# JUSTIFY CAPITAL CORP.

## FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JULY 31, 2021 AND THE PERIOD FROM INCORPORATION ON JULY 28, 2020 TO JULY 31, 2020

**(Expressed in Canadian Dollars)**

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Justify Capital Corp.

***Opinion***

We have audited the accompanying financial statements of Justify Capital Corp. (the "Company"), which comprise the statements of financial position as at July 31, 2021 and 2020, and the statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the year ended July 31, 2021 and the period from incorporation on July 28, 2020 to July 31, 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2021 and 2020, and its financial performance and its cash flows for the year ended July 31, 2021 and the period from incorporation on July 28, 2020 to July 31, 2020 in accordance with International Financial Reporting Standards ("IFRS").

***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 audit 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

***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 IFRS, 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Glenn Parchomchuk.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

September 16, 2021

**JUSTIFY CAPITAL CORP.**
STATEMENT OF FINANCIAL POSITION
(Expressed in Canadian dollars)

| | **July 31, 2021** | July 31, 2020 |
|---|---|---|
| | **$** | $ |
| **ASSETS** | | |
| **Current assets** | | |
| Cash | **217,154** | 150,743 |
| **Total assets** | **217,154** | 150,743 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities (Notes 4 and 9) | **19,830** | 5,000 |
| **Total liabilities** | **19,830** | 5,000 |
| **Shareholders' equity** | | |
| Share capital (Note 5) | **247,601** | 150,750 |
| Equity reserves (Note 5) | **47,123** | - |
| Deficit | **(97,400)** | (5,007) |
| **Total shareholders' equity** | **197,324** | 145,743 |
| **Total liabilities and shareholders' equity** | **217,154** | 150,743 |

**Basis of presentation** (Note 2)

**On behalf of the Board:**

*Signed: "Brian Bayley"* Director *Signed: "Richard Graham"* Director

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

**JUSTIFY CAPITAL CORP.**
STATEMENT OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

| | **For the Year Ended July 31, 2021** | From Incorporation on July 28, 2020 to July 31, 2020 |
|---|---|---|
| | **$** | $ |
| **EXPENSES** | | |
| Share-based compensation (Notes 5 and 9) | **37,761** | - |
| Professional fees | **34,084** | 5,000 |
| Transfer agent, shareholder communications, listing and filing fees | **13,803** | - |
| Administrative and corporate services (Note 9) | **6,300** | - |
| Office and sundry | **445** | 7 |
| **Loss and comprehensive loss for the period** | **(92,393)** | (5,007) |
| **Basic and diluted loss per common share** (Note 5) | **(0.03)** | (0.00) |

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

**JUSTIFY CAPITAL CORP.**
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

| | Share Capital | | | | |
|---|---|---|---|---|---|
| | **Number of Shares** | **Amount** | **Equity Reserves** | **Deficit** | **Total** |
| | | **$** | **$** | **$** | **$** |
| Balance, July 28, 2020 | - | - | - | - | - |
| Shares issued | 2,010,000 | 150,750 | | - | 150,750 |
| Net loss for the period | - | - | - | (5,007) | (5,007) |
| Balance, July 31, 2020 | 2,010,000 | 150,750 | - | (5,007) | 145,743 |
| Shares issued | 1,350,000 | 202,500 | - | - | 202,500 |
| Share issuance costs | - | (105,649) | 9,362 | - | (96,287) |
| Share-based compensation | - | - | 37,761 | - | 37,761 |
| Net loss for the year | - | - | - | (92,393) | (92,393) |
| **Balance, July 31, 2021** | **3,360,000** | **247,601** | **47,123** | **(97,400)** | **197,324** |

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

**JUSTIFY CAPITAL CORP.**
STATEMENT OF CASH FLOWS
(Expressed in Canadian dollars)

| | **For the Year Ended July 31, 2021** | From Incorporation on July 28, 2020 to July 31, 2020 |
|---|---|---|
| | **$** | $ |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net loss for the period | **(92,393)** | (5,007) |
| Non-cash expenses: | | |
| Share-based compensation | **37,761** | - |
| Changes in non-cash working capital items: | | |
| Accounts payable and accrued liabilities | **14,830** | 5,000 |
| **Net cash used in operating activities** | **(39,802)** | (7) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from sale of shares | **202,500** | 150,750 |
| Payments for share issuance costs | **(96,287)** | - |
| **Net cash provided by financing activities** | **106,213** | 150,750 |
| **Change in cash during the period** | **66,411** | 150,743 |
| **Cash, beginning of period** | **150,743** | - |
| **Cash, end of period** | **217,154** | 150,743 |

**Non-cash investing and financing activities:**

During the year ended July 31, 2021, warrants with a fair value of $9,362 were issued in connection with the Company's initial public offering and are included in share issuance costs. There were no other non-cash investing or financing activities in the year or in the period from incorporation on July 28, 2020 to July 31, 2020.

