14 to the Financial Statements. For every 1% change in the Prime rate, interest expense would change by about \$92,000 per year.

**Credit risk**

As the Company's business operations carry relatively minimal trade accounts receivable, credit risk is limited.

**Liquidity risk**

The Company actively maintains its credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost. Management believes that cash flows from operations, along with available credit under existing banking facilities, will be adequate to support the payment of the Company's financial liabilities. The Company manages its liquidity risk through the management of its capital structure and financial leverage as outlined in Note 21 to the Annual Financial Statements. It also manages liquidity risk by continuously monitoring actual cash flows.

**Other price risk**

The Company's exposure to other price risk is limited since there are no significant financial instruments which fluctuate as a result of changes in market prices.

**Off-balance sheet arrangements**

The Company does not have any special purpose entities nor is it party to any arrangement that would be excluded from the balance sheet.

**SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES**

All related party transactions are reviewed by the board of directors of the Company. Note 6 to the Financial Statements sets out the amounts of related party transactions, the nature of which are further outlined below.

**a) Amounts included in purchases (inventory or cost of sales)**

**Purchases from an entity owned by a shareholder of the Company**

One of the shareholders of the Company owns a company that sources and sells products used and sold by the Company. Management has determined that an ongoing relationship with this supplier is a strategic benefit to the business. The scope of purchasing through this supplier has decreased significantly in 2024 as compared to 2023 because the Company has added another supplier to support further growth.

**b) Amounts included in Selling, general and administrative expenses**

**Compensation of Key Management Personnel**

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In 2023, all three members of key management began to be compensated, either directly or through separate management companies. That compensation continues in 2024 via direct compensation to the individuals.

**c) Due to related parties and other transactions**

From time to time, the Company is and has been financed by related parties, often to bridge cash flow needs until the Company is able to raise capital. This support is not unusual for companies like DPF which are in the initial growth stage of the business life cycle, where often traditional sources of financing are unavailable or insufficient.

**Other amounts due to related parties**

Refer to Note 10 to the Financial Statements for further related party transaction detail and amounts owed to and from these related parties in respect of the above-mentioned transactions and other advances.

These related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

These Financial Statements follow the same accounting policies and methods of application as the most recent Annual Financial Statements.

**VOTING SECURITIES AND SECURITIES CONVERTIBLE INTO VOTING SECURITIES OUTSTANDING**

As of the date of the MD&A, the Company had the following voting shares outstanding:

Designation of Securities	Number of instruments outstanding as of date of MD&A	Number of Common Shares Issuable upon Conversion or Exercise
Common Shares – Class A	6,327,821	6,327,821
<b>Total Fully Diluted Capital<sup>1</sup></b>		<b>6,327,821</b>

<sup>1</sup> Excludes 227,990 Class B common shares because they are non-voting shares

**RISKS AND UNCERTAINTIES**

The following are certain factors relating to the business of DPF. These risks and uncertainties are not the only ones facing DPF. Additional risks and uncertainties not presently known to DPF or currently deemed immaterial by DPF, may also impair the operations of DPF. If any such risks actually occur, shareholders of DPF could lose all or part of their investment and the business, financial condition, liquidity, results of operations and prospects of DPF could be materially adversely affected and the ability of DPF to implement its growth plans could be adversely affected.

**Business Structure Risk**

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DPF is a holding company and effectively all its assets are the capital stock of its subsidiaries. It has no material assets other than ownership of its subsidiaries. As a result, investors in DPF are subject to the risks attributable to its subsidiaries. As a holding company, DPF conducts substantially all its business through its subsidiaries, which generate all its revenues. Consequently, DPF's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to DPF. To the extent that DPF requires funds, and its subsidiaries and such other entities are restricted from making such distributions by applicable law, regulation or contract, or are otherwise unable to provide such funds, it could materially adversely affect DPF's liquidity and financial condition, as well as its ability to make distributions to its shareholders.

DPF has no earnings or dividend record, and the ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. Dividends paid by DPF would be subject to tax and, potentially, withholdings. DPF does not anticipate paying any dividends on its common shares in the near future.

### **Operating Risks**

#### **Competition**

DPF competes with numerous competitors, some of which have greater financial resources than those of DPF. These factors may result in higher trade marketing costs, discounts and/or promotional rebates used to promote DPF's products and may affect DPF's revenues. DPF may also be affected by new entrants into the marketplace from the expansion or renovation of existing competitors. Failure by DPF to sustain its competitive position could adversely impact DPF's financial performance.

#### **Economic Conditions and Retail Trends**

DPF's revenue and profitability are impacted by consumer discretionary spending, which is influenced by general economic conditions. These economic conditions could include high levels of unemployment, political uncertainty, energy costs, natural disasters, acts of terrorism, inflation, interest rate changes, and access to consumer credit. As a result of evolving retail customer trends, DPF must anticipate and meet these trends in a competitive environment on a timely basis. DPF's failure to anticipate and react to shifting consumer trends and preferences through successful innovation could result in decreased demands for its products, which could in turn affect the financial performance of DPF.

#### **Cash Flow**

DPF's cash flow may not be sufficient to fund its ongoing activities at all times and from time to time, DPF may require additional financing to conduct its business. There is risk that if the economy and banking industry experienced unexpected and/or prolonged deterioration, DPF's access to additional financing may be affected. Failure to obtain such financing on a timely basis could have a material adverse effect on DPF.

#### **Cybersecurity**

DPF depends on the uninterrupted operation of information technology ("IT") systems to process, transmit and store information for the operation of its business. Some of this information concerns the business, its customers or partners and may be sensitive or confidential in nature. DPF has implemented security measures to protect and prevent unauthorized access to its IT systems. However, these IT systems may still be vulnerable to an increasing number of sophisticated cyber threats and other failures such as interruptions, natural disasters, human error and other security issues.

If DPF does not allocate and effectively manage the resources necessary to build and sustain reliable IT infrastructure, fails to identify or respond to cybersecurity threats in a timely manner, or the Company's IT systems are damaged, destroyed,

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shut down or cease to function properly, DPF's business could be disrupted, which could adversely affect the Company's reputation, operations or financial performance.

**Trademark and Brand Protection**

DPF believes its brands and other intellectual property are important to its success. DPF relies on a number of trademarks, copyrights, trade secrets and other intellectual property rights to protect its brands and products. The Company depends on its continued ability to use its intellectual property to increase brand awareness and further develop brands and products. The Company has taken steps to protect certain of its intellectual property in Canada. However, the Company's proprietary rights could be challenged, circumvented, infringed or invalidated by third parties. There can be no assurance that the processes and resources invested by the Company to protect its intellectual property from third party infringement will be sufficient. Third parties may also assert or prosecute infringement claims against the Company for its use of intellectual property allegedly owned by third parties. The materialization of any of these risks could result in substantial costs, diversion of resources, the invalidation of the Company's intellectual property, or otherwise adversely affect the reputation, operations or financial performance of the Company.

**Insurance**

DPF has insurance to protect its assets, operations and employees. While DPF believes its insurance coverage addresses the material risks to which it is exposed and is adequate for its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for all the risks and hazards to which DPF is exposed. If DPF were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, DPF could experience adverse impacts to its operations or financial performance.

