

REBEL CAPITAL 2.0 CORP.

FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

MANAGEMENT'S REPORT

The accompanying financial statements and related financial information are the responsibility of management, and have been prepared in accordance with International Financial Reporting Standards. They include certain amounts that are based on estimates and judgments relating to matters not concluded by year-end. Financial information presented elsewhere in this document is consistent with that contained in the financial statements.

In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies adopted by management. If alternate accounting methods exist, management has chosen those policies it deems the most appropriate in the circumstances. Management has established systems of accounting and internal control that provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and produce reliable accounting records for the preparation of financial information. Policies and procedures are maintained to support the accounting and internal control systems.

The independent external auditors, MNP LLP, have conducted an examination of the financial statements on behalf of shareholders. The auditors have unrestricted access to the Corporation and the Audit Committee.

The Board of Directors, currently composed of three directors, carries out its responsibility for the financial statements principally through its Audit Committee, consisting of two members. This Committee reviews the financial statements with management and the auditors, as well as recommends to the Board of Directors the external auditors to be appointed by the shareholders at each annual meeting. The Audit Committee meets at least quarterly to review and approve interim financial statements prior to their release and recommend their approval to the Board of Directors.

The Board of Directors on the recommendation of the Audit Committee has approved the financial statements and information as presented.

(signed)

Charles MaLette
Chief Executive Officer

February 12, 2021
Calgary, Canada

(signed)

Lance Morginn
Chief Financial Officer

Independent Auditor's Report

To the Shareholders of Rebel Capital 2.0 Corp.:

Opinion

We have audited the financial statements of Rebel Capital 2.0 Corp. (the "Corporation"), which comprise the statements of financial position as at December 31, 2020 and December 31, 2019, 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 Corporation as at December 31, 2020 and December 31, 2019, 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 Corporation 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.

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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation'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 Corporation'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 Corporation'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 Corporation 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 Marufur Raza.

MNP LLP

Toronto, Ontario
February 12, 2021

Chartered Professional Accountants
Licensed Public Accountants

MNP

REBEL CAPITAL 2.0 CORP.
STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

December 31, 2020

December 31, 2019

Assets

Current assets

Cash	34,963	84,594
Prepaid expense	-	1,931

34,963 **86,525**

Liabilities

Current liabilities

Accounts payable and accruals	14,808	15,237
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Shareholders' equity

Share capital (Note 6)	240,330	240,330
Contributed surplus	25,625	25,625
Deficit	(245,800)	(194,667)

20,155 71,288

34,963 **86,525**

See accompanying notes to the financial statements.

Approved by the Board of Directors:

(signed) "Doug Bachman"
Director

(signed) "Charles Malette"
Director

REBEL CAPITAL 2.0 CORP.

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the years ended December 31

<i>(Expressed in Canadian Dollars)</i>	2020	2019
Expenses:		
Legal and professional fees	50,963	55,067
Finance costs	170	97
Loss and comprehensive loss for the year	(51,133)	(55,164)
Loss per share – basic and diluted	(0.03)	(0.03)
Weighted average number of common shares outstanding - basic and diluted	2,000,000	2,000,000

See accompanying notes to the financial statements.

REBEL CAPITAL 2.0 CORP.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Contributed surplus	Deficit	Total
Balance at January 1, 2019	4,013,329	240,330	25,625	(139,503)	126,452
Loss for the year	-	-	-	(55,164)	(55,164)
Balance at December 31, 2019	4,013,329	240,330	25,625	(194,667)	71,288

	Number of common shares	Share capital	Contributed surplus	Deficit	Total
Balance at January 1, 2020	4,013,329	240,330	25,625	(194,667)	71,288
Loss for the year	-	-	-	(51,133)	(51,133)
Balance at December 31, 2020	4,013,329	240,330	25,625	(245,800)	20,155

See accompanying notes to the financial statements.

REBEL CAPITAL 2.0 CORP.

STATEMENTS OF CASH FLOWS

For the years ended December 31

(Expressed in Canadian Dollars)

2020

2019

Cash flows related to the following activities:

Operating activities

Loss for the year	(51,133)	(55,164)
Change in non-cash working capital	1,502	(8,624)
Net change in cash	(49,631)	(63,788)
Cash, beginning of year	84,594	148,382
Cash, end of year	34,963	84,594

See accompanying notes to the financial statements.