## 1. NATURE OF OPERATIONS

Justify Capital Corp. (the "Company") was incorporated on July 28, 2020 under the Business Corporations Act (British Columbia) and is a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4 ("Policy 2.4"). As a CPC, the Company's objective is to identify and acquire either operating assets or a business, subject to regulatory approval, that meet the criteria of a Qualifying Transaction as defined by the TSX-V ("Qualifying Transaction"). Until such time that a Qualifying Transaction is completed, the Company will have no significant revenue and will incur expenses primarily for Qualifying Transaction investigation, TSX-V listing and filing requirements, professional services and office facilities and administration, subject to certain restrictions under Policy 2.4. Additional discussion on these restrictions is included in Note 7.

On October 15, 2020 the Company completed an initial public offering of common shares (the "IPO") and is listed on the TSX-V under the symbol "JST.P".

The Company's registered office address is Suite 704, 595 Howe Street, Vancouver, BC, and its principal place of business is Suite 1703, 595 Burrard Street, Vancouver, BC.

These financial statements were authorized for issue by the Audit Committee and Board of Directors on September 16, 2021.

### Special Shareholders' Meeting

On May 17, 2021, the Company's shareholders approved, at a Special Meeting of Shareholders, certain amendments to the TSX Venture Exchange's Policy 2.4 – Capital Pool Companies ("New CPC Policy") that became effective January 1, 2021, including:

- authorizing the Company to approve certain amendments to its stock option plan pursuant to which the total number of common shares of the Company reserved for issuance both before and after completion of a Qualifying Transaction is 10% of the issued and outstanding common shares of the Company as at the date of grant, rather than at the closing date of the initial public offering;
- removing the consequences associated with the Company not completing a Qualifying Transaction within 24 months of its listing date in accordance with the New CPC Policy;
- authorizing the Company to make certain amendments to the Company's escrow agreement to effect certain changes contemplated under the New CPC Policy, including reducing the maximum escrow term to 18 months from 36 months following a Qualifying Transaction; and
- authorizing and permitting the Company to pay any finders' fee or commission to a Non-Arm's Length Party (as that term is defined in the New CPC Policy) to the Company upon completion of the Qualifying Transaction, in accordance with the terms of the New CPC Policy.

Certain restrictions on the use of proceeds raised by the Company have also been amended by the New CPC Policy to those disclosed in Note 7.

Additional information on the Company, including the Transaction and all provisions approved at the May 17, 2021 Special Meeting of Shareholders is available under the Company's profile at www.sedar.com.

## 1. NATURE OF OPERATIONS (cont'd…)

### Potential Qualifying Transaction

The Company entered into a non-binding letter of intent (the "LOI") on May 7, 2021 for a potential Qualifying Transaction with Everyday People Financial Inc. ("EP"), a Canadian based FinTech company comprised of subsidiaries specializing in credit cards, lending, payment processing, homeownership facilitation and a collections agency. Pursuant to the LOI, the Company will acquire all issued and outstanding Class A shares in EP for shares in the Company on a 1:1 basis (the "Transaction"). Following the Transaction, the Company will assume the operations of EP.

The Transaction is subject to conditions precedent including but not limited to:

- satisfactory completion of due diligence;
- entering into a definitive agreement;
- completion of a concurrent financing by EP;
- receipt of all director, shareholder (if necessary) and regulatory approvals, including acceptance by the TSX-V; and
- preparation and filing of required disclosure documents in accordance with the policies of the TSX-V.

Subsequent to May 7, 2021, the deadline for the Company and EP to enter into a definitive agreement for the Transaction has been extended twice and the current deadline is October 15, 2021.

### COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the COVID-19 coronavirus outbreak a pandemic, which continues to spread globally. As a CPC with no commercial operations, the COVID-19 pandemic has not had a significant impact on the Company's routine operations or on the carrying value of its assets. However, the pandemic's effect on broader capital markets may hinder the Company's ability to identify and complete a Qualifying Transaction.

