
HOPEFIELD VENTURES TWO INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

EXPRESSED IN CANADIAN DOLLARS

Independent Auditor's Report

To the Shareholders of Hopefield Ventures Two Inc.

Opinion

We have audited the financial statements of Hopefield Ventures Two Inc. (the "Company"), which comprise the statement of financial position as at December 31, 2023, and the statement of loss and comprehensive loss, statement of changes in equity and statement of 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 its financial performance and its cash flows for the year 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. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of the Company for the year ended December 31, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on April 20, 2023.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there were no key audit matters to communicate in our report.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

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

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 judgement 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 risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner of the audit resulting in this independent auditor's report is Jessica Glendinning.

McGovern Hurley LLP

A handwritten signature in black ink that reads "McGovern Hurley LLP". The signature is written in a cursive, flowing style.

**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
April 19, 2024

HOPEFIELD VENTURES TWO INC.
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023 AND 2022
EXPRESSED IN CANADIAN DOLLARS

	2023	2022
ASSETS		
Current		
Cash	\$ 1,030,805	\$ 979,428
Note receivable (Note 4)	25,000	-
Accrued receivable	-	4,502
Prepaid expenses and deposits	-	18,150
Deferred financing costs	-	50,683
	\$ 1,055,805	\$ 1,052,763
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 39,149	\$ 46,555
Equity		
Share capital (Note 5)	1,192,703	1,062,695
Contributed surplus (Note 5)	108,345	84,995
Deficit	(284,392)	(141,482)
	1,016,656	1,006,208
	\$ 1,055,805	\$ 1,052,763

Nature and continuance of operations (Note 1)

Subsequent events (Note 8)

Approved and authorized for issue on behalf of the Board on April 19, 2024

"Mark Binns" _____

Director

"Mitchell Demeter" _____

Director

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

HOPEFIELD VENTURES TWO INC.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEAR ENDED DECEMBER 31, 2023 AND FOR THE
PERIOD FROM INCORPORATION, JANUARY 24, 2022 TO DECEMBER 31, 2022
EXPRESSED IN CANADIAN DOLLARS

Period from
January 24 to
2023 December 31, 2022

Expenses

Filing fees	\$	21,516	\$	14,124
Office and administration		526		1,383
Professional fees		95,002		39,927
Promotion		-		1,053
Transfer agent fees		11,116		-
Share-based compensation (Notes 5 & 6)		14,750		84,995
Net loss and comprehensive loss for the year	\$	(142,910)	\$	(141,482)
Basic and diluted loss per share	\$	(0.02)	\$	(0.01)
Weighted average number of shares outstanding (Note 5)		8,432,705		16,093,146

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

HOPEFIELD VENTURES TWO INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023 AND FOR THE
PERIOD FROM INCORPORATION, JANUARY 24, 2022 TO DECEMBER 31, 2022
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	Number of shares	Share capital	Contributed surplus	Deficit	Total equity
Balance, January 24, 2022	-	\$ -	\$ -	\$ -	\$ -
Shares issued for cash, net of issuance costs (Note 5)	19,275,000	1,336,445	-	-	1,336,445
Shares repurchased for cash (Note 5)	(3,887,500)	(273,750)	-	-	(273,750)
Share options granted (Note 5)	-	-	84,995	-	84,995
Net loss for the year	-	-	-	(141,482)	(141,482)
Balance, December 31, 2022	15,387,500	\$ 1,062,695	\$ 84,995	\$ (141,482)	\$ 1,006,208
Balance, December 31, 2022	15,387,500	\$ 1,062,695	\$ 84,995	\$ (141,482)	\$ 1,006,208
Shares issued for cash, net of issuance costs (Note 5)	2,500,000	138,608	-	-	138,608
Agent's options granted	-	(8,600)	8,600	-	-
Share options granted (Note 5)	-	-	14,750	-	14,750
Net loss for the year	-	-	-	(142,910)	(142,910)
Balance, December 31, 2023	17,887,500	\$ 1,192,703	\$ 108,345	\$ (284,392)	\$ 1,016,656

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

HOPEFIELD VENTURES TWO INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023 AND FOR THE
PERIOD FROM INCORPORATION, JANUARY 24, 2022 TO DECEMBER 31, 2022
EXPRESSED IN CANADIAN DOLLARS

Period from
January 24 to
2023 December 31, 2022

Cash provided from (used for):