**Inventory Management**

DPF is subject to risks associated with managing its inventory. Failure to successfully manage such risks could result in shortages of inventory, or excess or obsolete inventory which cannot be sold profitably or at all. Any of these outcomes could adversely affect the financial performance of DPF.

**Employee Attraction and Development**

DPF's continued growth is dependent on its ability to hire, retain and develop its leaders and other key personnel. Any failure to effectively attract talented and experienced employees and to establish adequate succession planning and retention strategies could result in a lack of requisite knowledge, skill and experience. This could negatively affect DPF's ability to operate its business, which in turn, could adversely affect DPF's reputation, operations or financial performance.

**Reliance on Key Personnel**

DPF's success depends in part on certain key personnel and effective leadership. The loss of the services of such key personnel may have a material adverse effect on the operations or financial performance of DPF or affect its ability to implement its long-term strategic objectives.

**Management of Growth**

DPF may be subject to growth-related risks including capacity constraints and pressures on its internal systems and controls. The ability of DPF to manage growth effectively will require it to continue to implement and improve its operational and financial systems and expand, train and manage its employee base. The inability of DPF to deal with such growth-related challenges may have a material adverse effect on DPF, its operations or financial performance.

**Internal Controls**

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian

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securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's financial statements and have a materially adverse effect on the trading price of the Company's shares.

**Need for Additional Financing and Possible Effects of Dilution**

The Company may issue equity securities to finance its activities, including future acquisitions. If the Company were to issue additional shares, existing holders of the Company's shares may experience dilution in their holdings. Moreover, when DPF's intention to issue additional equity securities becomes publicly known, the Company's share price may be adversely affected.

**Litigation**

DPF may become subject to legal proceedings, which may involve suppliers, customers, regulators, tax authorities or other persons. The potential outcome of legal proceedings and claims could result in a material adverse affect on DPF's reputation, operations or financial performance.

**Third Party Risk**

DPF has a variety of key business relationships with third parties including vendors, suppliers, and contractors. DPF has no direct influence on the operation or management of such third parties. Negative events affecting such third parties could adversely impact DPF's reputation, operations or financial performance. Additionally, the loss or disruption of any of DPF's supply or distribution network could interrupt product supply. If not effectively managed or remedied, this could negatively impact DPF's ability to attract and retain customers, and could adversely affect DPF's reputation, operations or financial performance.

**Supply of Inventories**

DPF's costs are directly impacted by fluctuations in the prices of CPO devices and electronic device parts and accessories. Fluctuations in inventory prices can therefore drive DPF's financial results upward or downward and may materially impact DPF's financial performance.

**Financial Risks**

DPF is subject to various financial risks, including interest rate risk, credit risk, liquidity risk, and price risk. READERS SHOULD REFER TO "FINANCIAL INSTRUMENTS" SECTION ABOVE AND THE GOING CONCERN ASSUMPTION IN NOTE 1 TO THE FINANCIAL STATEMENTS.

**NON-GAAP DISCLOSURE**

EBITDA is used by management and investors to analyze the Company's profitability based on the Company's principal business activities regardless of how these activities are financed, assets are depreciated and amortized, and results are taxed in various jurisdictions or subject to entity specific tax planning. EBITDA is defined by the Company as a financial measure equal to net income (loss) before finance costs, depreciation and amortization, loss (gain) on property and equipment, impairment, current and deferred income tax provisions and recoveries, and share-based compensation.

Below is a reconciliation of the non-GAAP measure of EBITDA:

	Q2 2024	Q2 2023	Q2 2024 YTD	Q2 2023 YTD
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Net loss:	(937,153)	(869,509)	(1,901,119)	(1,814,534)
Add (subtract):				
Interest expense	356,507	348,646	712,899	613,873
Income tax expense (recovery)	1,173	(18,487)	(8,587)	(36,974)
Depreciation	513,848	480,623	1,015,968	948,926
<b>EBITDA</b>	<b>(65,625)</b>	<b>(58,727)</b>	<b>(180,839)</b>	<b>(288,709)</b>

EBITDA is compared to net income (loss), the closest comparable IFRS measure. To arrive at EBITDA, the following items are excluded from net loss as follows:

- 1) Interest expense included below operational income is added back as it is related to financing decisions
- 2) Income tax expense (recovery) is added back as it is reflective of taxation jurisdiction or entity-specific tax planning, not related to core operational performance.
- 3) Depreciation and amortization, as they are non-cash charges and not indicative of operational performance.
- 4) Share-based compensation, which is a non-cash expense.
- 5) Other income (expenses) as follows:
  - a. Items related to investing decisions:
    - Gain (loss) on disposal of assets
  - b. Items that are not related to core operations and are not indicative of operational performance:
    - Interest income
    - Impairment losses

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This MD&A contains “forward-looking information” and “forward-looking statements” within the meaning of Canadian securities laws (“forward-looking statements”). Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on management’s current beliefs, expectations or assumptions regarding the future of the business, future plans and strategies, objectives, operational results and other future conditions of the Company. In addition, the Company may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Company that are not statements of historical fact and may also constitute forward-looking statements.

All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as “may”, “will”, “would”, “could”, “should”, “believes”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words and includes, among others, information regarding: expectations for the effects of any transactions; expectations for the potential completion of or benefits of any transactions, including the Transaction; statements relating to the business and future activities of, and developments related to, the Company after the date of this MD&A, including, but not limited to, such things as future business strategy, the Private Placement and any amount of the financing, the terms and timing on which the Transaction and the Private Placement are intended to be completed, the use of the net proceeds from the Private Placement, the proposed business and business plans of the Resulting Issuer, the name of the Resulting Issuer, competitive strengths, goals, expansion and growth of the Company’s business, operations and plans; expectations that

**Dr. Phone Fix Canada Limited**  
**Management's Discussion & Analysis**  
**June 30, 2024 and 2023**

acquisitions will be pursued; expectations of market size and growth; expectations for other economic, business, regulatory and/or competitive factors related to the Company; and other events or conditions that may occur in the future.

Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as of and at the date they are made and are based on information currently available and on the then current expectations. Holders of securities of the Company are cautioned that forward-looking statements are not based on historical facts but instead are based on reasonable assumptions and estimates of management of the Company at the time they were provided or made and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to: the available funds of the Company and the anticipated use of such funds; the fact that the completion of the Transaction (and the proposed terms upon which the Transaction is proposed to be completed) and the Private Placement, may not occur by certain specified dates or at all and could differ materially as a result of known and unknown risk factors and uncertainties affecting the companies involved in the Transaction, including the risk that DPF or Auka may not obtain all requisite approvals for the Transaction; the availability of financing opportunities; risks associated with economic conditions, dependence on management; other governmental and environmental regulation; risks related to contracts with third-party service providers; risks related to the enforceability of contracts; reliance on the expertise and judgment of senior management of the Company, and ability to retain such senior management; risks related to proprietary intellectual property and potential infringement by third parties; risks relating to the management of growth; increasing competition in the industry; reliance on key inputs, suppliers and skilled labor; cybersecurity risks; ability and constraints on marketing products; fraudulent activity by employees, contractors and consultants; tax- and insurance-related risks; risks related to the economy generally; risk of litigation; conflicts of interest; risks related to future acquisitions or dispositions; sales by existing shareholders; as well as those risk factors discussed under "Risk Factors" described in the Financial Statements.

