

**Meteorite Capital Inc.**  
**Financial Statements**  
*December 31, 2021 and 2020*

# Meteorite Capital Inc. Contents

*For the year ending December 31, 2021 and 2020*

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To the Shareholders of Meteorite Capital Inc.:

## Opinion

We have audited the financial statements of Meteorite Capital Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2021 and December 31, 2020, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and December 31, 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

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

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the company incurred a net loss during the year ended December 31, 2021 and as of that date, the Company had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Other Information

Management is responsible for the other information. The other information comprises 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 audits 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 audits 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 on this other information, 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 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.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jo-Ann Lempert.

Montréal, Québec

May 2, 2022

*MNP* LLP<sup>1</sup>

<sup>1</sup> FCPA auditor, FCA, public accountancy permit no. A122514

**Meteorite Capital Inc.**  
**Statements of Financial Position**  
*(Expressed in Canadian dollars)*  
As at

	<i>December 31,</i> <b>2021</b>	<i>December 31,</i> <b>2020</b>
<b>Assets</b>		
Current assets		
Cash	2,254	12,142
Investment in short-term GIC <i>(Note 4)</i>	173,036	226,060
Deferred share issue costs	-	183,640
Loan receivable <i>(Note 6)</i>	-	173,926
<b>Total assets</b>	<b>175,290</b>	<b>595,768</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities <i>(Note 9)</i>	47,269	92,917
<b>Total liabilities</b>	<b>47,269</b>	<b>92,917</b>
<b>Shareholders' Equity</b>		
Share capital <i>(Note 8)</i>	776,233	776,233
Contributed surplus <i>(Note 8)</i>	51,760	51,760
Warrants <i>(Note 8)</i>	-	-
Deficit	(699,972)	(325,142)
<b>Total shareholders' equity</b>	<b>128,021</b>	<b>502,851</b>
<b>Total shareholders' equity and liabilities</b>	<b>175,290</b>	<b>595,768</b>

Nature of operations *(Note 1)*

Approved on behalf of the Board

\_\_\_\_\_  
"signed"  
**Ivan Spector**  
Director

\_\_\_\_\_  
"signed"  
**Richard Yanofsky**  
Director

**Meteorite Capital Inc.**  
**Statements of Loss and Comprehensive Loss**  
*For the years ended December 31, 2021 and 2020*  
*(Expressed in Canadian dollars)*

	2021	2020
<b>Interest income</b>	<b>18,991</b>	19,980
<b>Expenses</b>		
Impairment loss <i>(Note 6)</i>	<b>189,413</b>	57,975
Professional fees <i>(Note 9)</i>	<b>182,921</b>	52,899
Stock based compensation <i>(Note 8)</i>	-	18,481
Listing fees	<b>20,177</b>	5,979
Investor relations	<b>1,093</b>	1,950
Transaction costs	-	575
Bank charges	<b>125</b>	98
Taxes and licenses	<b>92</b>	-
<b>Total expenses</b>	<b>393,821</b>	137,957
<b>Net loss and comprehensive loss</b>	<b>(374,830)</b>	(117,977)
<b>Basic and fully diluted loss per share <i>(Note 8(c))</i></b>	<b>(0.05)</b>	(0.02)

*The accompanying notes are an integral part of these Financial Statements*

**Meteorite Capital Inc.**  
**Statements of Changes in Shareholders' Equity**  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars)

	<i>Number of shares</i>	<i>Share Capital</i>	<i>Contributed Surplus</i>	<i>Warrants</i>	<i>Deficit</i>	<i>Total equity</i>
<b>Balance – January 1, 2021</b>	7,065,000	776,233	51,760	-	(325,142)	502,851
Stock-based compensation	-	-	-	-	-	-
Net loss and comprehensive loss	-	-	-	-	(374,830)	(374,830)
<b>Balance – December 31, 2021</b>	7,065,000	776,233	51,760	-	(699,972)	128,021

	<i>Number of shares</i>	<i>Share Capital</i>	<i>Contributed Surplus</i>	<i>Warrants</i>	<i>Deficit</i>	<i>Total equity</i>
Balance – January 1, 2020	7,065,000	776,233	33,279	39,874	(247,039)	602,347
Stock-based compensation	-	-	18,481	-	-	18,481
Expiry of warrants	-	-	-	(39,874)	39,874	-
Net loss and comprehensive loss	-	-	-	-	(117,977)	(117,977)
Balance – December 31, 2020	7,065,000	776,233	51,760	-	(325,142)	502,851