REBEL CAPITAL 2.0 CORP.
Notes to the Financial Statements
For the years ended December 31, 2020 and 2019

1. REPORTING ENTITY

Rebel Capital 2.0 Corp. (the "Corporation" or "Rebel") was incorporated under the laws of the Province of British Columbia on October 19, 2017. The Corporation was formed for the primary purpose of completing an Initial Public Offering ("IPO") on the TSX Venture Exchange ("Exchange" or "TSXV") as a Capital Pool Corporation ("CPC") as defined in Policy 2.4 of the Exchange. The principal business of the Corporation will be to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising an option or by any concomitant transaction. The purpose of such an acquisition is to satisfy the related conditions of a qualifying transaction under the Exchange rules. The address of the registered office is 1900, 885 West Georgia Street, Vancouver, BC.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Corporation to fund its potential future operations and commitments is dependent upon the ability of the Corporation to obtain additional financing.

On November 19, 2020, the Corporation entered into a binding letter of intent in respect of a proposed qualifying transaction (see Note 5). Consequently, the Exchange has suspended trading of the Corporation's shares pending the completion of this transaction. Under the rules of the Exchange, a CPC is to complete a qualifying transaction within 24 months from the date of listing. Given that said timeframe of 24 months has elapsed for the Corporation, the Corporation may be subject to delisting by the Exchange or, alternatively, the Corporation may apply for a listing on NEX, a separate trading platform of the Exchange intended for companies which have become inactive or have low levels of activity. While there is no certainty that such measures against the Corporation will be required by the Exchange, possibility of such outcome are possible if the current proposed qualifying transaction is unsuccessful, of which there is no assurance that the Corporation will complete at this time. As at the date hereof, the Corporation has not applied for listing on NEX and continues to remain suspended from trading on the Exchange.

COVID-19 Pandemic

In March 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may, in general, cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Corporation's financial condition and the timing for the completion of a qualifying transaction.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The financial statements were authorized for issue by the Board of Directors on February 12, 2021.

Basis of measurement

These financial statements are stated in Canadian dollars and were prepared on a going concern basis, under the historical cost convention.

REBEL CAPITAL 2.0 CORP.
Notes to the Financial Statements
For the years ended December 31, 2020 and 2019

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the financial statements. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Share based payments

The fair value of stock options issued are subject to the limitation of the Black Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Income taxes

Management has exercised their judgment in determining the provision for future income taxes. The judgment is based on the Corporation's current understanding of the tax law as it relates to the transactions and activities entered into by the Corporation.

Functional and presentation currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

Financial instruments

Below is a summary showing the classification and measurement bases of the Corporation's financial instruments.

Classification	IFRS 9
Cash	Amortized cost
Accounts payable and accruals	Amortized cost

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or fair value through other comprehensive income. The Corporation determines the classification of its financial assets at initial recognition.

i. Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or fair value through other comprehensive income. Gains or losses on these items are recognized in profit or loss.

ii. Investments recorded at fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Corporation may irrevocably elect to measure the investment at FVOCI whereby changes in the investment's fair value (realized and unrealized) will be

REBEL CAPITAL 2.0 CORP.
Notes to the Financial Statements
For the years ended December 31, 2020 and 2019

recognized permanently in OCI with no reclassification to profit or loss. The election is made on an investment-by-investment basis

iii. Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the objective of the Corporation's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest".

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or at amortized cost. The Corporation determines the classification of its financial liabilities at initial recognition.

i. Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

ii. Financial liabilities recorded fair value through profit or loss ("FVTPL")

Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

Transaction costs

Transaction costs associated with financial instruments, carried FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains or losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVOCI are measured at fair value with unrealized gains or losses recognized in other comprehensive income.

