
Penbar Capital Ltd.

INTERIM CONDENSED FINANCIAL STATEMENTS

THREE MONTHS ENDED SEPTEMBER 30, 2021

(EXPRESSED IN CANADIAN DOLLARS)

Penbar Capital Ltd.
Interim Condensed Statement of Financial Position
(Expressed in Canadian dollars)

	<u>September 30, 2021</u>	<u>June 30, 2021</u>
	\$	\$
ASSETS		
Current assets		
Cash	66,921	77,465
Prepaid expenses	16,909	19,849
Receivables	546	-
Total Assets	84,376	97,314
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	181	-
Total Liabilities	181	-
SHAREHOLDERS' EQUITY		
Share capital (note 7)	100,000	100,000
Deficit	(15,805)	(2,686)
Total Shareholders' Equity	84,195	97,314
Total Liabilities and Shareholders' Equity	84,376	97,314

Nature and continuance of operations (note 1)
Subsequent event (note 12)

Approved on behalf of the Board of Directors on November 15, 2021.

"Herrick Lau"
Director

"David Velisek"
Director

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

Penbar Capital Ltd.
Interim Condensed Statement of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Three months ended September 30, 2021
	\$
Expenses	
Filing fees	10,334
Professional fees	2,707
General and administrative	78
	<hr/>
Loss and comprehensive loss for the period	13,119
	<hr/>
Loss per share – basic and diluted	(0.007)
	<hr/>
Weighted-average number of common shares outstanding - basic and diluted	2,000,000
	<hr/>

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

Penbar Capital Ltd.
Interim Condensed Statement of Change in Shareholders' Equity
(Expressed in Canadian dollars)

	Number of Common Shares	Common Shares	Deficit	Total
		\$	\$	\$
Balance, June 30, 2021	2,000,000	100,000	(2,686)	97,314
Loss for the period	-	-	(13,119)	(13,119)
Balance, September 30, 2021	2,000,000	100,000	(15,805)	84,195

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

Penbar Capital Ltd.
Interim Condensed Statement of Cash Flows
(Expressed in Canadian dollars)

	Three months ended September 30, 2021
	\$
Operating activities	
Loss for the period	(13,119)
Decrease in prepaid expenses	2,940
Increase in receivables	(546)
Increase in accounts payable and accrued liabilities	181
Net cash used in operating activities	(10,544)
Change in cash during the period	(10,544)
Cash, beginning of the period	77,465
Cash, end of the period	66,921

There were no significant non-cash transactions during the period from July 1, 2021 to September 30, 2021.

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Penbar Capital Ltd. (the “Company”) was incorporated on March 4, 2021 under the laws of British Columbia. The Company is in the process of completing an Initial Public Offering (“IPO”) and listing on the TSX Venture Exchange (TSX-V”) (Note 12). The Company is applying to be a Capital Pool Company (“CPC”) as defined in the TSX-V Policy 2.4. The Company has not commenced commercial operations and has no significant assets. The activities of the Company are initially limited to the efforts to identify and evaluate the acquisition of assets and business, which would represent a “Qualifying Transaction” for regulatory purposes. The head office and the records and registered office is located at 2250 - 1055 W Hastings St. Vancouver, British Columbia, V6E 2E9.

Since incorporation on March 4, 2021, the Company has had no active business operations. As a CPC, the Company’s principal business objective will be to identify and evaluate assets or businesses with a view to potential acquisition or participation by completing a Qualifying Transaction, as defined in Exchange Policy 2.4 subject, in certain cases, to shareholder approval and acceptance by the Exchange. The Company has an accumulated deficit of \$15,805 as at September 30, 2021. The Company’s ability to continue its operations is dependent upon obtaining additional financing sufficient to cover its operating costs. All of the preceding indicates the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. These interim condensed financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying interim condensed financial statements.

These interim condensed financial statements were authorized by the Board of Directors on November 15, 2021.

2. STATEMENT OF COMPLIANCE

These interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

3. BASIS OF PRESENTATION

These interim condensed financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. The interim condensed financial statements are presented in Canadian dollars, which is also the Company’s functional currency. In addition, these interim condensed financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of interim condensed financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the interim condensed financial statements are disclosed in Note 4.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income of loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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 end of the reporting period applicable to the period of expected realization or settlement.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the group intends to settle its current tax assets and liabilities on a net basis.

b) Share capital

Common shares are classified as shareholders' equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

The proceeds from the issue of units is allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to share capital based on the fair value of the common shares and any residual value is allocated to common share purchase warrants.

c) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

d) Financial instruments

Recognition

The Company recognizes financial assets and financial liabilities on the date the Company becomes a party to the contractual provisions of the instruments.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

d) Financial instruments *(continued)*

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories: i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss, and ii) those to be measured at amortized costs. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Company has implemented the following classifications:

- Cash is classified as assets at fair value through profit or loss and any period change in fair value is recorded in profit or loss.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition).

Impairment

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Critical accounting estimates and judgements

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

The effect of a change in accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

Judgements

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future.