Operating activities

Net loss	\$ (142,910)	\$ (141,482)
Items not requiring the use of cash:		
Share-based compensation	14,750	84,995
	(128,160)	(56,487)
Changes in non-cash working capital:		
Accrued receivable	4,502	(4,502)
Prepaid expenses and deposits	18,150	(18,150)
Accounts payable and accrued liabilities	(7,406)	46,555
	(112,914)	(32,584)
Net cash used in operating activities		

Financing activities

Common shares issued for cash	250,000	1,342,500
Common share issuance costs	(111,392)	(6,055)
Deferred financing costs	50,683	(50,683)
Repurchase and cancellation of common shares	-	(273,750)
	189,291	1,012,012
Net cash provided by financing activities		

Investing Activities

Issuance of note receivable	(25,000)	-
	(25,000)	-
Net cash used in investing activities		

Net cash inflow 51,377 979,428

Cash position, beginning of year 979,428 -

Cash position, end of year \$ 1,030,805 \$ 979,428

Supplemental information:

Agent's options granted \$ 8,600 \$ -

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

HOPEFIELD VENTURES TWO INC.
NOTES TO THE FINANCIAL STATEMENTS
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1. NATURE AND CONTINUANCE OF OPERATIONS

Hopefield Ventures Two Inc. (the “Company” or “Hopefield”) was incorporated under the Business Corporations Act of British Columbia on January 24, 2022. The address of the Company’s corporate office and its principal place of business is 2200 HSBC Building, 885 West Georgia Street, Vancouver, BC, Canada. The Company is listed on the TSX Venture Exchange (symbol HVII.P) under the Capital Pool Company (“CPC”) Program and plans to identify a suitable private operating company to complete a qualifying transaction.

These financial statements have been prepared on the basis of accounting principles applicable to 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 business.

The Company does not generate sufficient cash flow from operations to adequately fund its activities and has therefore relied principally upon the support of creditors and the issuance of securities for financing. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issuance of securities to finance its future activities but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Although these financial statements do not include any adjustments that may result from the inability to secure future financing, such a situation would have a material adverse effect on the Company's recoverability of assets, classification of assets and liabilities, and results of operations should the Company be unable to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations by the International Financial Reporting Interpretations Committee (“IFRIC”). All amounts are expressed in Canadian dollars, unless otherwise noted. These financial statements were approved by the Board of Directors of the Company on April 19, 2024.

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Basis of presentation

These financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

Significant accounting estimates and judgments

The preparation of these financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates. Key estimates made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements are:

Going concern assumption

The assessment of whether the going concern assumption is appropriate requires management to consider all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

Share-based compensation

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Income, value added, withholding and other taxes

The Company is subject to income, value added and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course

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of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Share-based compensation

The Company may grant stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee.

Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

The fair value of the stock options is determined using the Black-Scholes option pricing model. The fair value of stock options is recognized to expense over the vesting period. Consideration paid for the shares on the exercise of share purchase options is credited to share capital.

Share issue costs

Costs directly identifiable with the raising of capital will be charged against the related share capital. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

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The value of compensatory options or warrants granted to agents in a private placement is determined using the Black-Scholes option pricing model. The fair value of these compensatory options or warrants is recognized as share issuance costs, with an offsetting credit to contributed surplus.

Basic and diluted loss per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed by adjusting the net earnings (loss) available to common shareholders and the weighted average number of shares outstanding for the effects of potential common shares, if dilutive. Potential common shares include stock options and warrants and are calculated by assuming that these instruments were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. For the periods presented, all outstanding stock options and agent's options were anti-dilutive.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Financial assets are recognized initially at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial assets which have contractual cash flows composed solely of principal and interest are measured at amortized cost when they are held with the objective to collect those cash flows and at FVOCI when they may also be held for sale. Financial assets not classified as amortized cost or FVOCI are measured at FVTPL.

A financial asset is initially measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL.

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On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

Financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of loss. The Company's financial assets consist of cash, note receivable and accrued receivables which are measured at amortized cost.

Financial liabilities

Financial liabilities are recognized initially at fair value and subsequently measured at (i) amortized cost or (ii) FVTPL. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities measured at FVTPL, such as derivatives and certain financial commitments and guarantee contracts. Financial liabilities may also be designated at fair value through profit and loss if doing so results in more relevant information. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

The Company's financial liabilities consist of accounts payable and accrued liabilities which are measured at amortized cost. As at December 31, 2023 and 2022, the Company does not have any derivative financial liabilities.

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the statement of loss.

Income taxes

Income tax on the profit or loss for the periods presented is comprised of 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 it is recognized in equity. Current tax expense is

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the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2024. Many are not applicable or do not have a significant impact to the Company and have been excluded.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2024.