Derecognition

The Corporation derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Expected Credit Loss Impairment Model

IFRS 9 uses a single expected credit loss impairment model, which is based on changes in credit quality since initial application.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Corporation determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

REBEL CAPITAL 2.0 CORP.
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Share capital

Proceeds from the issuance of common shares are classified as equity. Costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Share-based payments

The Corporation follows the fair-value method for valuing stock options and other dilutive instruments granted to employees and directors. Under this method, the compensation cost is measured at the grant date using the Black-Scholes option pricing model and expensed over the vesting period of the instrument granted as stock-based compensation expense with a corresponding increase to contributed surplus. The contributed surplus balance is reduced as stock options and other dilutive instruments are exercised with the amount previously recognized plus any consideration received credited to share capital. The Corporation has included an estimated forfeiture rate for stock options that will not vest, which is adjusted to reflect actual forfeitures upon final vesting of the award.

Income taxes

Income tax expense comprises current and deferred tax. Income tax expense 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 is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Earnings per share ("EPS")

Basic EPS is calculated by dividing profit or loss attributable to owners of the Corporation (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the year. The denominator (number of shares) is calculated by adjusting the shares issued at the beginning of the year by the number of shares bought back or issued during the year, multiplied by a time-weighting factor.

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential instruments. The effects of anti-dilutive potential instruments are ignored in calculating diluted EPS. All options are considered anti-dilutive when the Corporation is in a loss position.

4. RECENT ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting

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periods beginning after January 1, 2020. The standards impacted that are applicable to the Corporation are as follows:

Amendment to IFRS 3 – Business Combinations

IFRS 3 “Business Combinations” was amended to revise the definition of the term 'business'. The amendments narrowed the definitions of a business and outputs and includes an optional concentration test. The adoption of this amendment did not have a material impact on the Company's financial statements.

5. PROPOSED QUALIFYING TRANSACTION

On November 19, 2020, the Corporation entered into a binding letter of intent with 1271332 B.C. Ltd. ("TargetCo"), in respect of a proposed transaction pursuant to which Rebel intends to acquire a mineral property option on a mineral property in Saskatchewan, Canada known as the Wedge Lake Property (the “Property”) and approximately \$300,000 in cash. Preliminary terms stipulate that Rebel will issue 10,000,000 common shares in the capital of the Corporation (the “Consideration Shares”) to acquire the Property option and the \$300,000 cash (the “Target Assets”). There are also 5,000,000 outstanding common stock purchase warrants of TargetCo that shall be exchanged for new common stock purchase warrants of Rebel. Upon completion of the transaction, the combined entity will carry on the business of exploration of the Property.

The letter of intent contains a condition that prior to the closing of the proposed transaction, Rebel will complete a concurrent financing of common shares at \$0.20 per share for proceeds of \$500,000 to \$1,000,000, depending on the requirements of the work program presented in the 43-101F1 Technical Report and the requirements of the TSXV. The proceeds of the concurrent financing will be used for exploration on the Property, maintenance of the Property option and general working capital.

Under the terms of the Letter of Intent, Rebel and TargetCo will negotiate and enter into a definitive agreement incorporating the principal terms of the contemplated transaction set forth herein and, in addition, such other terms and provisions of a more detailed nature as the parties may agree upon.

Subject to any Exchange, regulatory, shareholder, director or other approvals that may be required, the completion of satisfactory due diligence by Rebel and TargetCo, and the satisfaction of other conditions contained in the letter of intent, it is currently anticipated that the transaction will occur as an asset purchase.

Previously on January 3, 2020, the Corporation entered into a definitive agreement with Alzex BioMedical Inc. ("Alzex") in respect of a proposed transaction pursuant to which Alzex was expected to acquire Rebel by way of reverse takeover. Pursuant to the terms of the definitive agreement, a special-purpose subsidiary of Rebel was to amalgamate with Alzex and subsequently carry on the business of Alzex under the name “Alzex Biomedical Group Inc.”. On September 25, 2020, the Corporation announced that the proposed transaction with Alzex was terminated.

6. SHARE CAPITAL

Common shares

The Corporation has authorized an unlimited number of common shares to be issued. As of December 31, 2020 and 2019, the Corporation had 4,013,329 common shares outstanding for a share capital balance of \$240,330.

During 2017, the Corporation issued 2,013,329 common shares to Directors and Officers of the Corporation at a price of \$0.05 per share for total consideration of \$100,666.