The purpose of forward-looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose. In particular, but without limiting the foregoing, disclosure in this MD&A as well as statements regarding the Company's objectives, plans and goals, including future operating results and economic performance may make reference to or involve forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct.

A number of factors could cause actual events, performance or results to differ materially from what is projected in the forward-looking statements. You should not place undue reliance on forward-looking statements contained in this MD&A. Such forward-looking statements are made as of the date of this MD&A. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

**SCHEDULE "E"**  
**PRO FORMA FINANCIAL STATEMENTS**

(see attached)

**DR. PHONE FIX CORPORATION**

**PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**FOR THE SIX MONTHS ENDED**

**JUNE 30, 2024**

**(in Canadian dollars)**

## DR. PHONE FIX CORPORATION

Pro Forma Consolidated Statement of Financial Position (Unaudited)

As at June 30, 2024

	Note	Auka Capital Corp.	Dr. Phone Fix Canada Limited	Pro Forma Adjustments	Pro Forma Consolidated
<b>ASSETS</b>					
<b>Current</b>					
Cash	3a	624,724	273,684	3,440,175	4,338,583
Trade and other receivables	3b	-	221,432	18,325	239,757
Inventory		-	1,196,372	-	1,196,372
Prepaid expenses		5,203	5,164	-	10,367
		629,927	1,696,652	3,458,500	5,785,079
<b>Non-current</b>					
Property and equipment		-	8,430,640	-	8,430,640
Right-of-use assets		-	6,143,079	-	6,143,079
Security deposits		-	169,953	-	169,953
Deferred tax assets		-	88,281	-	88,281
<b>Total assets</b>		629,927	16,528,605	3,458,500	20,617,032
<b>LIABILITIES AND SHAREHOLDERS'</b>					
<b>Current liabilities</b>					
Bank indebtedness		-	544,662	-	544,662
Accounts payable and accrued liabilities		39,064	1,410,926	-	1,449,990
Due to related parties	3c	-	5,703,017	(4,962,752)	740,265
Short-term debt	3d	-	570,000	(500,000)	70,000
Current portion of lease liabilities		-	729,428	-	729,428
Current portion of long-term debt		-	888,058	-	888,058
		39,064	9,846,091	(5,462,752)	4,422,403
<b>Non-current liabilities</b>					
Lease liabilities		-	6,194,352	-	6,194,352
Long-term debt		-	8,357,895	-	8,357,895
Convertible debentures	3e	-	66,858	(66,858)	-
Derivative liability	3e	-	49,361	(49,361)	-
<b>Total liabilities</b>		39,064	24,514,557	(5,578,971)	18,974,650
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>					
Share capital	3f	1,000,000	1,143,056	9,768,657	11,911,713
Warrants	3g	-	-	131,196	131,196
Deficit	3h	(409,137)	(9,129,008)	(862,382)	(10,400,527)
		590,863	(7,985,952)	9,037,471	1,642,382
<b>Total liabilities and shareholders' equity</b>		629,927	16,528,605	3,458,500	20,617,032

## **DR. PHONE FIX CORPORATION**

Notes to the Pro Forma Consolidated Financial Statements

June 30, 2024 (Unaudited)

### **1) BASIS OF PRESENTATION**

The accompanying unaudited pro forma consolidated financial statements (the “Unaudited Pro Forma Consolidated Financial Statements”) of Dr. Phone Fix Corporation (formerly know as Auka Capital Corp.) (the “Resulting Issuer” or the “Corporation”) have been prepared by management using principles consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board for inclusion in a filing statement (the filed with the Alberta securities regulators to reflect the acquisition of Dr. Phone Fix Canada Limited (“DPF”) after giving effect to the proposed transactions (the “Transaction”) as described in Note 2.

The Unaudited Pro Forma Consolidated Financial Statements as at June 30, 2024, have been compiled from and include the i) Auka Capital Corp. (“Auka”) Unaudited Condensed Interim Financial Statements at June 30, 2024 and ii) Unaudited Condensed Interim Financial Statements at June 30, 2024 of DPF.

The accounting policies used in the preparation of the unaudited pro forma consolidated financial statements are consistent with those described in the audited financial statements of DPF for the year ended December 31, 2023. The presentation of Auka’s information has been adjusted to conform with DPF’s presentation as necessary.

The pro forma adjustments are determined based on available financial information and certain estimates and assumptions. Management of DPF believes that such assumptions provide a reasonable basis for presenting all the significant effects of the transactions contemplated and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma consolidated financial statements.

The pro forma consolidated financial statements may not be indicative of the financial position and results of operations that would have occurred if the Transaction had been in effect on the dates indicated or of the financial position or operating results which may be obtained in the future.

The pro forma consolidated financial statements do not include all the information and disclosures required by IFRS for annual financial statements and should be read in conjunction with the financial statements of DPF and the financial statements of Auka that are included herein.

### **2) PRO FORMA TRANSACTIONS**

The accompanying Unaudited Pro Forma Consolidated Financial Statements of the Corporation give effect to the Transaction.

In connection with the completion of the Transaction, the steps contemplated by the definitive agreement entered into pursuant to the Transaction, are as follows:

- a) 364,211 common shares with a fair value of \$1.37 per common share for total fair value of \$500,000 issued by way of a conversion of outstanding short-term debt of the same amount.
- b) 3,614,986 common shares at a price of \$1.37 per share for total fair value of \$4,962,752 issued by way of conversion of related party amounts of the same amount.
- c) 2,937,956 units of DPF, each unit comprised of one Class A Common Share of DPF and one Class A Common Share purchase warrant of DPF (each a “QT Financing Unit”) at a price of \$1.37 per QT Financing Unit (each of which entitles the holder to one common share and one-half common share purchase warrant) for total fair value of \$4,025,000 issued by way of a private placement, plus 176,277 QT Financing Units issued to the broker with fair value of \$241,998.
- d) shareholders of DPF will receive approximately 11.44 common shares of the Resulting Issuer for every DPF common share held.

## DR. PHONE FIX CORPORATION

Notes to the Pro Forma Consolidated Financial Statements

June 30, 2024 (Unaudited)

e) 17,813,769 common share purchase warrants as replacement (“Resulting Issuer Replacement Warrants”) for all outstanding DPF warrants at the date of the Transaction, with terms adjusted to be equivalent to the DPF warrants. The warrants have total estimated fair value of \$895,606.

f) the Resulting Issuer will change its name to “Dr. Phone Fix Corporation”

Completion of the Transaction is subject to a number of conditions, including, among others, receipt of all necessary shareholder and regulatory approvals, the execution of related transaction documents, and conditional approval of the TSX Venture Exchange for listing of the Resulting Issuer.

### 3) PRO FORMA ASSUMPTIONS AND ADJUSTMENTS

The shareholders of DPF will acquire control of Auka thereby constituting a reverse acquisition of Auka. For accounting purposes, the merger is considered a purchase of Auka’s net assets by the shareholders of DPF. The deemed transaction price (“Deemed Consideration”) is determined by reference to the fair value of Auka’s common shares. Share capital, contributed surplus and deficit of Auka are charged to the share capital of the consolidated entity and the Cost of listing is the excess of the Deemed Consideration less the value of the net assets of Auka, plus other costs of the Transaction.