## 2. BASIS OF PRESENTATION

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") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

b) Basis of Measurement

These financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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

c) Continuance of Operations

As at July 31, 2021, the Company had cash of $217,154 which the is sufficient to pay $19,830 in accounts payable and accrued liabilities then outstanding and for its projected operating costs for the next 12 months and to pursue a limited number of potential Qualifying Transactions.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue its existence.

## 3. SIGNIFICANT ACCOUNTING POLICIES

**Financial instruments**

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value along with, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit and loss.

The Company classifies its financial assets and financial liabilities in the following measurement categories:

i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
ii) those to be measured at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income.

Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). Any fair value changes due to credit risk for liabilities designated at fair value through profit and loss are recorded in other comprehensive income.

The Company has implemented the following classifications for financial instruments:

- The Company's sole financial asset is cash. Cash is classified as an asset at fair value and any changes to fair value subsequent to initial recognition are recorded in profit or loss for the period in which they occur.

- Financial liabilities comprise of accounts payable and accrued liabilities. Accounts payable and accrued liabilities are classified as amortized cost and are measured using the effective interest rate method. Interest expense is recorded in profit or loss, as applicable.

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

*Impairment of financial assets*

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The Company's sole financial asset is cash and, accordingly, does not hold any financial assets measured at amortized cost.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

### Financing costs

Costs incurred to obtain equity financing are deducted from the value assigned to shares issued. When costs are incurred prior to the closing of a financing arrangement, these amounts are presented as a deferred asset until the financing has closed. When an expected financing arrangement does not occur, any deferred costs are recorded as an expense.

### Share-based compensation

The Company may grant stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

Stock options granted to directors, officers and employees are measured at their fair values determined on their grant date, using the Black-Scholes option pricing model, and are recognized as an expense over the vesting periods of the options on a graded basis. Options granted to consultants or other non-insiders are measured at the fair value of goods or services received from these parties, or at their Black-Scholes fair values if the fair value of goods or services received cannot be measured. A corresponding increase is recorded to equity reserves for share-based compensation recorded.

When stock options are exercised, the cash proceeds along with the amount previously recorded as equity reserves are recorded as share capital. When the right to receive options is forfeited before the options have vested, any expense previously recorded is reversed.

### Income taxes

Tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, a provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in income in the period in which the change occurs.

Deferred tax assets or liabilities, arising from temporary differences between the tax and accounting values of assets and liabilities, are recorded based on tax rates expected to be enacted when these differences are reversed. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recovered. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as in the amounts recognized in income in the period in which the change occurs.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in income both in the period of change, which would include any impact on cumulative provisions, and in future periods.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

### (Loss) earnings per share

Basic (loss) earnings per share is calculated by dividing net (loss) earnings by the weighted average number of common shares outstanding during the period which includes shares held in escrow. Diluted (loss) earnings per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options and warrants, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of "in-the-money" stock options and common share purchase warrants are used to purchase common shares of the Company at their average market price for the period.

In periods that the Company reports a net loss, any stock options or warrants outstanding are excluded from the calculation of diluted loss per share as their inclusion would be anti-dilutive.

### Use of estimates and measurement uncertainties

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the measurements of assets, liabilities, revenues, expenses and certain disclosures reported in these financial statements. Significant estimates made by management include the following:

i. Income taxes

Provisions for income and other taxes are based on management's interpretation of taxation laws, which may differ from the interpretation by taxation authorities. Such differences may result in eventual tax payments differing from amounts accrued. Reported amounts for deferred tax assets and liabilities are based on management's expectation for the timing and amounts of future taxable income or loss, as well as future taxation rates. Changes to these underlying estimates may result in changes to the carrying value, if any, of deferred income tax assets and liabilities.

## 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities of the Company are due for professional fees and are payable within the next 12 months.