The Company will adopt these pronouncements as of their effective date.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company’s financial instruments consist of cash, note receivable, accrued receivable, accounts payable and accrued liabilities.

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FOR THE YEAR ENDED DECEMBER 31, 2023 AND FOR THE
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Fair values

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The fair value hierarchy has the following levels:

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

The fair values of cash, note receivable, accrued receivables and accounts payable and accrued liabilities approximate their fair values due to the nature and expected maturity of these financial instruments. The company had no financial instruments carried at fair value to classify in the fair value hierarchy.

Financial instrument risk exposure and risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management framework. The Company considers the fluctuations of financial markets and seeks to minimize potential adverse effects on financial performance.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process.

(a) Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes its cash. The Company manages credit risk, in respect of cash, by placing its cash with a major Canadian financial institution in accordance with the Company's investment policy. Concentration of credit risk exists with respect to the Company's cash as all amounts are held at a single major Canadian financial institution. The company is also exposed to credit risk on its note receivable.

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The maximum exposure to credit risk is equal to the carrying value of the financial assets.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet commitments. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. All of the Company's financial liabilities are due within the next operating period.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and commodity price risk, of which the Company is exposed to interest rate risk, as follows:

Interest rate risk

Some of the Company's accounts payable and accrued liabilities trade payables may be subject to interest on unpaid balances.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to ensure sufficient liquidity in order to remain a CPC and complete a Qualifying Transaction so that it can provide adequate returns for shareholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital as total equity. The Company is not subject to any externally imposed capital requirements other than the requirement regarding the use of proceeds realized from the sale of all securities issued by the Company as a CPC.

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The gross proceeds raised from the Company's initial public offering may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a proposed Qualifying Transaction, with the exception that general and administrative expenses are capped at \$3,000 per month, including for professional accounting, advisory, and legal services expenses. There were no other significant changes in the Company's approach to capital management during the periods ended December 31, 2023 and 2022.

4. NOTE RECEIVABLE

On December 29, 2023, the Company advanced \$25,000 to Predictive Technologies LLC ("Predictive") under the terms of a demand promissory note from Predictive. The note receivable is non-interest bearing and unsecured (see Note 8).

5. SHARE CAPITAL

Share capital

On January 9, 2023, the Company issued 2,500,000 common shares at a price of \$0.10 per share, for total gross proceeds of \$250,000 upon completion of its Initial Public Offering. After costs, including the Agent's commission and fees and legal expenses of the Agent and the Company, including those charged to Deferred Financing Fees as at December 31, 2022, net proceeds of \$138,608 have been credited to Common Shares.

During the period from incorporation, January 24, 2022 to December 31, 2022, the Company:

- (a) issued 11,700,000 common shares at a price of \$0.05 per share for total proceeds of \$585,000;
- (b) issued 7,575,000 common shares at a price of \$0.10 per share for total proceeds of \$757,500;
- (c) repurchased 2,300,000 common shares at a price of \$0.05 per share for a total cost of \$115,000; and
- (d) repurchased 1,587,500 common shares at a price of \$0.10 per share for a total cost of \$158,750.

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Shares subject to escrow

Upon completion of the initial public offering on January 9, 2023, all 9,400,000 issued and outstanding seed shares became subject to a uniform 18-month escrow release schedule, following the completion of a Qualifying Transaction, and will be released as to 25% on the date of the final Qualifying Transaction Exchange Bulletin and an additional 25% on each of the dates that are 6, 12 and 18 months thereafter, pursuant to the terms of an Escrow Agreement dated December 22, 2022 between the Company's Escrow Agent and the applicable shareholders of the Company. Subject to certain permitted exemptions, all securities of the Company held by principals of the resulting issuer will also be escrowed.

All common shares acquired on exercise of stock options granted to directors and officers prior to completion of a Qualifying Transaction must also be deposited and held in escrow pursuant to the requirements of the Exchange.

The seed common shares are considered contingently issuable until the Company completes a Qualifying Transaction and, accordingly, they are not considered to be outstanding shares for purposes of loss per share calculations.

Share options

On January 9, 2023, the Company granted 250,000 share options exercisable at a price of \$0.10 per share to directors and officers of the Company.

During the period from incorporation, January 24, 2022 to December 31, 2022, the Company granted 1,757,500 share options to directors and officers of the Company and cancelled 218,750 share options as follows:

- (a) 1,000,000 share options exercisable at a price of \$0.05 per share granted on February 10, 2022;
- (b) 757,500 share options exercisable at a price of \$0.10 per share granted on February 28, 2022;
- (c) 60,000 share options exercisable at a price of \$0.05 per share were cancelled on August 29, 2022; and
- (d) 158,750 share options exercisable at a price of \$0.10 per share were cancelled on August 29, 2022

The share options vested on their respective grant dates and are exercisable for a period of ten years.