Value of Auka common shares before the Transaction	1,375,000
Less: Net assets of Auka before the Transaction	(590,863)
Fair value less net assets of Auka	784,137
Advisor fees	366,500
Fair value of agent warrants to be issued with Transaction	131,196
Cost of listing	1,281,833

The Deemed Consideration for accounting purposes is determined based on 12,500,000 Auka shares at a price of \$0.11.

Pro Forma adjustments are as follows:

- Cash is adjusted to reflect net cash expected to be received from the private placement of \$3,440,175, which is \$4,025,000 less \$584,825 in estimated Transaction fees
- Trade and other receivables is adjusted by \$18,325 to reflect refundable Goods and Services tax paid in the Transaction
- Due to related parties is reduced by \$4,962,752 to reflect amounts that will be converted to common shares in conjunction with the Transaction
- Short-term debt is reduced by \$500,000 to reflect amounts that will be converted to common shares in conjunction with the Transaction
- Convertible debentures and derivative liabilities are removed to reflect convertible debentures being converted to common shares in July 2024
- Share capital is adjusted as follows:

Issued by DPF on private placement <sup>1</sup>	4,025,000
Share issuance costs	(200,000)
Issued by DPF on conversion of related party payables and short-term debt	5,462,752
Issued by DPF on conversion of debentures	105,905
Elimination of Auka share capital on consolidation	(1,000,000)
Shares deemed issued in reverse take-over	1,375,000
	9,768,657

## DR. PHONE FIX CORPORATION

### Notes to the Pro Forma Consolidated Financial Statements

June 30, 2024 (Unaudited)

<sup>1</sup>The full equity amount to be recognized from the private placement is allocated to share capital for simplicity in the Pro Forma Statement of Financial Position. When the accounting is completed, a portion will be bifurcated and recorded as contributed surplus for the amount attributable to the warrants issued as part of the QT Financing Units.

- g) Warrants is adjusted to reflect advisor warrants issued by DPF in conjunction with the Transaction
- h) Accumulated deficit is adjusted as follows:

Additional interest on debentures to be converted to shares	(39,047)
Gain on derivative liability on exercise of the conversion option of convertible debentures	49,361
Cost of listing	(1,281,833)
Elimination of Auka accumulated deficit on consolidation	409,137
	(862,382)

- i) Cost of listing is added as follows:

Value of Auka common shares before the Transaction	1,375,000
Less: Net assets of Auka before the Transaction	(590,863)
Advisor fees	366,500
Fair value of agent warrants to be issued with Transaction	131,196
	1,281,833

#### 4) PRO FORMA SHARE CAPITAL

	Number of Securities
Resulting Issuer shares issued to former holders of Auka shares	12,500,000
Resulting Issuer shares issued to former holders of DPF shares	120,522,933
Resulting Issuer shares issued to subscribers under the QT Financing <sup>(1)(2)</sup>	33,610,901
Resulting Issuer shares issued in connection with QT Financing Units received by the Agent upon conversion of the QT Agent Warrants <sup>(2)(3)</sup>	2,016,648
<b>TOTAL</b>	<b>168,650,482</b>
<b>Securities Reserved for Future Issue:</b>	
Resulting Issuer shares reserved for issuance pursuant to options granted to directors, officers, employees and consultants of Auka	1,212,125
Resulting Issuer shares reserved for issuance pursuant to Resulting Issuer Replacement Warrants <sup>(2)</sup>	16,805,450
Resulting Issuer shares reserved for issuance pursuant to warrants issued to Auka's agent	750,000

## DR. PHONE FIX CORPORATION

Notes to the Pro Forma Consolidated Financial Statements

June 30, 2024 (Unaudited)

	Number of Securities
Resulting Issuer shares reserved for issuance in connection with the QT Agent Warrants <sup>(2)(3)</sup>	1,008,317
<b>TOTAL DILUTED</b>	<b>188,426,374</b>

<sup>1</sup>“QT Financing” means a brokered private placement by DPF of subscription receipts for gross proceeds of up to \$3,500,000.00, at a price per security of \$1.37, subject to the Agent under the QT Financing’s option (the “Agent’s Option”) to increase the size of the private placement by up to fifteen percent (15%), for aggregate gross proceeds of \$4,025,000.

<sup>2</sup> Assumes maximum gross proceeds from the QT Financing, assuming exercise of the Agent’s Option.

<sup>3</sup> “QT Agent Warrants” means the warrants to be issued to the Agent under the QT Financing. Upon completion of the Transaction, each whole QT Agent Warrant will, at an exercise price of \$1.37 (equivalent to a post-exchange price of \$0.12 per Resulting Issuer share and one half of one Resulting Issuer Replacement Warrant) and for a period of 2 years following the listing of the Auka shares, be exercisable into one QT Financing Unit.

**SCHEDULE "F"**  
**STOCK OPTION PLAN**

(see attached)

# DR. PHONE FIX CANADA CORPORATION

(the "Corporation")

## STOCK OPTION PLAN

### ARTICLE 1 PURPOSE AND INTERPRETATION

#### Purpose

1.1 The purpose of this Plan is to advance the interests of the Corporation by encouraging equity participation in the Corporation through the acquisition of Common Shares of the Corporation. It is the intention of the Corporation that this Plan will at all times be in compliance with TSX Venture Policies (or, if applicable, NEX Policies) and any inconsistencies between this Plan and TSX Venture Policies (or, if applicable, NEX Policies) will be resolved in favour of the latter.

#### Definitions

1.2 In this Plan

- (a) **Affiliate** means a company that is a parent or subsidiary of the Corporation, or that is controlled by the same entity as the Corporation;
- (b) **Associate** has the meaning set out in the Securities Act;
- (c) **Black-out Period** means an interval of time during which the Corporation has determined that one or more Participants may not trade any securities of the Corporation because they may be in possession of undisclosed material information pertaining to the Corporation, or when in anticipation of the release of quarterly or annual financials, to avoid potential conflicts associated with a company's insider-trading policy or applicable securities legislation, (which, for greater certainty, does not include the period during which a cease trade order is in effect to which the Corporation or in respect of an Insider, that Insider, is subject);
- (d) **Board** means the board of directors of the Corporation or any committee thereof duly empowered or authorized to grant Options under this Plan;
- (e) **Change of Control** includes situations where after giving effect to the contemplated transaction and as a result of such transaction:
  - (i) any one Person holds a sufficient number of voting shares of the Corporation or resulting company to affect materially the control of the Corporation or resulting company, or,
  - (ii) any combination of Persons, acting in concert by virtue of an agreement, arrangement, commitment or understanding, holds in total a sufficient number of voting shares of the Corporation or its successor to affect materially the control of the Corporation or its successor,

where such Person or combination of Persons did not previously hold a sufficient number of voting shares to materially affect control of the Corporation or its successor and, in the absence of evidence to the contrary, any Person or combination of Persons acting in concert by virtue of an agreement, arrangement, commitment or understanding, holding

more than 20% of the voting shares of the Corporation or resulting company is deemed to materially affect control of the Corporation or resulting company;

