

CAVALRY CAPITAL CORP.

Financial Statements

For the nine months ended June 30, 2022

(Expressed in Canadian dollars)

(unaudited)

CAVALRY CAPITAL CORP.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity's auditors.

Vancouver, Canada

August 9, 2022

CAVALRY CAPITAL CORP.Statement of financial position
(Expressed in Canadian dollars)

	June 30, 2022 \$ (unaudited)	September 30, 2021 \$
ASSETS		
CURRENT		
Cash	399,523	96,908
Accounts receivable	1,522	25
Prepaid expenses	–	28,000
Total assets	401,045	124,933
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	3,953	7,631
Total liabilities	3,953	7,631
SHAREHOLDERS' EQUITY		
Share capital (Note 3)	403,633	125,000
Share-based payment reserve	80,004	–
Deficit	(86,545)	(7,698)
Total shareholders' equity	397,092	117,302
Total liabilities and shareholders' equity	401,045	124,933

Approved and authorized for issuance by the Board of Directors on August 9, 2022:

“Brandon Bonifacio”

Chief Executive Officer and Director

“John MacPhail”

Director

(The accompanying notes are an integral part of these financial statements)

CAVALRY CAPITAL CORP.

Statement of operations and comprehensive loss
(Expressed in Canadian dollars)
(unaudited)

	Three months ended June 30, 2022 \$	Nine months ended June 30, 2022 \$
Expenses		
General and administrative	710	902
Professional fees	4,000	6,000
Share-based compensation	50,568	50,568
Transfer agent and filing fees	15,265	21,772
Total expenses	70,542	79,241
Operating loss	(70,542)	(79,241)
Other items		
Interest income	297	395
Total other items	297	395
Net loss and comprehensive loss	(70,245)	(78,847)
Loss per share, basic and diluted	\$ (0.01)	\$ (0.01)
Weighted average shares outstanding	4,982,005	3,327,335

(The accompanying notes are an integral part of these financial statements)

CAVALRY CAPITAL CORP.

Statement of changes in shareholders' equity
(Expressed in Canadian dollars)
(unaudited)

	Share capital		Share-based payment reserve	Deficit \$	Total shareholders' equity \$
	Number of shares	\$			
Balance, October 1, 2021	2,500,000	125,000		(7,698)	117,302
Issuance of shares for cash	3,962,500	396,250			396,250
Share issuance costs		(88,181)	–	–	(88,181)
Fair value of agents' warrants issued		(29,436)	29,436	–	–
Fair value of stock options granted		–	50,568	–	50,568
Net loss for the period	–	–		(78,847)	(78,847)
Balance, June 30, 2022	6,462,500	403,633	80,004	(86,545)	397,092

(The accompanying notes are an integral part of these financial statements)

CAVALRY CAPITAL CORP.

Statement of cash flows
(Expressed in Canadian dollars)
(unaudited)

	Nine months ended June 30, 2022 \$
Cash flows from operating activities:	
Net loss	(78,847)
Items not involving cash:	
Share-based compensation	50,568
Changes in non-cash operating working capital:	
Accounts receivable	(1,497)
Accounts payable and accrued liabilities	(3,678)
Prepaid expenses	28,000
<u>Net cash used in operating activities</u>	<u>(5,454)</u>
Cash flows from financing activities:	
Proceeds from issuance of shares	396,250
Share issuance costs	(88,181)
<u>Net cash provided by financing activities</u>	<u>308,069</u>
Increase / (Decrease) in cash	302,615
<u>Cash, beginning of period</u>	<u>96,908</u>
<u>Cash, end of period</u>	<u>399,523</u>
Non-cash investing and financing activities	
Fair value of agents' warrants	29,436

(The accompanying notes are an integral part of these financial statements)

CAVALRY CAPITAL CORP.

Notes to the Financial Statements

Nine months ended June 30, 2022

(Expressed in Canadian dollars – Unaudited)

1. Nature of Operations and Continuance of Business

Cavalry Capital Corp. (the "Company") was incorporated in the province of the British Columbia on March 19, 2021. The Company's head office and records office is located at Suite 910, 800 West Pender Street, Vancouver, BC, V6C 2V6.

The Company completed its initial public offering ("IPO") and became a capital pool company pursuant to the policies of the TSX Venture Exchange (the "Exchange") on May 4, 2022. The Company is in the development stage and its principal business will be the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction as defined by the rules of the Exchange. Such a transaction will be subject to shareholder and regulatory approval.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The impact on the Company has not been significant, and management continues to monitor the situation.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at June 30, 2022, the Company has no business operations and has an accumulated deficit of \$86,545. The Company's continuing operations are dependent upon its ability to identify and evaluate assets or businesses with a view to potential acquisition or participation by completing a Qualifying Transaction. Any acquisition or investment proposed by the Company will be subject to regulatory approval. The preceding indicates the existence of a material uncertainty that may cast substantial doubt about the Company's ability to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Significant Accounting Policies and Basis of Preparation

The financial statements were authorized for issue on August 9, 2022 by the directors of the Company.