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As noted, the company uses the Black-Scholes option pricing model and the following table sets out the weighted average assumptions used in calculating the fair value of share options granted:

	<u>2023</u>	<u>2022</u>
Share price	\$0.10	\$0.072
Exercise price	\$0.10	\$0.072
Expected dividend yield	Nil	Nil
Expected volatility	44%	59%
Risk-free interest rate	3.08%	1.90%
Expected share option life	10 yrs	10 yrs
Fair value (per share) of share options granted	\$0.059	\$0.048

Expected volatility was estimated by reference to the price history of publicly traded small cap software and services companies over a ten-year period, commensurate with the expected life of the options. Expected life was estimated to be equal to the contractual life of the share options. During the year ended December 31, 2023, the total estimated fair value of \$14,750 (period from incorporation to December 31, 2022 - \$84,995) was recognized as share-based compensation expense.

Details of share options outstanding, changes in share options outstanding, exercise prices and remaining lives of share options are reflected in the tables below.

	<u>2023</u>		<u>2022</u>	
	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Options</u>	<u>Weighted Average Exercise Price</u>
Outstanding, start of period*	1,538,750	\$0.069	-	-
Granted*	250,000	\$0.10	1,757,500	\$0.072
Expired/forfeited/cancelled*	<u>-</u>	-	<u>(218,750)</u>	\$0.086
Outstanding, end of period*	<u>1,788,750</u>	\$0.074	<u>1,538,750</u>	\$0.069

*Year ended December 31, 2023 and 342 days ended December 31, 2022.

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	<u>As at December 31, 2023</u>		<u>As at December 31, 2022</u>	
<u>Exercise Price</u>	<u>Options outstanding and vested</u>	<u>Weighted Average Remaining Life</u>	<u>Options outstanding and vested</u>	<u>Weighted Average Remaining Life</u>
\$0.05	940,000	8.12 years	940,000	9.12 years
\$0.10	<u>848,750</u>	8.42 years	<u>598,750</u>	9.17 years
	<u>1,788,750</u>	8.26 years	<u>1,538,750</u>	9.14 years

Agent's options

On January 9, 2023 the Company completed its initial public offering. The Company's agent, and certain subagents, received 200,000 Agent's options exercisable at a price of \$0.10 per share option until January 9, 2028.

The Company uses the Black-Scholes option pricing model and the following table sets out the assumptions used in calculating the estimated fair value of the Agent's options granted:

Share price	\$0.10
Exercise price	\$0.10
Expected dividend yield	Nil
Expected volatility	44%
Risk-free interest rate	3.22%
Expected Agent's option life	5 years
Fair value (per share) of Agent's options granted	\$0.043

Expected volatility was estimated by reference to the price history of publicly traded small cap software and services companies. Expected life was estimated to be equal to the contractual life of the Agent's options. The total fair value of \$8,600 was recognized as share issue costs on January 9, 2023.

Details of Agent's options outstanding and changes in Agent's options outstanding are reflected in the tables below.

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	2023		2022	
	<u>Agent's Options</u>	<u>Exercise Price</u>	<u>Agent's Options</u>	<u>Exercise Price</u>
Outstanding, start of period*	-	-	-	-
Granted*	200,000	\$0.10	-	-
Exercised*	<u>-</u>	-	<u>-</u>	-
Outstanding, end of period*	<u>200,000</u>	\$0.10	<u>-</u>	-

*Year ended December 31, 2023 and 342 days ended December 31, 2022.

As at December 31, 2023, the remaining life of the outstanding Agent's options is 4.03 years.

6. RELATED PARTY BALANCES AND TRANSACTIONS

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

- a) On January 9, 2023, the Company granted 250,000 share purchase options to directors and officers of the Company with an estimated fair value of \$14,750 as described in Note 5.
- b) During the period from incorporation, January 24, 2022 to December 31, 2022, the Company granted 1,757,500 share purchase options to directors and officers of the Company with a fair value of \$84,995 as described in Note 5. 218,750 of these share purchase options were cancelled on August 29, 2022.