- (f) **Common Shares** means the common shares without par value in the capital of the Corporation providing such class is listed on the TSX Venture (or, NEX, as the case may be);
- (g) **Corporation** means Dr. Phone Fix Canada Corporation, unless the context otherwise requires, all of its Affiliates and successors according to law;
- (h) **Consultant** means an individual or Consultant Corporation, other than an Employee, Officer or Director that:
  - (i) provides on an ongoing bona fide basis, consulting, technical, managerial or like services to the Corporation or an Affiliate of the Corporation, other than services provided in relation to a Distribution;
  - (ii) provides the services under a written contract between the Corporation or an Affiliate and the individual or the Consultant Corporation;
  - (iii) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the business and affairs of the Corporation or an Affiliate of the Corporation; and (iv) has a relationship with the Corporation or an Affiliate of the Corporation that enables the individual or Consultant Corporation to be knowledgeable about the business and affairs of the Corporation;
- (i) **Consultant Corporation** means for an individual consultant, a company or partnership of which the individual is an employee, shareholder or partner;
- (j) **Directors** means the directors of the Corporation as may be elected from time to time;
- (k) **Discounted Market Price** has the meaning assigned by Policy 1.1 of the TSX Venture Policies;
- (l) **Disinterested Shareholder Approval** means approval by a majority of the votes cast by all the Corporation's shareholders at a duly constituted shareholders' meeting, excluding votes attached to Common Shares beneficially owned by Insiders who are Service Providers or their Associates;
- (m) **Distribution** has the meaning assigned by the Securities Act, and generally refers to a distribution of securities by the Corporation from treasury;
- (n) **Effective Date** for an Option means the date of grant thereof by the Board;
- (o) **Eligible Charitable Organization** has the meaning assigned by Policy 4.4 of the TSX Venture Policies;
- (p) **Employee** means an individual who is considered an employee of the Corporation or an Affiliate under the ITA, which for greater certainty, includes Directors and Officers.
- (q) **Exercise Price** means the amount payable per Common Share issuable on the exercise of an Option, as determined in accordance with the terms hereof;
- (r) **Expiry Date** means the day on which an Option lapses as specified in the Stock Option Agreement therefor or in accordance with the terms of this Plan;

- (s) **Fair Market Value** means
  - (i) if the Common Shares are listed on a national securities exchange or traded in the over-the-counter market, the closing or, if not applicable, the last price of, the Common Shares on the composite tape or other comparable reporting system for the trading day on the applicable date; and
  - (ii) if the Common Shares are neither listed on a national securities exchange nor traded in the over-the-counter market, the value of a Common Share as determined in good faith by the Board in its sole discretion after taking into account such factors as the Board determines in good faith are reasonable and appropriate to consider.
- (t) **Insider** means an insider as defined in the TSX Venture Policies or as defined in securities legislation applicable to the Corporation;
- (u) **Investor Relations Activities** has the meaning assigned by Policy 1.1 of the TSX Venture Policies;
- (v) **ITA** means the *Income Tax Act (Canada)* and any regulations thereunder, as amended from time to time;
- (w) **Management Corporation Employee** means an individual employed by a Person providing management services to the Corporation which are required for the ongoing successful operation of the business enterprise of the Corporation, but excluding a Person engaged in Investor Relations Activities;
- (x) **NEX** means a separate board of the TSX Venture for companies previously listed on the TSX Venture or the Toronto Stock Exchange which have failed to maintain compliance with the ongoing financial listing standards of those markets;
- (y) **NEX Issuer** means a company listed on NEX;
- (z) **NEX Policies** means the rules and policies of NEX as amended from time to time;
- (aa) **Officer** means a Board appointed officer of the Corporation;
- (bb) **Option** means the right to purchase Common Shares granted hereunder to a Service Provider;
- (cc) **Optioned Shares** means Common Shares that may be issued in the future to a Service Provider upon the exercise of an Option;
- (dd) **Optionee** means the recipient of an Option hereunder;
- (ee) **Outstanding Shares** means at the relevant time, the number of issued and outstanding Common Shares of the Corporation from time to time;
- (ff) **Participant** means a Service Provider that becomes an Optionee;
- (gg) **Person** includes a company, any unincorporated entity, or an individual;
- (hh) **Plan** means this Stock Option Plan, the terms of which are set out herein or as may be amended;

- (ii) **Plan Shares** means the total number of Common Shares which may be reserved for issuance as Optioned Shares under the Plan as provided in Section 2.2;
- (jj) **Regulatory Approval** means the approval of the TSX Venture and any other securities regulatory authority that has lawful jurisdiction over the Plan and any Options issued hereunder;
- (kk) **Securities Act** means the Securities Act, R.S.A. 2000, c. S-4, or any successor legislation;
- (ll) **Service Provider** means a Person who is a bona fide Director, Officer, Employee, Management Corporation Employee, Consultant or Corporation Consultant, and also includes a company, 100% of the share capital of which is beneficially owned by one or more Service Providers;
- (mm) **Share Compensation Arrangement** means any Option under this Plan but also includes any other stock option, stock option plan, employee stock purchase plan or any other compensation or incentive mechanism involving the issuance or potential issuance of Common Shares to a Service Provider;
- (nn) **Shareholder Approval** means approval by a majority of the votes cast by eligible shareholders of the Corporation at a duly constituted shareholders' meeting;
- (oo) **Stock Option Agreement** means the agreement evidencing the grant of an Option delivered by the Corporation hereunder to a Service Provider and substantially in the form of Schedule A attached hereto;
- (pp) **Takeover Bid** means a takeover bid as defined in subsection 158(c) of the Securities Act (Alberta) or the analogous provisions of securities legislation applicable to the Corporation;
- (qq) **TSX Venture** means the TSX Venture Exchange and any successor thereto; and
- (rr) **TSX Venture Policies** means the rules and policies of the TSX Venture as amended from time to time.

### **Other Words and Phrases**

1.3 Words and phrases used in this Plan but which are not defined in the Plan, but are defined in the TSX Venture Policies (and, if applicable, the NEX Policies), will have the meaning assigned to them in the TSX Venture Policies (and, if applicable, NEX Policies).

### **Gender**

1.4 Words importing the masculine gender include the feminine or neuter, words in the singular include the plural, words importing a corporate entity include individuals, and vice versa.

## **ARTICLE 2 STOCK OPTION PLAN**

### **Establishment of Stock Option Plan**

2.1 The Plan is hereby established to recognize contributions made by Service Providers and to create an incentive for their continuing assistance to the Corporation and its Affiliates.

## **Maximum Plan Shares**

2.2 The maximum aggregate number of Plan Shares that may be reserved for issuance under the Plan at any point in time is 10% of the Outstanding Shares at the time Plan Shares are reserved for issuance as a result of the grant of an Option, less any Common Shares reserved for issuance under share options granted under Share Compensation Arrangements other than this Plan, unless this Plan is amended pursuant to the requirements of the TSX Venture Policies (and, if applicable, NEX Policies).

## **Eligibility**

2.3 Options to purchase Common Shares may be granted hereunder to Service Providers of the Corporation, or its Affiliates, from time to time by the Board. Service Providers that are not individuals will be required to undertake in writing not to effect or permit any transfer of ownership or option of any of its securities, or to issue more of its securities (so as to indirectly transfer the benefits of an Option), as long as such Option remains outstanding, unless the written permission of the TSX Venture and the Corporation is obtained.

## **Options Granted Under the Plan**

2.4 All Options granted under the Plan will be evidenced by a Stock Option Agreement in the form attached as Schedule A, showing the number of Optioned Shares, the term of the Option, a reference to vesting terms, if any, and the Exercise Price.