The accompanying notes are an integral part of these Financial Statements

## Meteorite Capital Inc. Statements of Cash Flows

*For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars)*

	<b>2021</b>	<b>2020</b>
<b>Cash flows (used in) provided by</b>		
<b>Operating activities</b>		
Net loss	(374,830)	(117,977)
Adjustments for		
Impairment loss	189,413	57,975
Stock-based compensation	-	18,481
Accrued interest on short-term GIC	(407)	-
Accrued interest on loan receivable <i>(Note 6)</i>	(15,487)	(6,901)
Deferred share issue costs	183,640	
Net change in non-cash working capital items		
Accounts payable and accrued liabilities	(45,648)	73,167
	(63,319)	24,745
<b>Investing activities</b>		
Investment in short-term GIC <i>(Note 4)</i>	(200,129)	(616,060)
Proceeds from partial redemption of GIC <i>(Note 4)</i>	253,560	1,010,000
Issuance of loan <i>(Note 6)</i>	-	(225,000)
	53,431	168,940
<b>Financing activities</b>		
Deferred share issue costs	-	(183,640)
	-	(183,640)
Net changes in cash	(9,888)	10,045
Cash and cash equivalents, beginning of year	12,142	2,097
<b>Cash and cash equivalents, end of year</b>	<b>2,254</b>	<b>12,142</b>
<b>Supplemental disclosure of cash flow information</b>		
Interest received	\$3,504	\$13,079

*The accompanying notes are an integral part of these Financial Statements*

**1. Nature of operations**

Meteorite Capital Inc. ("the Company") was incorporated pursuant to the provisions of the Canada Business Corporations Act on April 27, 2018. The Company carries on business as a "Capital Pool Corporation" ("CPC"), as such term is defined in TSX Venture Exchange Inc. (the "Exchange" or the "TSX-V") Policy 2.4 - Capital Pool Companies ("Policy 2.4"). The Company's principal purpose is the identification, evaluation and acquisition of assets, properties or businesses or participation therein subject, in certain cases, to shareholder approval and acceptance by the Exchange. The Company's registered head office address is 1 Place Ville Marie, Suite 3900, Montreal, Québec H3B 4M7.

Where a Qualifying Transaction is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing. As described in Note 5 below, the Company publicly announced on February 26, 2021, that it was no longer pursuing its previously announced Qualifying Transaction. At its annual and special meeting of the shareholders held on June 18, 2021, the shareholders voted to approve the following changes needed to transition to the TSX Venture Exchange Policy 2.4 – *Capital Pool Companies* effective January 1, 2021:

- (i) Ratifying certain amendments to the Company's stock option plan;
- (ii) Removing the consequences associated with the Company not completing a Qualifying Transaction within 24 months of its listing date; and
- (iii) Authorizing the Company to make certain amendments to the Company's escrow agreement.

The Company has generated a net loss and comprehensive loss of \$374,830 during the year ended December 31, 2021 and has accumulated a deficit in the amount of \$699,972 and expects to incur further losses in the development of its business, all of which indicate the existence of a material uncertainty which may cast significant doubt about the soundness of the going concern assumption.

During the year, the evolving response to the COVID-19 pandemic by the federal and provincial governments in Canada includes continuing and new emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused significant disruption to businesses in Canada and globally, resulting in an economic slowdown. Global capital markets have also experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID 19 outbreak is still unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results, condition and business plans of the Company in future periods.

**2. Basis of presentation**

These financial statements are prepared by the Company in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). They have been prepared under the assumption that the Company operates as a going concern and have been prepared on an accrual basis and under historical cost except for certain financial instruments measured at fair value. Furthermore, these financial statements are presented in Canadian dollars which is the functional currency of the Company.

These Financial Statements for the year ended December 31, 2021 were authorized for issue by the Board of Directors on April 29, 2022.

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**3. Significant accounting policies**

***Cash***

Cash is comprised of cash held with a Canadian chartered bank and funds held in trust.

***Financial assets and financial liabilities***

Financial assets are classified and measured based on the business model in which assets are managed and their cash flow characteristics. The Company determines the classification of financial assets at initial recognition. Financial assets are classified and measured based on three categories: amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). Financial liabilities are classified and measured on two categories: amortized cost or FVTPL.

The Company's financial assets are cash, investment in short-term GIC and loan receivable. Cash and investment in short-term GIC are classified and measured at fair value and the loan receivable is classified and measured at amortized cost.