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Therefore, these financial statements comply with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

Basis of preparation

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, except for financial instruments classified as fair value through profit and loss ("FVTPL"), which are stated at their fair value. The financial statements are presented in Canadian dollars unless otherwise noted.

This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the period from incorporation on March 19, 2021 to September 30, 2021. These interim financial statements have been prepared using the same accounting policies and methods of application as those in the annual financial statements.

CAVALRY CAPITAL CORP.

Notes to the Financial Statements
Nine months ended June 30, 2022
(Expressed in Canadian dollars – Unaudited)

3. Share Capital

Authorized: Unlimited number of common shares without par value

Shares issued during the period from October 1, 2021 to June 30, 2022:

- (a) On May 4, 2022, the Company completed its IPO and issued 3,962,500 common shares at \$0.10 per share for gross proceeds of \$396,250. In connection with the IPO, the Company incurred issuance costs of \$85,697 to the agent and issued 396,250 warrants exercisable at \$0.10 per common share for a period of 60 months from the date of the closing of the IPO (the “Agent’s Warrants”).

Shares issued during the period from March 19, 2021 (date of inception) to September 30, 2021:

- (b) On May 13, 2021, the Company issued 2,500,000 common shares at \$0.05 per share for proceeds of \$125,000. 2,200,000 of these shares, for total proceeds of \$110,000, were issued to directors and officers of the Company.

4. Share-Based Payments

On August 28, 2021, the Company adopted a stock option plan, pursuant to which the board of directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, and technical consultants to 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 issued and outstanding common shares exercisable for a period of up to five years from the date the common shares are listed on the Exchange. The number of common shares reserved for issuance to any individual will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised the greater of 12 months after the Completion of the Qualifying Transaction and 90 days following cessation of the optionee’s position with the Company, provided that if the cessation of office, directorship, or technical consulting arrangement was 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.

On May 4, 2022, the Company granted 613,938 stock options exercisable at \$0.05 per share, exercisable for a period of five years from the date of the closing of the IPO.

The following table summarizes the continuity of the Company’s stock options:

	Number of options	Weighted average exercise price \$
Outstanding, October 1, 2021	–	–
Granted	613,938	0.05
Outstanding, June 30, 2022	613,938	0.05

Additional information regarding stock options outstanding as at June 30, 2022 was as follows:

Range of exercise prices \$	Outstanding and exercisable		
	Number of shares	Weighted average remaining contractual life (years)	Weighted average exercise price \$
0.05	396,250	4.85	0.05

CAVALRY CAPITAL CORP.

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Nine months ended June 30, 2022
(Expressed in Canadian dollars – Unaudited)

4. Share-Based Payments (continued)

The total fair value of the stock options granted during the period ended June 30, 2022 was \$50,568 which was recorded as share-based payment reserve and charged to operations.

The fair values for stock options granted have been estimated using the Black-Scholes option-pricing model assuming no expected dividends, no forfeitures, and the following weighted average assumptions:

	2022
Risk-free interest rate	0.96%
Expected volatility	100%
Expected option life (in years)	5.0

On May 4, 2022, the Company granted 396,250 Agent's Warrants. The following table summarizes the continuity of the Company's Agent's Warrants:

	Number of Agents' Warrants	Weighted average exercise price \$
Outstanding, October 1, 2021	–	–
Issued	396,250	0.10
Outstanding, June 30, 2022	396,250	0.10

As at June 30, 2022, the following Agent's Warrants were outstanding:

Number of agents' warrants outstanding	Exercise price \$	Expiry date
396,250	0.10	May 4, 2027

The fair value of the Agent's Warrants issued during the period ended June 30, 2022 was \$29,436 which was recorded to the Company's share-based payment reserve and share issuance costs.

The fair value of the Agent's Warrants has been estimated using the Black-Scholes option pricing model assuming no expected dividends, no forfeitures, and the following weighted average assumptions:

	2022
Risk-free interest rate	0.96%
Expected volatility	100%
Expected life (in years)	5.0

The weighted average fair value of the Agent's Warrants issued during the period ended June 30, 2022 was \$0.0743 per warrant.

5. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and shareholders' equity.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure

CAVALRY CAPITAL CORP.

Notes to the Financial Statements

Nine months ended June 30, 2022

(Expressed in Canadian dollars – Unaudited)

5. Capital Management (continued)

through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

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 no more than the lesser of 30% of the gross proceeds from the issuance of common shares may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under the Exchange Policy 2.4. The Company currently is not subject to other externally imposed capital requirements.