2.5 Subject to specific variations approved by the Board, all terms and conditions set out herein will be deemed to be incorporated into and form part of a Stock Option Agreement made hereunder.

## **Limitations on Issue**

2.6 Subject to Section 2.10, and Section 6 of TSX Venture Policy 2.4, the following restrictions on issuances of Options are applicable under the Plan:

- (a) no Service Provider can be granted an Option if that Option would result in the total number of Options, together with all other Share Compensation Arrangements granted to such Service Provider in any 12-month period, exceeding 5% of the Outstanding Shares, unless the Corporation has obtained Disinterested Shareholder Approval to do so;
- (b) the aggregate number of Options granted to all Service Providers conducting Investor Relations Activities in any 12-month period cannot exceed 2% of the Outstanding Shares, calculated at the time of grant, without the prior consent of the TSX Venture;
- (c) the aggregate number of Options granted to any one Consultant in any 12-month period cannot exceed 2% of the Outstanding Shares, calculated at the time of grant, without the prior consent of the TSX Venture;
- (d) the maximum aggregate number of Listed Shares that are issuable pursuant to all stock based compensation granted or issued to Insiders (as a group) must not exceed 10% of the Outstanding Shares at any time (unless the Corporation has obtained the requisite Disinterested Shareholder Approval); and
- (e) the maximum aggregate number of Listed Shares that are issuable pursuant to all stock based compensation granted or issued in any 12-month period to Insiders (as a group)

must not exceed 10% of the Outstanding Shares, calculated as at the date any such stock based compensation is granted or issued to any Insider (unless the Corporation has obtained the requisite Disinterested Shareholder Approval).

### **Options Not Exercised**

2.7 In the event an Option granted under the Plan expires unexercised or is terminated by reason of dismissal of the Optionee for cause or is otherwise lawfully cancelled prior to exercise of the Option, the Optioned Shares that were issuable thereunder will be returned to the Plan and will be eligible for re-issuance.

### **Powers of the Board**

2.8 The Board will be responsible for the general administration of the Plan and the proper execution of its provisions, the interpretation of the Plan and the determination of all questions arising hereunder. Without limiting the generality of the foregoing, the Board has the power to

- (a) grant Options hereunder;
- (b) allot Common Shares for issuance in connection with the exercise of Options; and
- (c) delegate all or such portion of its powers hereunder as it may determine to one or more committees of the Board, either indefinitely or for such period of time as it may specify, and thereafter each such committee may exercise the powers and discharge the duties of the Board in respect of the Plan so delegated to the same extent as the Board is hereby authorized so to do.

### **Amendment of the Plan by the Board**

2.9 Subject to the requirements of the TSX Venture Policies and the prior receipt of any necessary Regulatory Approval, the Board may in its absolute discretion, amend or modify the Plan as follows:

- (a) it may make amendments which are of a typographical, grammatical or clerical nature only;
- (b) it may amend provisions of the Plan relating to the vesting of Options or the termination of Options subject to prior written Regulatory Approval, if applicable, but no such change shall apply to Options previously granted that remain outstanding without the prior written consent of the applicable Optionee
- (c) subject to any necessary Regulatory Approval, amend, suspend, terminate or discontinue the Plan except that no such action shall apply to Options previously granted that remain outstanding without the prior written consent of the applicable Optionee;
- (d) make such amendments as are required to comply with applicable Securities law; and
- (e) if the Corporation becomes listed or quoted on a stock exchange or stock market senior to the TSX Venture, it may make such amendments as may be required by the policies of such senior stock exchange or stock market.

### **Amendments Requiring Disinterested Shareholder Approval**

2.10 The Corporation will be required to obtain Disinterested Shareholder Approval prior to any of the following actions becoming effective:

- (a) the Plan, together with all of the Corporation's other previous Share Compensation Arrangements, could result at any time in:
  - (i) the aggregate number of Common Shares reserved for issuance under Options granted to Insiders (as a group), at any point in time, exceeding 10% of the Outstanding Shares in the event that this Plan is amended to reserve for issuance more than 10% of the Outstanding Shares;
  - (ii) the number of Optioned Shares issued to Insiders (as a group) in any 12-month period exceeding 10% of the Outstanding Shares in the event that this Plan is amended to reserve for issuance more than 10% of the Outstanding Shares; or,
  - (iii) the issuance to any one Optionee, within a 12-month period, of a number of Common Shares exceeding 5% of the Outstanding Shares; or
- (b) any reduction in the Exercise Price or extension of the Expiry Date of an Option previously granted to an Insider. With respect to an Option granted to an Employee, the Exercise Price shall not be reduced to an amount that is less than the Fair Market Value of the Common Share at the Effective Date.

### **Options Granted Under the Corporation's Previous Stock Option Plans**

2.11 Any option granted pursuant to a stock option plan previously adopted by the Board which is outstanding at the time this Plan comes into effect shall be deemed to have been issued under this Plan and shall, as of the date this Plan comes into effect, be governed by the terms and conditions hereof.

## **ARTICLE 3 TERMS AND CONDITIONS OF OPTIONS**

### **Exercise Price**

3.1 Subject to Section 6 of TSX Venture Policy 2.4, the Exercise Price of an Option will be set by the Board at the Effective Time, and cannot be less than the Discounted Market Price. The Exercise Price in respect of each Common Share issuable under an Option granted to an Employee will not be less than the Fair Market Value of a Common Share at the Effective Date.

### **Term of Option**

3.2 An Option can be exercisable for a maximum of 10 years from the Effective Date.

### **Option Amendment**

3.3 Subject to Section 2.10(b), the Exercise Price of an Option may be amended only if at least six (6) months have elapsed since the later of the date of commencement of the term of the Option, the date the Common Shares commenced trading on the TSX Venture, or the date of the last amendment of the Exercise Price. However, in no event shall the Exercise Price in respect of a Common Share issuable under an Option granted to an Employee be amended to an amount that is less than the Fair Market Value of a Common Share at the Effective Date.

3.4 An Option must be outstanding for at least one year before the Corporation may extend its term, subject to the limits contained in Section 3.2.

3.5 Any proposed amendment to the terms of an Option must be approved by the TSX Venture prior to the exercise of such Option.

## **Vesting of Options**

3.6 Subject to Section 3.7, vesting of Options shall be at the discretion of the Board and, with respect to any particular Options granted under the Plan, in the absence of a vesting schedule being specified in the applicable Stock Option Agreement, all such Options shall vest immediately. Vesting of Options may be made subject to:

- (a) the Service Provider remaining employed by or continuing to provide services to the Corporation or any of its Affiliates as well as, at the discretion of the Board, achieving certain milestones which may be defined by the Board from time to time or receiving a satisfactory performance review by the Corporation or any of its Affiliates during the vesting period; or
- (b) the Service Provider remaining as a Director of the Corporation or any of its Affiliates during the vesting period,

and any such conditions shall be set out in the applicable Stock Option Agreement.

## **Vesting of Options Granted to Consultants Conducting Investor Relations Activities**

3.7 Notwithstanding Section 3.6, Options granted to Consultants conducting Investor Relations Activities will vest:

- (a) over a period of not less than 12 months as to 25% on the date that is three months from the date of grant, and a further 25% on each successive date that is three months from the date of the previous vesting; or
- (b) such longer vesting period as the Board may determine,

all as set out in the applicable Stock Option Agreement.