## 5. SHAREHOLDERS' EQUITY

### Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value. As at July 31, 2021, the Company has 3,360,000 common shares outstanding, of which 2,010,000 are being held in escrow and will be released ratably following a Qualifying Transaction. Changes to the number of common shares outstanding are as follows:

| | **Number of Shares** | **Assigned Value** |
|---|---|---|
| | | $ |
| Outstanding, July 28, 2020 | - | - |
| Seed Shares issued | 2,010,000 | 150,750 |
| Outstanding, July 31, 2020 | 2,010,000 | 150,750 |
| IPO Shares issued, net of share issuance costs | 1,350,000 | 96,851 |
| **Outstanding, July 31, 2021** | **3,360,000** | **247,601** |

## 5. SHAREHOLDERS' EQUITY (cont'd…)

**Authorized share capital** (cont'd…)

On July 28, 2020, the Company issued 2,010,000 common shares at a price of $0.075 per share for total proceeds of $150,750 (the "Seed Shares"). As a CPC, the Seed Shares are held in escrow and, following approvals obtained at a May 17, 2021 Special Meeting of Shareholders (Note 1) will be released ratably over a period up to 18 months following the completion of a Qualifying Transaction.

On October 15, 2020, the Company completed its IPO of 1,350,000 common shares at a price of $0.15 per share. Share issuance costs for the IPO totaled $105,649 which included $96,287 in cash costs for TSX-V fees, legal and accounting fees, and agent's fees. Additionally, the Company issued compensatory warrants with a $9,362 fair value to the IPO agent.

**Equity reserves**

*Stock options*

The Company has adopted an incentive stock option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase its 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 ten years from the date of grant. The vesting conditions, if any, for stock options granted are determined at the discretion of the Company's Board of Directors.

Changes to the Company's stock options outstanding are as follows:

| | **Number of Stock Options** | **Expiry Date** | **Exercise Price** |
|---|---|---|---|
| | | | **$** |
| Outstanding and exercisable, July 28, 2020 and July 31, 2020 | - | - | - |
| Options granted | 300,000 | October 15, 2025 | 0.15 |
| **Outstanding and exercisable, July 31, 2021** | **300,000** | **October 15, 2025** | **0.15** |

On October 15, 2020, the Company granted 300,000 stock options to directors of the Company. These options have an exercise price of $0.15 per common share and are exercisable until October 15, 2025 without further vesting conditions. The $37,761 fair value of these stock options was recorded as a share-based compensation expense and was determined using the Black-Scholes option-pricing model using the following assumptions:

| | |
|---|---|
| Risk-free interest rate | 0.34% |
| Dividend yield | - |
| Expected stock price volatility | 125% |
| Expected forfeiture rate | - |
| Expected life | 5.0 years |

## 5. SHAREHOLDERS' EQUITY (cont'd…)

**Equity reserves** (cont'd…)

*Warrants*

The Company may grant warrants that can be exercised to purchase its common shares at terms determined at the discretion of the Company's Board of Directors. These warrants may be included with common shares in future financings or granted as compensation for services provided to the Company.

Changes to the Company's warrants outstanding are as follows:

| | **Number of Warrants** | **Expiry Date** | **Exercise Price** |
|---|---|---|---|
| | | | **$** |
| Outstanding, July 28, 2020 and July 31, 2020 | - | - | - |
| Warrants issued | 100,000 | October 15, 2022 | 0.15 |
| **Outstanding, July 31, 2021** | **100,000** | **October 15, 2022** | **0.15** |

On October 15, 2020, the Company issued 100,000 warrants for finder's services in connection with the Company's initial public offering. These warrants have an exercise price of $0.15 per common share and are exercisable until October 15, 2022 without further vesting conditions. The $9,362 fair value of these warrants was recorded as a share issuance cost and was determined using the Black-Scholes option pricing model with the following assumptions:

| | |
|---|---|
| Risk-free interest rate | 0.23% |
| Dividend yield | - |
| Expected stock price volatility | 125% |
| Expected forfeiture rate | - |
| Expected life | 2.0 years |

**Per share amounts**

Weighted average loss per share for the period from incorporation on July 28, 2020 to July 31, 2020 and the year ended July 31, 2021 is calculated as follows:

| | **Year Ended July 31, 2021** | From Incorporation on July 28, 2020 to July 31, 2020 |
|---|---|---|
| | **$** | $ |
| Numerator | | |
| Net loss for the period | **(92,393)** | (5,007) |
| Denominator | | |
| Weighted average number of common shares outstanding, basic and diluted | **3,081,841** | 2,010,000 |
| Loss per common share, basic and diluted | **(0.03)** | (0.00) |

## 6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at July 31, 2021, the Company's financial instruments comprise cash and accounts payable and accrued liabilities. The fair values of accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – Inputs that are not based on observable market data (unobservable inputs).

