
Railtown Capital Corp.
(a capital pool company)

Condensed Interim Financial Statements

For the three and nine months ended August 31, 2021 and period from June 22, 2020 (Date of
Incorporation) to August 31, 2020
(Unaudited - expressed in Canadian Dollars)

Railtown Capital Corp.
Condensed Interim Statements of Financial Position
(Unaudited - expressed in Canadian dollars)

	August 31 2021	November 30 2020
		\$
Assets		
Current		
Cash	804,533	229,018
Non-current		
Deferred financing costs	-	15,000
Total assets	804,533	244,018
Liabilities		
Current		
Accounts payable and accrued liabilities	4,361	28,468
Shareholders' equity		
Share capital (Note 4)	924,733	247,250
Contributed surplus (Note 4)	133,045	-
Deficit	(257,606)	(31,700)
	800,172	215,550
Total liabilities and shareholders' equity	804,533	244,018

Nature of operations – Note 1

APPROVED BY THE DIRECTORS

"Cam White" Director

"Claudia Tornquist" Director

Railtown Capital Corp.

Condensed Interim Statement of Loss and Comprehensive Loss

For the three and nine months ended August 31, 2021 and period from June 22, 2020 (Date of Incorporation) to August 31, 2020

(Unaudited - expressed in Canadian dollars)

	Three months ended August 31, 2021	Period from June 22, 2020 to August 31, 2020	Nine months ended August 31, 2021	Period from June 22, 2020 to August 31, 2020
	\$	\$	\$	\$
Expenses				
Consulting fees	6,000	-	21,000	-
Filing fees	347	-	21,736	-
General office and administration	-	-	946	-
Interest and bank charges	210	20	571	20
Professional fees	4,462	6,843	85,565	6,843
Share-based compensation	-	-	96,088	-
Loss and comprehensive loss for the period	(11,019)	(6,863)	(225,906)	(6,863)
Loss per share				
Basic and diluted	(0.00)	(0.10)	(0.02)	(0.10)
Weighted average number of shares outstanding				
Basic and diluted	13,000,000	71,429	11,277,372	71,429

Railtown Capital Corp.
Condensed Interim Statement of Cash Flows

For the nine months ended August 31, 2021 and period from June 22, 2020 (Date of Incorporation) to August 31, 2020

(Unaudited - expressed in Canadian dollars)

	Nine months ended August 31, 2021	Period from June 22, 2020 to August 31, 2020
	\$	\$
Cash (used in) provided by:		
Operating activities		
Loss for the period	(225,906)	(6,863)
Items not affecting cash:		
Share-based compensation	96,088	-
Change in non-cash working capital items:		
Accounts payable and accrued liabilities	(24,107)	9,593
Net cash (used in) provided by operating activities	(153,925)	2,730
Financing activities		
Issuance of shares	800,000	250,000
Cash share-issuance costs	(85,560)	(2,750)
Deferred share issuance costs	15,000	-
Net cash provided by financing activities	729,440	247,250
Increase in cash	575,515	249,980
Cash - beginning of period	229,018	-
Cash - end of period	804,533	249,980

Railtown Capital Corp.

Condensed Interim Statement of Changes in Equity

For the nine months ended August 31, 2021 and period from June 22, 2020 (Date of Incorporation) to August 31, 2020

(Unaudited - expressed in Canadian dollars)

	Number of common shares	Share capital	Contributed surplus	Accumulated deficit	Total
		\$	\$	\$	\$
Balance, June 22, 2020	-	-	-	-	-
Shares issued pursuant to private placement	5,000,000	250,000	-	-	250,000
Less: Share-issuance costs	-	(2,750)	-	-	(2,750)
Loss for the period	-	-	-	(6,863)	(6,863)
Balance, August 31, 2020	5,000,000	247,250	-	(6,863)	240,387
Loss for the period	-	-	-	(24,837)	(24,837)
Balance, November 30, 2020	5,000,000	247,250	-	(31,700)	215,550
Shares issued pursuant to initial public offering (Note 4)	5,000,000	500,000	-	-	500,000
Shares issued pursuant to private placement (Note 4)	3,000,000	300,000	-	-	300,000
Less: Share-issuance costs	-	(122,517)	36,957	-	(85,560)
Share-based compensation	-	-	96,088	-	96,088
Loss for the period	-	-	-	(225,906)	(225,906)
Balance, August 31, 2021	13,000,000	924,733	133,045	(257,606)	800,172

The accompanying notes are an integral part of these condensed interim financial statements

Railtown Capital Corp.