## **Effect of Takeover Bid**

3.8 If a Takeover Bid is made to the shareholders generally then the Corporation shall immediately upon receipt of notice of the Take Over Bid, notify each Optionee currently holding an Option of the Take Over Bid, with full particulars thereof whereupon such Option may, notwithstanding Section 3.6 and Section 3.7 or any vesting requirements set out in the applicable Stock Option Agreement, be immediately exercised in whole or in part by the Optionee, subject to approval of the TSX Venture (or the NEX, as the case may be) for vesting requirements imposed by the TSX Venture Policies.

## **Extension of Options Expiring During Blackout Period**

3.9 Should the Expiry Date for an Option fall within a Blackout Period, or within nine (9) Business Days following the expiration of a Blackout Period, such Expiry Date shall, subject to approval of the TSX Venture (or the NEX, as the case may be), be automatically extended without any further act or formality to that day which is the tenth (10th) Business Day after the end of the Blackout Period, such tenth Business Day to be considered the Expiry Date for such Option for all purposes under the Plan. Notwithstanding Section 2.8, the tenth Business Day period referred to in this Section 3.9 may not be extended by the Board.

### **Optionee Ceasing to be Director, Employee or Service Provider**

3.10 Options may be exercised after the Service Provider has left his/her employ/office or has been advised by the Corporation that his/her services are no longer required or his/her service contract has expired, until the term applicable to such Options expires, except as follows:

- (a) in the case of the death of an Optionee, any vested Option held by him at the date of death will become exercisable by the Optionee's lawful personal representatives, heirs or executors until the earlier of one year after the date of death of such Optionee and the date of expiration of the term otherwise applicable to such Option;
- (b) an Option granted to (i) Directors or Officers of the Corporation or an Affiliate will expire 90 days and (ii) all others including, but not limited to, Employees (other than Directors and Officers) and Consultants, will expire 30 days (or such other time, not to exceed one year, as shall be determined by the Board as at the date of grant or agreed to by the Board and the Optionee in writing at any time prior to expiry of the Option) after the date the Optionee ceases to be employed by or provide services to the Corporation, and only to the extent that such Option was vested at the date the Optionee ceased to be so employed by or to provide services to the Corporation; and
- (c) in the case of an Optionee being dismissed from employment or service for cause, such Optionee's Options, whether or not vested at the date of dismissal, will immediately terminate without right to exercise same.

### **Non Assignable**

3.11 Subject to Section 3.10, all Options will be exercisable only by the Optionee to whom they are granted and will not be assignable or transferable.

### **Adjustment of the Number of Optioned Shares**

3.12 The number of Common Shares subject to an Option will be subject to adjustment in the events and in the manner following:

- (a) in the event of a subdivision of Common Shares as constituted on the date hereof, at any time while an Option is in effect, into a greater number of Common Shares, the Corporation will thereafter deliver at the time of purchase of Optioned Shares hereunder, in addition to the number of Optioned Shares in respect of which the right to purchase is then being exercised, such additional number of Common Shares as result from the subdivision without an Optionee making any additional payment or giving any other consideration therefor;
- (b) in the event of a consolidation of the Common Shares as constituted on the date hereof, at any time while an Option is in effect, into a lesser number of Common Shares, the Corporation will thereafter deliver and an Optionee will accept, at the time of purchase of Optioned Shares hereunder, in lieu of the number of Optioned Shares in respect of which the right to purchase is then being exercised, the lesser number of Common Shares as result from the consolidation;
- (c) in the event of any change of the Common Shares as constituted on the date hereof, at any time while an Option is in effect, the Corporation will thereafter deliver at the time of purchase of Optioned Shares hereunder the number of shares of the appropriate class resulting from the said change as an Optionee would have been entitled to receive in

respect of the number of Common Shares so purchased had the right to purchase been exercised before such change;

- (d) in the event of a capital reorganization, reclassification or change of outstanding equity shares (other than a change in the par value thereof) of the Corporation, a consolidation, merger or amalgamation of the Corporation with or into any other company or a sale of the property of the Corporation as or substantially as an entirety at any time while an Option is in effect, an Optionee will thereafter have the right to purchase and receive, in lieu of the Optioned Shares immediately theretofore purchasable and receivable upon the exercise of the Option, the kind and amount of shares and other securities and property receivable upon such capital reorganization, reclassification, change, consolidation, merger, amalgamation or sale which the holder of a number of Common Shares equal to the number of Optioned Shares immediately theretofore purchasable and receivable upon the exercise of the Option would have received as a result thereof. The subdivision or consolidation of Common Shares at any time outstanding (whether with or without par value) will not be deemed to be a capital reorganization or a reclassification of the capital of the Corporation for the purposes of this Section 3.12;
- (e) an adjustment will take effect at the time of the event giving rise to the adjustment, and the adjustments provided for in this section are cumulative;
- (f) the Corporation will not be required to issue fractional shares in satisfaction of its obligations hereunder. Any fractional interest in a Common Share that would, except for the provisions of this Section 3.12, be deliverable upon the exercise of an Option will be cancelled and not be deliverable by the Corporation; and
- (g) if any questions arise at any time with respect to the Exercise Price or number of Optioned Shares deliverable upon exercise of an Option in any of the events set out in this Section 3.12, such questions will be conclusively determined by the Corporation's auditors, or, if they decline to so act, any other firm of Chartered Accountants, in Calgary, Alberta (or in the city of the Corporation's principal executive office) that the Corporation may designate and who will be granted access to all appropriate records and such determination will be binding upon the Corporation and all Optionees.

3.13 Any adjustment to the number of Common Shares subject to an Option in accordance with Section 3.12 are subject to prior approval of the Exchange, except where such adjustment is the result of a split or consolidation of the Corporation's Shares.

## **ARTICLE 4 COMMITMENT AND EXERCISE PROCEDURES**

### **Stock Option Agreement**

4.1 Upon grant of an Option hereunder, an authorized officer of the Corporation will deliver to the Optionee a Stock Option Agreement detailing the terms of such Options and upon such delivery the Optionee will be subject to the Plan and have the right to purchase the Optioned Shares at the Exercise Price set out therein subject to the terms and conditions hereof.

### **Manner of Exercise**

4.2 An Optionee who wishes to exercise his Option may do so by delivering

- (a) a written notice to the Corporation specifying the number of Optioned Shares being acquired pursuant to the Option; and

- (b) a certified cheque, wire transfer or bank draft payable to the Corporation for the aggregate Exercise Price for the Optioned Shares being acquired.

### **Tax Withholding and Procedures**

4.3 Notwithstanding anything else contained in this Plan, the Corporation may, from time to time, implement such procedures and conditions as it determines appropriate with respect to the withholding and remittance of taxes imposed under applicable law, or the funding of related amounts for which liability may arise under such applicable law. Without limiting the generality of the foregoing, an Optionee who wishes to exercise an Option must, in addition to following the procedures set out in 4.2 and elsewhere in this Plan, and as a condition of exercise:

- (a) deliver a certified cheque, wire transfer or bank draft payable to the Corporation, or an Affiliate, for the amount determined by the Corporation, or an Affiliate, to be the appropriate amount on account of such taxes or related amounts; or
- (b) otherwise ensure, in a manner acceptable to the Corporation, or an Affiliate, (if at all) in its sole and unfettered discretion, that the amount will be securely funded;

and must in all other respects follow any related procedures and conditions imposed by the Corporation.