REBEL CAPITAL 2.0 CORP.
Notes to the Financial Statements
For the years ended December 31, 2020 and 2019

Pursuant to a prospectus dated August 21, 2018 filed with the securities regulatory authorities in each of the Provinces of British Columbia, Alberta and Ontario and the Exchange and an agency agreement (the "Agency Agreement") with Mackie Research Capital Corporation (the "Agent"), the Corporation completed the IPO of 2,000,000 common shares at \$0.10 per common share for gross proceeds of \$200,000 (before share issue costs) in November 2018.

Under the Agency Agreement, the Agent was granted options (the "Agent's Options") to acquire an additional number of common shares up to 10% of the number of common shares sold at a price of \$0.10 per share, exercisable for a period of 2 years from the date the common shares were first listed for trading on the Exchange (Note 7). The value of the options was included in share issue costs.

Upon closing of the IPO, the 2,013,329 issued common shares are subject to a CPC escrow agreement pursuant to the requirements of the Exchange (the "Escrowed Shares"). Under the escrow agreement, 10% of the escrowed shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 15% will be released on the dates 6 months, 12 months, 18 months 24 months, 30 months and 36 months following the Initial Release. The escrow agreement provides that holders of escrowed common shares shall not sell, transfer, assign, mortgage, enter into a derivative transaction concerning or otherwise deal in any way with their escrowed shares.

Loss per share

The basic loss per share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the year. With the completion of the IPO, Escrowed Shares will be subject to the Escrow Agreement and may be cancelled in the event that the Corporation is unable to complete a qualifying transaction within the required time limits. Accordingly, these shares are accounted for as contingently returnable shares and excluded from the calculation of basic and diluted loss per share. For the year ended December 31, 2020, the weighted average number of common shares outstanding for purposes of calculating basic and diluted loss per share was 2,000,000 (December 31, 2019 – 2,000,000) common shares. For purposes of the loss per share calculations for the years ended December 31, 2020 and 2019, there is no difference between the basic loss per share and the diluted loss per share amounts as all instruments are anti-dilutive.

7. SHARE-BASED PAYMENTS

Stock Options

On January 25, 2018, the Corporation adopted a stock option plan, pursuant to which the board of directors of the Corporation may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, and employees of and consultants to the Corporation, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares at the time of grant. However, for so long as the Corporation is a CPC under the policies of the Exchange, the aggregate number of common shares issuable upon exercise of all options granted under the stock option plan shall not exceed 10% of the common shares of the Corporation issued and outstanding at the closing of the Corporation's initial public offering. Options granted under the option plan may be exercisable for periods of up to 10 years from the date of grant. For so long as the Corporation is a CPC, the number of common shares reserved for issuance to any individual director or officer will not exceed 5% and to all technical consultants will not exceed 2% of the common shares of the Corporation issued and outstanding at the closing of the Corporation's initial public offering. Options granted to the directors and officers of the Corporation while it is a CPC may be exercised during the greater of 12 months after the completion of the qualifying transaction and 90 days following cessation of the optionee's position with the Corporation, provided that if the cessation of office, directorship, or technical consulting arrangement is by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option. Any common shares acquired pursuant to the exercise of options prior to the completion of the qualifying transaction must be deposited

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For the years ended December 31, 2020 and 2019

in escrow and will be subject to the requirements of the Exchange under a CPC escrow agreement, as described previously.

On June 20, 2018, the Corporation granted options to its directors and officers entitling the purchase of 199,998 common shares at a per share price of \$0.10 per common share. The options are for a five-year term, expiring on June 20, 2023.

On October 23, 2019, a cumulative total of 133,332 options from the aforementioned option grant forfeited due to the resignation of certain directors of the Corporation. As of December 31, 2019 and 2020, 66,666 options remain outstanding with a remaining exercisable life of 2.47 years until expiry.

Options granted were allocated an estimated fair value using the Black-Scholes option pricing model to estimate the fair value using the weighted average assumptions of an expected forfeiture rate of 0%, a risk-free interest rate of 2.03%, an expected dividend yield of 0%, an expected stock price volatility of 100%, and an expected option life of five years. This resulted in a calculated fair value per stock option of \$0.075.

During the year ended December 31, 2020, the Corporation recognized \$nil of stock-based compensation expense (December 31, 2019 - \$nil).