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions. For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the statements of financial position as a deduction from the gross carrying amount of the financial asset. At December 31, 2021, the Company recorded a loss allowances of \$189,413 on its loan receivable (Note 6) (December 31, 2020 - \$57,975).

The Company's financial liabilities are accounts payable and accrued liabilities which are classified and measured at amortized cost.

Additional fair value measurement disclosure includes classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements which are as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The Company's financial instruments measured at fair value on the statements of financial position consist of cash and an investment in short-term GIC held in a Canadian chartered bank. Cash is measured at level 1 and the investment in short-term GIC is measured at level 2 of the fair value hierarchy.

***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. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period 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 tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

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**3. Significant accounting policies** *(Continued from previous page)*

***Deferred share issue costs***

Deferred share issue costs represent direct costs incurred for the issuance of share capital. Such costs will be classified as a reduction of share capital once the shares will be issued. However, if consummation of the equity offering is not probable or the offering is aborted, such costs will be expensed.

***Share capital***

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

***Stock-based compensation***

The Company grants stock options to purchase common shares of the Company to directors and officers. The Board of Directors grants such options for periods up to five years, with vesting periods determined at its sole discretion. The fair value of the options is measured at the grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period that the options are earned. The fair value is determined using the Company's share price on the date of the grant and is recognized as an expense with a corresponding increase in contributed surplus. The amount recognized as an expense is adjusted to reflect the number of options expected to vest. Where the terms of a stock option are modified, the minimum expense recognized is the expense as if the terms had not been modified. Cancellations of options are accounted for as an acceleration of vesting. An additional expense is recognized for any modifications which increases the total fair value of the stock-based compensation arrangement, or is otherwise beneficial to the holder as measured at the date of modification over the remaining vesting period. If and when the stock options are exercised, the applicable fair value amounts charged to contributed surplus will be transferred to share capital.

***Warrants***

The Company engages in equity financing transactions which may involve the issuance of common shares or share purchase warrants ("Warrants"). Depending upon the terms and conditions of each equity financing agreement, the Warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants are valued based on their fair value using the Black-Scholes option pricing model and warrants that are issued as payment for an agency fee or other transaction cost may be accounted for as share based payments, depending on the terms of the issuance.

***Functional currency***

The Company's functional and presentation currency is the Canadian dollar, which represents the currency that is the primary economic environment of the Company.

***Use of estimates, assumptions and judgments***

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

The following areas require management's critical estimates:

***Stock based compensation***

Management used the Black-Scholes model to estimate the fair value of stock options and warrants issued. The estimated life of the stock options and warrants at the grant date is based on the legal life of the equity instruments and the expected exercise pattern of the holders. The expected volatility used to calculate the grant date fair value is estimated taking into account the historical volatility of similar companies' share prices over the expected term of the stock options and warrants granted.

***Expected credit losses***

Management determines expected credit losses by evaluating individual receivable balances and considering the counterparty's financial condition and current economic conditions. Receivable balances are written off when deemed uncollectible. Recoveries of receivable balances previously written off are recorded when the Company believes they are reasonably assured of collection when the financial condition of the borrower improves.

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**3. Significant accounting policies** *(Continued from previous page)*

***Accounting standards issued but not yet applied***

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. In the current circumstances, it does not expect any of these to have a material impact on the financial statements.

**4. Investment in short-term GIC**

On March 20, 2019, the Company invested in a short-term GIC in the amount of \$625,000, earning interest at a rate of prime less 2.1% and maturing on March 20, 2020. Upon maturity, the remaining balance of \$616,060 including interest and net of partial redemptions was reinvested in a new one-year short-term GIC earning interest at a rate of 1.35% per annum. During the period from the reinvestment on March 20, 2020 to December 31, 2020, the Company partially redeemed \$398,940 of the short-term GIC, of which \$225,000 was advanced to Sparkit Media Inc. ("Sparkit") against delivery of a promissory note (Note 6). Upon maturity on March 22, 2021, the remaining balance of \$200,129 including interest and net of partial redemptions was reinvested in a new one-year short-term GIC earning interest at a rate of 0.3% per annum. During the period from the reinvestment on March 22, 2021 to December 31, 2021, the Company partially redeemed \$27,500 of the short-term GIC.

The Company earned interest income of \$3,504 for the year ended December 31, 2021 (December 31, 2020 - \$13,079).