7. INCOME TAXES

Provision for Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% to the effective tax rate is as follows:

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	<u>2023</u>	<u>2022</u>
Loss (before income taxes)	<u>\$(142,910)</u>	<u>\$(141,482)</u>
Expected income tax recovery based on statutory rate	\$ (37,871)	\$ (37,493)
Adjustment to expected income tax recovery:		
Share-based compensation	4,000	23,000
Change in benefit of tax assets not recognized	<u>33,871</u>	<u>14,493</u>
Deferred income tax provision (recovery)	<u>\$ -</u>	<u>\$ -</u>

Deferred Income Tax

Deferred taxes are a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities.

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences, because it is not probable that future taxable profit will be available against which the Company can realize the benefits.

	<u>2023</u>	<u>2022</u>
Non-capital loss carry-forwards	\$ 60,824	\$ 17,724
Share issuance costs	<u>33,669</u>	<u>11,534</u>
	<u>\$ 94,493</u>	<u>\$ 29,258</u>

The non-capital loss carry-forwards expire from 2042 to 2043.

8. SUBSEQUENT EVENTS

On July 20, 2023, the Company announced that it had entered into a non-binding letter of intent (“LOI”) effective July 20, 2023 to complete a business combination (the “Transaction”) with Predictive. It is intended by the Company that the Transaction will constitute its Qualifying Transaction, as such term is defined in Policy 2.4 of the Exchange.

Subsequent to December 31, 2023, the following events have taken place in connection with the contemplated Transaction:

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- a) The Company incorporated a wholly-owned subsidiary company, 1460983 B.C. Ltd. (“Subco”) on January 16 2024.
- b) On February 5, 2024, the Company, along with Subco, Predictive, Qeelo Technologies Finance Company Ltd. (“Finco”), and certain security holders of Predictive (the “Contributors”) entered into a Unit Contribution and Exchange Agreement (the “UCEA”). Subject to certain conditions and approval of the TSX Venture Exchange (the “Exchange”), completion of the UCEA will result in a reverse takeover of the Company by Predictive and will constitute the Company’s Qualifying Transaction.

The Transaction will be structured as a securities exchange (the “Securities Exchange”) in accordance with the UCEA, pursuant to which the Company will acquire all of the issued and outstanding units in the capital of Predictive (the “Predictive Units”) from the Contributors in exchange for the issuance to the Contributors of shares in the capital of the Company (the “Contributor Consideration Shares”) on the basis of 37.9771542350983 Contributor Consideration Shares for each Predictive Unit issued and outstanding as at immediately prior to the closing of the Transaction resulting in the issuance of 71,428,574 Contributor Consideration Shares at a deemed price per Contributor Consideration Share of \$0.35 (the “Closing”).

Upon Closing and after completion of a concurrent financing by Finco and other corporate reorganization steps by the parties to the UCEA immediately prior to Closing, the security holders of Predictive will hold approximately 71,428,571 shares (the “Resulting Issuer Shares”) in the capital of the resulting issuer (the “Resulting Issuer”), representing approximately 83.3% of the Resulting Issuer Shares, whereas the current shareholders of the Company will hold 5,714,286 Resulting Issuer Shares, representing approximately 6.7% of the outstanding Resulting Issuer Shares. Investors in the concurrent financing will hold 8,571,428 Resulting Issuer Shares, representing approximately 10.0% of the outstanding Resulting issuer Shares.

Following Closing, the Resulting Issuer will carry on the business currently carried on by Predictive and the Company will be a Tier 2 Technology Issuer under the policies of the Exchange.

- c) On February 28, 2024, the Company entered into an agreement with Predictive to provide a bridge loan of \$150,000 to fund Predictive’s operations prior to the completion of the

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transactions contemplated by the UCEA. The loan will bear interest at an annual rate of 7%, which will begin to accrue on August 30, 2024. The loan is repayable in six equal consecutive monthly installments commencing on August 30, 2024 and is secured by certain specified assets of Predictive.

Completion of the Transaction is subject to a number of conditions, including but not limited to (a) completion of the concurrent financing; (b) completion of the share consolidation and name change of the Company; (c) preparation and filing of a disclosure document, as required by the Exchange outlining the definitive terms of the Transaction and describing the business to be conducted by the Company following the completion of the Transaction, in accordance with the policies of the Exchange; (d) acceptance and confirmation by the Exchange that the Company will satisfy the minimum listing requirements for a Tier 2 Technology issuer; (e) all applicable approvals of the boards of directors and securityholders of Predictive and the Company, as applicable, and as required by the Exchange and under applicable corporate or securities laws; and (f) receipt of all requisite regulatory and third party approvals or consents, as applicable, in relation relating to the Transaction. There is no assurance that the Transaction will be completed as proposed or at all.