Notes to the Condensed Interim Financial Statements

For the three and nine months ended August 31, 2021 and period from June 22, 2020 (Date of Incorporation) to August 31, 2020

(Unaudited - expressed in Canadian dollars)

1. Nature of operations and going concern

Railtown Capital Corp. (the "Company") was incorporated pursuant to the provisions of the Business Corporations Act of British Columbia on June 22, 2020. The Company listed on the TSX Venture Exchange ("TSXV") and classified as a capital pool company as defined by TSXV Policy 2.4 ("Policy 2.4"). The Company's objective is to complete a Qualifying Transaction ("QT") as defined under Policy 2.4 by identifying and evaluating potential business acquisitions and to subsequently negotiate acquisition or participation agreements subject to regulatory and shareholder approvals. The shares in the Company were listed on the TSXV on February 1, 2021 under the trading symbol "RLT.P". These condensed interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

The Company's corporate office is located at Suite 2200 - 885 West Georgia Street, Vancouver, BC V6C 3E8.

2. Basis of preparation

Statement of compliance

These condensed interim financial statements have been presented in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"), effective for the Company's reporting for the period ended August 31, 2021 including IAS 34, *Interim Financial Reporting*.

Basis of measurement and functional currency

These condensed interim financial statements have been prepared on a historical cost basis, except for any financial assets and liabilities held at fair value, as explained in the accounting policies set out below. These condensed interim financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

These condensed interim financial statements were approved by the board of directors on October 14, 2021.

3. Accounting policies and judgements

These condensed interim financial statements have been prepared on a basis consistent with the significant accounting policies disclosed in the annual financial statements for the period ended November 30, 2020 with the exception of the share-based compensation accounting policy and related estimate as this was not applicable to the financial statements for the period ended November 30, 2020.

Share-based compensation

The fair value of the share-based compensation awards is determined at the grant date using the Black-Scholes option pricing model. The fair value of the award is charged to the Statement of Loss and Comprehensive Loss (unless they are considered to be share issuance costs in which case they are booked as a reduction to share

Railtown Capital Corp.

Notes to the Condensed Interim Financial Statements

For the three and nine months ended August 31, 2021 and period from June 22, 2020 (Date of Incorporation) to August 31, 2020

(Unaudited - expressed in Canadian dollars)

capital) and credited to contributed surplus (within Shareholders' Equity on the Statement of Financial Position) ratably over the vesting period, after adjusting for the number of awards that are expected to vest. The expense for forfeited awards previously recognized are reversed. For awards that are cancelled, any expense not yet recognized is recognized immediately in the Statement of Loss and Comprehensive Loss. Where the terms of an equity-settled award are modified, as a minimum an expense recognized for any modification which increases the total fair value of the share-based payment arrangement as measured at the date of modification, over the remainder of the vesting period.

Management uses the Black-Scholes option pricing model to determine the fair value of employee stock options. This model required assumptions of the expected future price volatility of the Company's common shares, expected life of the options, future risk-free interest rates and the dividend yield of the Company's common shares.

Accounting standards issued but not yet effective

There are no accounting pronouncements with future effective dates that are applicable or are expected to have a material impact on the Company's financial statements.

4. Share capital

a) Authorized: Unlimited common shares without par value.

b) Shares issued

Common shares: 13,000,000 (November 30, 2020 – 5,000,000).

During the period ended August 31, 2021, the Company:

- Completed its initial public offering (the "Offering" or "IPO") on January 28, 2021, issuing 5,000,000 common shares ("Common Shares") in the capital of the Company at a price of \$0.10 per Common Share for gross proceeds of \$500,000. Pursuant to the completion of the IPO, the Company issued 500,000 agents' warrants, each warrant exercisable into one Common Share at an exercise price of \$0.10, expiring 60 months from the date that the Common Shares are listed on the TSXV; and
- Concurrent with the IPO, the Company completed a non-brokered private placement, issuing 3,000,000 common shares at a price of \$0.10 per Common Share for gross proceeds of \$300,000.

During the period ended November 30, 2020, the Company:

- Completed a non-brokered private placement by issuing 5,000,000 common shares at \$0.05 per share for gross proceeds of \$250,000 on August 31, 2020.

c) Stock options

The Company adopted a stock option plan whereby the Company may grant options with a maximum term of ten years, for up to 10% of the Company's issued and outstanding common shares, to directors, officers, employees and consultants at exercise prices to be determined by the market value on the date of grant. The number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares, and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Incentive stock options issued have an immediate vesting term, unless vesting is imposed by the Company's board of directors.

Railtown Capital Corp.

