

CAVALRY CAPITAL CORP.

Financial Statements

For the three months ended December 31, 2023 and 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 Cavalry Capital Corp. (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

February 28, 2024

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

	December 31, 2023 \$ (unaudited)	September 30, 2023 \$
ASSETS		
CURRENT		
Cash	291,733	318,856
Total assets	291,733	318,856
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	14,762	27,097
Total liabilities	14,762	27,097
SHAREHOLDERS' EQUITY		
Share capital (Note 3)	422,417	422,417
Share-based payment reserve (Note 4)	80,004	80,004
Deficit	(255,449)	(210,662)
Total shareholders' equity	276,971	379,189
Total liabilities and shareholders' equity	291,733	391,137

Approved and authorized for issuance by the Board of Directors on February 28, 2024:

"Brandon Bonifacio"

Chief Executive Officer, 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 December 31, 2023 \$	Three months ended December 31, 2022 \$
Expenses		
General and administrative	184	742
Professional fees	14,616	6,000
Transfer agent and filing fees	1,983	819
Total expenses	16,784	7,561
Operating loss	(16,784)	(7,561)
Other items		
Interest income	1,996	2,627
Total other items	1,996	2,627
Net loss and comprehensive loss	(14,788)	(4,934)
Loss per share, basic and diluted	\$ (0.00)	\$ (0.00)
Weighted average shares outstanding	6,462,500	6,462,500

(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, 2022	6,462,500	422,417	80,004	(123,232)	379,189
Net loss for the period	–	–	–	(4,934)	(4,934)
Balance, December 31, 2022	6,462,500	422,417	80,004	(128,166)	374,255
Balance, October 1, 2023	6,462,500	422,417	80,004	(210,662)	291,759
Net loss for the period	–	–	–	(14,788)	(14,788)
Balance, December 31, 2023	6,462,500	422,417	80,004	(255,450)	276,971

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

CAVALRY CAPITAL CORP.

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

	Three months ended December 31, 2023 \$	Three months ended December 31, 2022 \$
Cash flows from operating activities:		
Net loss	(14,788)	(4,934)
Changes in non-cash operating working capital:		
Accounts payable and accrued liabilities	(12,335)	932
Net cash used in operating activities	(27,123)	(4,002)
Decrease in cash	(27,123)	(4,002)
Cash, beginning of period	318,856	391,137
Cash, end of period	291,733	387,135

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

CAVALRY CAPITAL CORP.

Notes to the Financial Statements

Three months ended December 31, 2023 and 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") to become a capital pool company pursuant to the policies of the TSX Venture Exchange (the "Exchange") on May 4, 2022, issuing 3,962,500 common shares for gross proceeds of \$396,250 and commenced trading under the symbol "CVY.P". 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.

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 December 31, 2023, the Company has no business operations and has an accumulated deficit of \$255,449. 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 significant 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

(a) 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") on a going concern basis.

These financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is the Company's functional currency.

(b) Use of Estimates and Judgments

The preparation of these financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, and expenses. 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 estimate is revised and in any future periods affected.

Significant area requiring the use of estimates includes the fair value of share-based payments and unrecognized deferred income tax assets.

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

CAVALRY CAPITAL CORP.

Notes to the Financial Statements

Three months ended December 31, 2023 and 2022

(Expressed in Canadian dollars – unaudited)

2. Significant Accounting Policies (continued)

(c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(d) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the respective instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are included in the initial carrying value of the related instrument and are amortized using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the statement of operations.

Fair value estimates are made at the statement of financial position date based on relevant market information and information about the financial instrument. All financial instruments are classified into either: fair value through profit or loss (“FVTPL”) or amortized cost.

The Company has made the following classifications:

Cash	Amortized cost
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Financial Assets

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets which are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest method, less any impairment.

CAVALRY CAPITAL CORP.

Notes to the Financial Statements

Three months ended December 31, 2023 and 2022

(Expressed in Canadian dollars – unaudited)

2. Significant Accounting Policies (continued)

(d) Financial Instruments (continued)

Financial Assets (continued)

Impairment of financial assets

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been decreased.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations. Loss allowances are based on the lifetime expected credit losses that result from all possible default events over the expected life of the trade receivable, using the simplified approach.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized as the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities (including loans and borrowings and trade payables and other liabilities) are initially measured at fair value, net of transaction costs. Subsequently, other financial liabilities are measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

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Three months ended December 31, 2023 and 2022

(Expressed in Canadian dollars – unaudited)

2. Significant Accounting Policies (continued)

(e) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(f) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. The treasury stock method is used for the calculation of diluted loss per share, whereby all “in the money” stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted losses per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at December 31, 2023, the Company has 1,010,188 potentially dilutive shares outstanding (1,010,188 - 2022).

(g) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is credited to the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted, shall be based on the number of equity instruments that eventually vest.

(h) Comprehensive Loss

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the statement of operations.

CAVALRY CAPITAL CORP.

Notes to the Financial Statements

Three months ended December 31, 2023 and 2022

(Expressed in Canadian dollars – unaudited)

2. Significant Accounting Policies (continued)

(i) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the three months ended December 31, 2023, and have not been early adopted in preparing these financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's financial statements.

3. Related Party Transactions

- (a) During the three months ended December 31, 2023, the Company incurred professional fees of \$6,000 (2022 - \$6,000) to a company controlled by the Chief Financial Officer of the Company.

4. Share Capital

Authorized: Unlimited number of common shares without par value.

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.

On May 4, 2022, the Company issued 3,962,500 common shares at \$0.10 per share for proceeds of \$396,250 pursuant to its IPO. The Company incurred share issuance costs of \$69,397 and issued 396,250 Agent's Warrants with a fair value of \$29,436 in connection with the IPO. Each Agent's Warrant entitles the agent to purchase one common share of the Company at \$0.10 per share for a period of five years.

5. 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.

CAVALRY CAPITAL CORP.

Notes to the Financial Statements

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(Expressed in Canadian dollars – unaudited)

5. Share-Based Payments (continued)

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, December 31, 2023 and 2022	613,938	0.05

Additional information regarding stock options outstanding as at December 31, 2023 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	3.34	0.05

The total fair value of the stock options granted was \$50,568 which was recorded as share-based payment reserve and charged to operations at the time of issuance.

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, 2022	–	–
Issued	396,250	0.10
Outstanding, December 31, 2023 and 2022	396,250	0.10

As at December 31, 2023, the following Agent's Warrants were outstanding:

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

CAVALRY CAPITAL CORP.

Notes to the Financial Statements

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(Expressed in Canadian dollars – unaudited)

5. Share-Based Payments (continued)

The fair value of the Agent's Warrants was \$29,436 at the time of issuance, 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 when issued was \$0.0743 per warrant.

6. 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 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 general and administrative expenses have a limit of \$3,000 per month. 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.