**5. Qualifying Transaction**

On May 19, 2020, the Company announced that it had signed a binding letter agreement (the "Letter Agreement") with Sparkit, a privately held corporation existing under the laws of British Columbia, which outlined the general terms and conditions pursuant to which the Company and Sparkit had agreed to complete a transaction that will result in a reverse take-over of the Company by the shareholders of Sparkit (the "Transaction"). The Letter Agreement was negotiated at arm's length and was effective as of May 18, 2021. Concurrently with the Transaction, the Company had also intended to conduct a brokered private placement offering of common share units for gross proceeds to the Company of a minimum of \$1,755,000 and a maximum of \$2,250,000 (the "Offering"), in accordance with the policies of the Exchange.

On February 26, 2021, the Company publicly announced that it terminated the proposed Qualifying Transaction with Sparkit. The Company also announced that it was evaluating alternative acquisition opportunities with a view to completing its Qualifying Transaction.

**6. Loan receivable**

During the year ended December 31, 2020, the Company advanced \$225,000 to Sparkit against delivery of a promissory note followed by a signed loan agreement from Sparkit. The loan bears interest at an annual rate of 6.5%, calculated and accrued monthly, is secured by a first charge on all of Sparkit's assets and matured on October 15, 2020 (initially amended on June 30, 2020 to extend the initial maturity date of June 30, 2020 to August 31, 2020 and re-amended on August 13, 2020 to a maturity date of October 15, 2020). As part of the amendment signed on August 13, 2020, the Company had agreed to advance an additional loan in the principal amount of up to \$100,000, which would result in an aggregate secured loan of \$225,000 with the additional loan amounts advanced prior to year-end. Sparkit had granted to the Company a security interest on all of its assets.

Interest and principal were payable on the maturity date. As a result of these overdue payments, as well as the termination of the Qualifying Transaction (Note 5) and other factors considered by management, the entire amount of the loan receivable was reflected as an increase in credit risk and an amount of \$189,413 has been recorded as an expected credit loss in the statement of loss and comprehensive loss (December 31, 2020 - \$57,975).

During the year ended December 31, 2021, the Company recorded interest income of \$15,487 (December 31, 2020 - \$6,901).

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**7. Financial instruments and risk management**

***Capital risk management***

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and ensure sufficient liquidity in order to 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.

***Fair values***

At December 31, 2021, the Company's financial instruments consist of cash, investment in short-term GIC, loan receivable and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

The Company is exposed in varying degrees to a number of risks arising from financial instruments. Management's involvement in the operations allows for the identification of risks and variances from expectations. The Company does not participate in the use of financial instruments to mitigate these risks. The Board approves the risk management processes. The Board's main objectives for managing risks are to ensure liquidity, the fulfillment of obligations, the continuation of the Company's search for a Qualifying Transaction, and limited exposure to credit and market risks.

The types of risk exposure and the way in which such exposures are managed are as follows:

***Credit risk***

Credit risk is the risk of loss if a third party to a financial instrument fails to meet its commercial obligations. The Company attempts to reduce such exposure by investing in low risk investments and depositing cash with a Canadian chartered bank. The Company is exposed to credit risk on the loan receivable and as a result of the overdue payments by the counterparty and termination of the Qualifying Transaction (Note 5), as well as other factors considered by management, an expected credit loss of \$189,413 has been charged to earnings in the current year (2020-\$57,975).

***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Accounts payable and accrued liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms. The Company manages liquidity risk by maintaining a positive working capital position and sufficient cash balances to enable settlement of transactions on the due date. The ability to do this relies on the Company 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. The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institution is subject to a floating rate of interest. The interest rate risks on cash and on the Company's obligations are not considered significant. During the year ended December 31, 2021, the Company's short-term GIC matured and was re-invested in a new fixed rate short-term GIC. The loan receivable also carries interest at a fixed interest rate.

As at December 31, 2021, the Company did not have any accounts in foreign currencies and was not exposed to foreign currency risk.