### **Delivery of Optioned Shares and Hold Periods**

4.4 As soon as practicable after receipt of the notice of exercise described in Section 4.2 and payment in full for the Optioned Shares being acquired, the Corporation will direct its transfer agent to issue to the Optionee the appropriate number of Optioned Shares. If the Exercise Price is set below the Fair Market Value of a Common Shares at the Effective Date, the certificate representing the Optioned Shares or written notice in the case of uncertificated shares will include a legend stipulating that the Optioned Shares issued are subject to a four-month TSX Venture hold period commencing the date of the Stock Option Agreement.

## **ARTICLE 5 GENERAL**

### **Employment and Services**

5.1 Nothing contained in the Plan will confer upon or imply in favour of any Optionee any right with respect to office, employment or provision of services with the Corporation, or interfere in any way with the right of the Corporation to lawfully terminate the Optionee's office, employment or service at any time pursuant to the arrangements pertaining to same. Participation in the Plan by an Optionee is voluntary.

### **No Representation or Warranty**

5.2 The Corporation makes no representation or warranty as to the future market value of Common Shares issued in accordance with the provisions of the Plan or to the effect of the ITA or any other taxing statute governing the Options or the Common Shares issuable thereunder or the tax consequences to a Service Provider. Compliance with applicable securities laws as to the disclosure and resale obligations of each Participant is the responsibility of each Participant and not the Corporation.

## **Interpretation**

5.3 The Plan will be governed and construed in accordance with the laws of the Province of Alberta.

## **Continuation of Plan**

5.4 The Plan will become effective from and after the reference date of this Plan as noted on page 1 hereof, and will remain effective provided that the Plan, or any amended version thereof receives Shareholder Approval at each annual general meeting of the holders of Common Shares of the Corporation subsequent to the reference date of the Plan.

## **Amendment of the Plan**

5.5 The Board reserves the right, in its absolute discretion, to at any time amend, modify or terminate the Plan with respect to all Common Shares in respect of Options which have not yet been granted hereunder. Any amendment to any provision of the Plan will be subject to any necessary Regulatory Approvals unless the effect of such amendment is intended to reduce (but not to increase) the benefits of this Plan to Service Providers.

**SCHEDULE A  
DR. PHONE FIX CANADA CORPORATION**

**STOCK OPTION AGREEMENT**

Dr. Phone Fix Canada Corporation (the “**Corporation**”) has granted to \_\_\_\_\_ (the “**Optionee**”), an option to acquire common shares (the “**Options**”) of the Corporation, subject to the terms and conditions of the Corporation’s stock option plan (the “**Plan**”) established by the Corporation or any successor plan thereto, as amended from time to time in accordance with its terms, or as may be required by the TSX Venture Exchange (the “**TSX-V**”), which are deemed to be incorporated in this stock option agreement (the “**Option Agreement**”), and to the following specific provisions:

**Option Agreement and Grant Date:**

**Position with Corporation:**

**Number of Options:**

**Exercise Price:**

**Expiry Date:**

**Option Vesting Schedule:**

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The Optionee agrees to be bound by the terms of the Plan. The terms of the Plan are deemed to be incorporated and to form a part of this Option Agreement. In the event of any inconsistency between the terms of the Plan and the terms of this agreement, the terms of the Plan will prevail.

The Corporation and the Optionee represent that the Optionee, under the terms and conditions of the Plan, is a bona fide Service Provider (as defined in the Plan), entitled to receive Options under TSX-V policies. At the date of grant of the Options, the Corporation is classified as a Tier 2 Issuer under TSX-V policies.

Each Optionee is solely responsible for reporting any tax benefit arising from the grant or exercise of the Option, as applicable, in his, her or its income tax return in the particular jurisdiction of residence.

If you exercise your Options before four months from the Option Grant date, a certificate for the common shares so acquired will be issued bearing the following legends:

“UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE \_\_\_\_\_ [*insert date that is four months and a day after the distribution date.*”

“WITHOUT PRIOR WRITTEN APPROVAL OF THE TSX VENTURE EXCHANGE AND COMPLIANCE WITH ALL APPLICABLE SECURITIES LEGISLATION, THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE TRADED ON OR THROUGH THE FACILITIES OF THE TSX VENTURE EXCHANGE OR OTHERWISE IN CANADA OR TO OR FOR THE BENEFIT OF A CANADIAN RESIDENT UNTIL 12:00 A.M. (MIDNIGHT) ON \_\_\_\_\_ [insert date that is four months from grant date].”

[*delete if not applicable.*] If you are a U.S. resident, the following additional legend will apply:

“THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR ANY STATE SECURITIES LAWS, AND MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE COMPANY, (B) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (C) IN COMPLIANCE WITH THE EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, OR (D) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE U.S. SECURITIES ACT OR ANY APPLICABLE STATE LAWS AND REGULATIONS GOVERNING THE OFFER AND SALE OF SECURITIES. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF INVESTOR’S COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IN COMPLIANCE WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS.”

**Acknowledgement – Personal Information**

The information set out in this Option Agreement about the undersigned Optionee will be used by the Corporation for making certain filings with the TSX-V and other applicable regulatory authorities. The Optionee acknowledges and consents to the collection and use of the Personal Information contained in this Option Agreement by the Corporation for the above purposes or as otherwise required by the TSX-V or other applicable regulatory authorities from time to time in accordance with their regulations. If you are in doubt about the above applicable requirements, please contact the Corporation.

**Acknowledged and agreed by the Optionee:**

**DR. PHONE FIX CANADA CORPORATION**

\_\_\_\_\_  
[insert name of optionee]

\_\_\_\_\_  
Authorized Signatory

\_\_\_\_\_  
Address

\_\_\_\_\_  
Address (continued)

\_\_\_\_\_  
Telephone number

\_\_\_\_\_  
Email Address

**DR. PHONE FIX CANADA CORPORATION**  
**(the "Corporation")**

**STOCK OPTION EXERCISE NOTICE**

TO: Dr. Phone Fix Canada Corporation  
2500, 10123 99 St NW  
Edmonton, Alberta T5J 3H1.

The undersigned hereby gives notice of exercise of Options as detailed below and encloses a cheque or bank draft, payable to the Corporation, in the designated amount representing payment in full for those shares.

**Option Agreement and Grant Date:**

\_\_\_\_\_

**Number of Options Exercised:**

\_\_\_\_\_

**Position with Corporation:**

\_\_\_\_\_

**Exercise Price:**

\_\_\_\_\_

**Option Exercise Amount:**

\$ \_\_\_\_\_

**Plus Tax Withholding Amount: [if applicable]**

\$ \_\_\_\_\_

**TOTAL:**

\$ \_\_\_\_\_

**Balance of number of Options remaining exercisable until ● [insert option expiry date]:**

DATED \_\_\_\_\_

\_\_\_\_\_  
Print name of Optionee

\_\_\_\_\_  
Signature of Optionee

\_\_\_\_\_  
Address (for registration of shares)

\_\_\_\_\_  
Delivery address (if different from share registration address)

\_\_\_\_\_  
Telephone Number

\_\_\_\_\_  
Email Address