Notes to the Condensed Interim Financial Statements

For the three and nine months ended August 31, 2021 and period from June 22, 2020 (Date of Incorporation) to August 31, 2020

(Unaudited - expressed in Canadian dollars)

The Company's share options outstanding as at August 31, 2021 and November 30, 2020 and the changes for the periods then ended are as follows:

	Number	Weighted average exercise price
		\$
Balance as at November 30, 2020	-	-
Granted – January 28, 2021	1,300,000	0.10
Balance as at August 31, 2021	1,300,000	0.10

The following table summarizes information about the share options as at August 31, 2021:

Exercise price per share of options outstanding	Number of options outstanding	Weighted average remaining life (years)	Number of options exercisable	Expiry date
\$0.10	1,300,000	9.42	1,300,000	January 28, 2031

The Company recorded share-based compensation expense of \$96,088 during the nine months ended August 31, 2021. The fair value of options recognized in the period has been estimated using the Black-Scholes Pricing Model with the following assumptions on the grant date of the options:

	2021
Risk-free rate	0.41%
Expected life of options (years)	5 years
Annualized Volatility	100%
Grant date fair value per option	\$0.07
Dividend rate	Nil
Forfeiture rate	Nil

d) Warrants

The Company's warrants outstanding as at August 31, 2021 and November 30, 2020 and the changes for the periods then ended are as follows:

	Number	Weighted average exercise price
		\$
Balance as at November 30, 2020	-	-
Granted – January 28, 2021	500,000	0.10
Balance as at August 31, 2021	500,000	0.10

The following table summarizes information about the warrants as at August 31, 2021:

Exercise price per share of warrants outstanding	Number of warrants outstanding	Weighted average remaining life (years)	Expiry date
\$0.10	500,000	4.41	January 28, 2026

Railtown Capital Corp.

Notes to the Condensed Interim Financial Statements

For the three and nine months ended August 31, 2021 and period from June 22, 2020 (Date of Incorporation) to August 31, 2020

(Unaudited - expressed in Canadian dollars)

The fair value of warrants recognized in the period has been estimated using the Black-Scholes Pricing Model with the following assumptions on the grant date of the warrants:

	2021
Risk-free rate	0.41%
Expected life of options (years)	5 years
Annualized Volatility	100%
Grant date fair value per warrant	\$0.07
Dividend rate	Nil
Forfeiture rate	Nil

5. Related party transactions

The Company's related parties consist of the Company's directors and officers, and any companies associated with them. During the three and nine months ended August 31, 2021, the Company entered into the following transactions with related parties:

- Effective January 28, 2021 the Company issued a total of 1,300,000 incentive stock options to directors and officers of the Company in accordance with the terms of the Company's stock option plan. The options are exercisable for up to 10 years at a price of \$0.10 per share.

The Company recognized \$nil and \$96,088 in share-based compensation as a result of the grant of the options.

Key management includes directors and executive officers of the Company. During the three and nine months ended August 31, 2021 and period ended August 31, 2020, no other compensation was paid or payable for key management services.

6. Financial instruments and risk management

Classification of financial instruments

The Company's financial instruments consist of cash and accounts payable. These financial instruments are classified as financial assets and liabilities at amortized cost and are reported at amortized cost.

The classification of the financial instruments as well as their carrying values as at August 31, 2021 is shown in the table below

At August 31, 2021	Assets – Amortized cost	Liabilities – Amortized cost	Total
	\$	\$	\$
Financial assets			
Cash	804,533	-	804,533
Total financial assets	804,533	-	804,533
Financial liabilities			
Accounts payable and accrued liabilities	-	4,361	4,361
Total financial liabilities	-	4,361	4,361

Railtown Capital Corp.

Notes to the Condensed Interim Financial Statements

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(Unaudited - expressed in Canadian dollars)

The classification of the financial instruments as well as their carrying values as at November 30, 2020 is shown in the table below

At November 30, 2020	Assets – Amortized cost	Liabilities – Amortized cost	Total
	\$	\$	\$
Financial assets			
Cash	229,018	-	229,018
Total financial assets	229,018	-	229,018
Financial liabilities			
Accounts payable and accrued liabilities	-	28,468	28,468
Total financial liabilities	-	28,468	28,468

Note that the fair values approximate the carrying values due to their short-term nature.

Financial and capital risk management

The Company examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include foreign currency risk, interest rate risk, credit risk, and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors.

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

Discussions of risks associated with financial assets and liabilities are detailed below:

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a cash loss is limited as the Company's liabilities are non-interest bearing. As at August 31, 2021, the Company is not exposed to any significant interest rate risk.

b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company considers credit risk with respect to its cash to be immaterial as cash is held through large Canadian financial institutions.

c) Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due. The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows, as well as anticipated investing and financing activities. Accounts payable and accrued liabilities have contractual maturities of 30 days or are due on demand, and are subject to normal trade terms. The Company has working capital of \$800,172 at August 31, 2021.

Railtown Capital Corp.

Notes to the Condensed Interim Financial Statements

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(Unaudited - expressed in Canadian dollars)

7. Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern. In the management of capital, the Company includes its components of shareholders' equity.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital and deficit. The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, issuing new debt, or acquiring or disposing of assets, and controlling the capital expenditures program. The Company does not have a source of revenue. As such, the Company is dependent on external financing to fund its activities. In order to pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

Management reviews its capital management policies on an ongoing basis. The Company is not subject to any externally imposed capital requirements.