Estimates

Deferred tax assets and liabilities

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 prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected

5. CHANGES IN ACCOUNTING POLICIES

Future accounting standards

As the date of authorization of these interim condensed financial statements, certain new standards and amendments to existing standards have been published by the IASB that are not yet effective and have not been adopted early by the Company. Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments are not expected to have a material impact on the Company's interim condensed financial statements.

6. RELATED PARTIES

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.

As of September 30, 2021, there were no amounts due to related parties.

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them were recorded at their exchange amounts as agreed upon by transacting parties.

During the three months period ended September 30, 2021, \$Nil was recorded as compensation costs for key management personnel and companies related to them.

7. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) Issued and outstanding

Fiscal 2022

As at September 30, 2021, the issued share capital comprised of 2,000,000 common shares.

Fiscal 2021

Since incorporation on March 4, 2021, the Company issued 2,000,000 seed common shares of the Company at a price of 0.05 per share for total proceeds of \$100,000.

c) Stock options

During the period ended June 30, 2021, the Company adopted an incentive stock option plan (the "Plan") whereby the Company may issue stock options up to 10% of the issued and outstanding common shares, not to exceed 400,000 while the Company remains a CPC, of the Company to eligible directors, officers, employees or consultants. These options may be granted for a maximum term of ten years from the date of grant and vest as determined by the board of directors. The exercise price will be set by the directors at the time of grant and cannot be less than the discounted market price of the Company's common shares, subject to a minimum exercise price of \$0.05.

Any common shares acquired pursuant to the exercise of options under the Plan prior to completion of the Qualifying Transaction must be deposited in escrow and will be subject to escrow until the final exchange bulletin is issued.

There is no stock option issued and outstanding as of September 30, 2021.

8. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended September 30, 2021 was based on the loss attributable to common shareholders of \$(0.007) and the weighted average number of common shares outstanding of 2,000,000.

9. MANAGEMENT OF CAPITAL

Capital is composed of the Company's shareholders' equity and any debt that it may issue. As at September 30, 2021, the Company's shareholders' equity was \$84,195 and it had current liabilities of \$181. The Company's objectives when managing capital are to maintain financial viability and to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness, and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements, and internally determined capital guidelines and calculated risk management levels.

The Company's current capital was received from the issuance of common shares. The net proceeds raised to date will only be sufficient to identify and evaluate a limited number of assets and businesses for the purpose of identifying and completing a Qualifying Transaction.

The Company is not subject to any externally imposed capital requirements other than the expenditure restrictions applicable under Policy 2.4, which apply on completion of the IPO. These expenditure restrictions limit the aggregate amount that the Company is permitted to spend on reasonable general and administrative costs of the Company not exceeding in aggregate of \$3,000 per month, and reasonable expenses incurred related to a Qualifying Transaction.

10. FINANCIAL INSTRUMENTS

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

Fair Value Measurements

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and
- Level 3 – Inputs that are not based on observable market data.

The fair value of cash is determined based on Level 1 inputs, which consist of quoted prices in active markets for identical assets.

10. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management

- **Credit Risk**

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

- **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as described in Note 9.

The Company monitors its ability to meet its short-term administrative expenditures by raising additional funds through share issuance when required. The Company does not have investments in any asset backed deposits.

- **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 equity prices. The Company does not currently hold and does not expect to hold interest-bearing financial instruments other than cash, assets or liabilities denominated in a foreign currency, and marketable securities or other financial instruments subject to fluctuations in equity prices, it currently does not have and is not expected to have exposure to these market risks.

- **Interest Rate Risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risk on cash is not considered significant.

- **Currency Risk**

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company is not exposed to significant currency risk. The Company has not entered into any foreign currency contracts to mitigate this risk.

12. SUBSEQUENT EVENT

The Company is pursuing an IPO of up to 2,000,000 common shares at \$0.10 per share to raise gross proceeds of \$200,000 and, on July 8, 2021, entered into an engagement agreement with Canaccord Genuity Corp., (the "Agent") as agent for the IPO. The Agent will receive a commission of 10% of the aggregate gross proceeds from the sale of the common shares pursuant to the IPO. In addition, the Company will pay the Agent an administration fee of \$15,000 and will pay the Agent's legal fees, and any other reasonable costs and expenses of the Agent. The Company has also agreed to issue warrants to the Agent to purchase up to 10% of the total number of common shares sold pursuant to the IPO at an exercise price of \$0.10 per common share. The warrants will expire 36 months from the closing of the IPO.

In addition, the Company approved the issuance of 400,000 incentive stock options to be granted on completion of the IPO. The options will be exercisable at a price of \$0.10 for a period of 10 years from the date on which the Company's common shares commence trading on the TSX-V.

On October 26, 2021, the Company received conditional approval to its application for listing the common shares on the Exchange. Acceptance is conditional to the completion of the prospectus offering, satisfactory receipt of final documentation pursuant to TSX-V Policy 2.3 and 2.4, and evidence of satisfactory shareholder distribution on completion of the IPO.

On October 29, 2021, the Company filed its Final Prospectus with the TSX-V in connection to the Company's IPO.