**8. Share capital**

a) Authorized share capital

The authorized share capital consists of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

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**Meteorite Capital Inc.**  
**Notes to the Financial Statements**  
*As at December 31, 2021 and 2020*  
*(Expressed in Canadian dollars)*

8. **Share capital** (Continued from previous page)

b) Common shares issued

	<i>Number of common shares</i>	<i>Amount \$</i>
Shares issuance – founder shares	2,065,000	154,875
Shares issuance – public offering	5,000,000	621,358
Balance, December 31, 2020	7,065,000	776,233
Balance, December 31, 2021	<b>7,065,000</b>	<b>776,233</b>

c) Basic and diluted earnings per share for the year

	<i>2021</i>	<i>2020</i>
Net loss and comprehensive loss for the year	(374,830)	117,977
Weighted average shares outstanding (including contingently issuable shares)	7,065,000	7,065,000
Loss per share, basic and fully diluted (i)	\$(0.05)	\$(0.02)

(i) Diluted loss did not include the effect of options and warrants as they are anti-dilutive.

d) Stock options issued

The Company has adopted a stock option plan which provides that the Board of Directors may, from time to time, in its discretion and in accordance with the Exchange requirements, grant to directors, officers and technical consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the total issued and outstanding common shares of the Company, for a period of up to five years from the date of the grant. The number of common shares reserved for issuance to any individual director or officer of the Company will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants, if any, will not exceed 2% of the issued and outstanding common shares. The options may be exercised the earlier of the completion of the Qualifying Transaction and 24 months from the date the Company's shares were listed for trading on the Exchange. It is at this time that the options will vest in full.

The Company obtained shareholder approval at its annual general and special meeting of shareholders on June 18, 2021 to amend the Company's Stock Option Plan to enable the Company to reserve for issuance as options a total number of common shares of the Company up to 10% of the shares issued and outstanding as at the date of grant of such options, rather than 10% of the shares issued and outstanding as at the date of the Company's initial public offering.

The following is a summary of option transactions under the stock option plan for the relevant periods:

	<i>December 31, 2021</i>		<i>December 31, 2020</i>	
	<i>Number of options</i>	<i>Weighted average exercise price</i>	<i>Number of options</i>	<i>Weighted average exercise price</i>
Balance, beginning of year	565,200	\$0.15	565,200	\$0.15
Forfeited	-	-	-	-
<b>Balance, end of period</b>	<b>565,200</b>	<b>\$0.15</b>	565,200	\$0.15
Options exercisable	-	-	-	-

**Meteorite Capital Inc.**  
**Notes to the Financial Statements**  
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*(Expressed in Canadian dollars)*

**8. Share capital** *(Continued from previous page)*

The options outstanding have a five-year term and expire on September 17, 2023 and vest at the earlier of the events listed above. During the year ended December 31, 2021, expenses of \$NIL (2020 - \$18,481) related to stock-based compensation costs has been recorded and presented separately in the statements of loss and comprehensive loss.

**9. Related party transactions**

Related parties include the Board of Directors, the President, the Chief Financial Officer, close family members and enterprises which are controlled by these individuals as well as persons performing similar functions.

During the year ended December 31, 2021, a law firm of which an officer, director and shareholder of the Company is a partner, provided legal services in the amount of \$12,764 (December 31, 2020 - \$111,731), of which \$NIL related to the anticipated brokered private placement offering (Note 5) and had been recorded within deferred share issue costs). As at December 31, 2021, accounts payable and accrued liabilities include an amount of \$30,522 (December 31, 2020 - \$67,335) related to legal services.

**10. Income taxes**

The recovery of income taxes attributable to the loss before taxes differs from the amounts computed by applying the combined federal and provincial tax rate of 26.5% (2020 - 26.5%) as a result of the following:

	<b>2021</b>	<b>2020</b>
Loss before income taxes	<b>(374,830)</b>	(117,977)
Combined federal and provincial tax rates	<b>26.5%</b>	26.50%
Income tax recovery using statutory tax rates	<b>(99,330)</b>	(31,264)
Tax benefits not recognised	<b>99,330</b>	31,264
	<b>-</b>	-

Unrecognized deductible temporary differences consist of the following:

	<b>2021</b>	<b>2019</b>
Non-capital losses carried-forward	<b>695,436</b>	360,826
Share issue costs	<b>23,444</b>	41,198
	<b>718,880</b>	402,024

At December 31, 2021, the Company had non-capital loss carry forwards available to reduce future years' income for tax purposes. The non-capital losses will expire as follows:

	<b>Federal</b>	<b>Provincial</b>
2038	<b>166,514</b>	166,514
2039	<b>77,063</b>	77,063
2040	<b>262,446</b>	153,978
	<b>506,023</b>	397,554

**Meteorite Capital Inc.**  
**Notes to the Financial Statements**  
*As at December 31, 2021 and 2020*  
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**11. Subsequent events**

- i) On March 22, 2022, the Company's short-term GIC matured and was reinvested in a new one-year short-term GIC earning interest at a rate of 1.00% per annum.