As at July 31, 2021, the fair value of cash held by the Company was based on level 1 inputs of the fair value hierarchy.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit risk*

Credit risk is the risk of loss arising from a customer or third party to a financial instrument failing to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at July 31, 2021, the Company had a cash balance of $217,154 which is sufficient to settle current liabilities of $19,830 and anticipated short-term cash requirements, but that additional funding may be required to meet long-term requirements should a Qualifying Transaction not be completed on a timely basis. The Company's financial liabilities include trade payables that have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices. As the Company does not currently hold and does not expect to hold interest-bearing financial instruments other than cash, assets or liabilities denominated in a foreign currency, and marketable securities or other financial instruments subject to fluctuations in equity prices, it currently does not have and is not expected to have exposure to these market risks.

## 7. CAPITAL MANAGEMENT

In the management of capital, the Company defines capital as its shareholders' equity. As at July 31, 2021, the Company's shareholders' equity was $197,324. The Company's objectives when managing capital are to maintain a low level of on-going operating costs and to continue as a going concern until a Qualifying Transaction can be completed. The Company's current capital was received from the issuance of common shares (Note 5) and will only be sufficient to identify and evaluate a limited number of assets and businesses for the purpose of identifying and completing a Qualifying Transaction.

The Company is not subject to any externally imposed capital requirements other than the expenditure restrictions applicable under Policy 2.4. Following shareholder approvals obtained at a May 17, 2021 Special Shareholder Meeting (Note 1) these expenditure restrictions limit the Company's on-going expenditures to reasonable expenses relating to a proposed Qualifying Transaction, assurance and audit fees, escrow agent and transfer agent fees, regulatory filing fees and a maximum of $3,000 per month for other general and administrative costs.

## 8. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes for the year ended July 31, 2021 and the period from incorporation on July 28, 2020 to July 31, 2020 is as follows:

| | **Year Ended July 31, 2021** | From Incorporation on July 28, 2020 to July 31, 2020 |
|---|---|---|
| | **$** | $ |
| Loss and comprehensive loss for the period | **(92,393)** | (5,007) |
| Expected income tax recovery | **(25,000)** | (1,000) |
| Permanent differences | **(16,000)** | - |
| Change in unrecognized deductible temporary differences | **41,000** | 1,000 |
| **Total income tax recovery** | **-** | - |

The Company's combined federal and provincial tax rate applicable for the year ended July 31, 2021 and the period from incorporation on July 28, 2020 to July 31, 2020 was 27%.

The significant components of the Company's unrecorded deferred tax assets as at July 31, 2021 and 2020 are as follows:

| | **July 31, 2021** | July 31, 2020 |
|---|---|---|
| | **$** | $ |
| Non-capital losses available for future periods | **21,000** | 1,000 |
| Share issuance costs | **21,000** | - |
| Unrecognized deferred tax assets | **(42,000)** | (1,000) |
| Net deferred tax assets | **-** | - |

## 8. INCOME TAXES (cont'd…)

The significant components of the Company's temporary differences and unused tax losses that have not been included on the statement of financial position are as follows:

| | **July 31, 2021** | | July 31, 2020 | |
|---|---|---|---|---|
| | **$** | **Expiry date range** | $ | Expiry date range |
| Non-capital losses available for future periods | **78,896** | **2040-2041** | 5,007 | 2040 |
| Share issuance costs | **77,030** | **2042-2046** | - | N/A |

Tax attributes are subject to review, and potential adjustment, by tax authorities.

## 9. RELATED PARTY TRANSACTIONS

The Company is party to a corporate services agreement with Earlston Management Corp. ("Earlston"), whereby Earlston provides various administrative, management and corporate services to the Company for a fee of $500 per month plus tax and out-of-pocket costs. Earlston is related to the Company by virtue of providing key management services and by having certain directors and officers in common. The Company's expense for administrative and corporate services for the year ended July 31, 2021 includes $6,300 (period from incorporation on July 28, 2020 to July 31, 2020 - $nil) in such costs incurred with Earlston of which $525 is included in accounts payable and accrued liabilities as at July 31, 2021 (July 31, 2020 - $nil).

During the year ended July 31, 2021, the Company granted a total of 300,000 stock options to its directors. The stock options were fully-vested on their grant date and a related share-based compensation expense of $37,761 was recognized in the period. No such transactions occurred in the period from incorporation on July 28, 2020 to July 31, 2020 and the terms of the options are further discussed in Note 5.