Agent's Options

The fair value of the Agent's Options is estimated using the Black-Scholes option pricing model using the following weighted average assumptions of an expected forfeiture rate of 0%, a risk-free interest rate of 2.23%, an expected dividend yield of 0%, an expected stock price volatility of 100%, and an expected option life of two years. This resulted in a calculated fair value per Agent Option of \$0.053.

The share-based payment amount of \$10,630 for Agent's Options was included within share issue costs in association with the Offering finalized in November 2018 (Note 6), with the offset being included as contributed surplus. As of December 31, 2020, the Agent's Options had expired.

8. INCOME TAXES

The actual income tax provisions differ from the expected amounts calculated by applying the Canadian combined federal and provincial corporate income tax rates to the loss before income taxes. The reconciliation of the combined Canadian federal and provincial income tax rate of 27% (2019 - 27%) to the effective tax rate is as follows:

Net loss before income tax	\$ (51,133)	\$ (55,164)
Statutory tax rate	27%	27%
Expected income tax (recovery) expense	(13,806)	(14,894)
Non-deductible expenses	2,631	1,897
Book to filing adjustment	(4,632)	
Change in tax benefits not recognized	15,807	12,997
Income tax (recovery) expense	\$ -	\$ -

Deferred taxes are provided as 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 tax assets have not been recognized in respect of non-capital losses carried forward.

	2020	2019
Non-capital losses carried forward	\$ 241,857	\$ 163,492
Share issuance costs - 20(i)(e)	\$ 39,038	\$ 58,860

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The Canadian non-capital loss carry forwards expire as noted in the table below. Share issue and financing costs will be fully amortized in 2022. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Corporation can utilize the benefits therefrom.

The Corporation's Canadian non-capital income tax losses expire as follows:

	2038	2039	2040
Expiry of non-capital losses carry forwards	\$ 90,234	\$ 90,413	\$ 61,210

9. CAPITAL DISCLOSURES

The Corporation's capital consists of share capital. The Corporation's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete an acquisition or other transaction as disclosed in Note 1.

The Corporation sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Corporation's objectives when managing capital are:

- i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and
- ii. to maintain investor, creditor and market confidence in order to sustain the future development of the business.

Pursuant to TSXV Policy 2.4, Capital Pool Companies, the proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that certain expenditures, in the case of the Corporation, not to exceed \$90,000, may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation up to a prescribed limit determined under the TSXV policy. These restrictions apply until completion of a qualifying transaction by the Corporation.

The Corporation is not subject to any other externally or internally imposed capital requirements at year end, other than the expenditure limits set under TSXV Policy 2.4, Capital Pool Companies, stated above.

Expenditures as presented herein exceed the scope of the allowable general administrative expenses based on the aforementioned restrictions. As part of the qualifying transaction application to be submitted in connection with the transaction outlined in Note 5, the Corporation will submit a waiver application to the Exchange in regard to this matter of non-compliance. The Exchange will review the details of this waiver application in conjunction with its overall consideration of the qualifying transaction application. At their discretion, the Exchange may determine that the waiver application is denied and, consequentially, may deny the entire qualifying transaction submission.

10. FINANCIAL INSTRUMENTS

The Corporation, as part of its operations, carries financial instruments consisting of cash, accounts payable and accruals. It is management's opinion that the Corporation is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

Fair value

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. Certain of the Corporation's accounting policies and disclosures require the determination of fair value, for both financial and non-

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financial assets and liabilities. The Corporation's fair value measurements are classified as one of the following levels of the fair value hierarchy:

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The carrying value of cash, accounts payable and accruals approximates their fair value due to the short-term maturities of these items.

Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, which arises principally from the Corporation's cash. The carrying amount of cash represent the maximum credit exposure to the Corporation. The Corporation held cash of \$34,963 at December 31, 2020 (December 31, 2019 - \$84,594). The Corporation manages credit exposure related to cash by selecting financial institution counterparties with high credit ratings.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Corporation has accounts payable and accruals of \$14,808 as at December 31, 2020 (December 31, 2019 - \$15,237) that are considered payable within the next year.

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 Corporation does not have significant exposure to these risks.

11. RELATED PARTY TRANSACTIONS

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. Key management personnel include the Corporation's executive officers and directors.

There was no other compensation paid to key management during the years ended December 31, 2020 and 2019.

There have been no transactions with related parties during the years ended December 31, 2020 and 2019.