
Railtown Capital Corp.
(a capital pool company)

Financial Statements

For the year ended November 30, 2021 and period from June 22, 2020 (Date of Incorporation) to
November 30, 2020
(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Railtown Capital Corp.:

Opinion

We have audited the financial statements of Railtown Capital Corp. (the "Company"), which comprise the statement of financial position as at November 30, 2021 and the statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit 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 audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of Railtown Capital Corp. for the year ended November 30, 2020 were audited by another auditor who expressed an unmodified audit opinion on those statements on January 8, 2021.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Brent Wolfe.

Vancouver, British Columbia

March 9, 2022


Chartered Professional Accountants

Railtown Capital Corp.
Statements of Financial Position
As at November 30, 2021 and 2020
(Expressed in Canadian dollars)

	2021	2020
	\$	\$
Assets		
Current		
Cash	800,499	229,018
Non-current		
Deferred financing costs	-	15,000
Total assets	800,499	244,018
Liabilities		
Current		
Accounts payable and accrued liabilities	5,728	28,468
Shareholders' equity		
Share capital (Note 4)	924,733	247,250
Contributed surplus (Note 4)	133,045	-
Deficit	(263,007)	(31,700)
	794,771	215,550
Total liabilities and shareholders' equity	800,499	244,018

Nature of operations– Note 1

APPROVED BY THE DIRECTORS

“Cam White” Director

“Claudia Tornquist” Director

Railtown Capital Corp.

Statements of Loss and Comprehensive Loss

For the year ended November 30, 2021 and period from June 22, 2020 (Date of Incorporation) to November 30, 2020

(Expressed in Canadian dollars)

	2021	2020
	\$	\$
Expenses		
Consulting fees	21,000	-
Filing fees	22,442	2,625
General office and administration	1,392	395
Interest and bank charges	808	136
Professional fees	89,577	28,544
Share-based compensation	96,088	-
Loss and comprehensive loss for the period	(231,307)	(31,700)
Loss per share		
Basic and diluted	(0.02)	(0.01)
Weighted average number of shares outstanding		
Basic and diluted	11,706,849	2,826,087

Railtown Capital Corp.

Statements of Cash Flows

For the year ended November 30, 2021 and period from June 22, 2020 (Date of Incorporation) to November 30, 2020

(Expressed in Canadian dollars)

	2021	2020
	\$	\$
Cash (used in) provided by:		
Operating activities		
Loss for the period	(231,307)	(31,700)
Items not affecting cash:		
Share-based compensation	96,088	-
Change in non-cash working capital items:		
Accounts payable and accrued liabilities	(22,740)	25,718
Net cash used in operating activities	(157,959)	(5,982)
Financing activities		
Issuance of shares	800,000	250,000
Cash share issuance costs	(70,560)	-
Deferred share issuance costs	-	(15,000)
Net cash provided by financing activities	729,440	235,000
Increase in cash	571,481	229,018
Cash - beginning of period	229,018	-
Cash - end of period	800,499	229,018

Railtown Capital Corp.
Statements of Changes in Equity

For the year ended November 30, 2021 and period from June 22, 2020 (Date of Incorporation) to November 30, 2020
(Expressed in Canadian dollars)

	Number of common shares	Share capital	Contributed surplus	Accumulated deficit	Total
	#	\$	\$	\$	\$
Balance, June 22, 2020	-	-		-	-
Shares issued pursuant to private placements (Note 4)	5,000,000	250,000		-	250,000
Less: Share-issuance costs	-	(2,750)		-	(2,750)
Loss for the period	-	-		(31,700)	(31,700)
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 year	-	-		(231,307)	(231,307)
Balance, November 30, 2021	13,000,000	924,733	133,045	(263,007)	794,771

The accompanying notes are an integral part of these financial statements

Railtown Capital Corp.

Notes to the Financial Statements

For the year ended November 30, 2021 and period from June 22, 2020 (Date of Incorporation) to November 30, 2020

(Expressed in Canadian dollars)

1. Nature of operations

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".

On February 19, 2021, the Company signed a non-binding letter of intent (the "LOI") with Sparx Technology Inc. ("Sparx"), an arm's length private company incorporate under the laws of Canada, to effect a transaction that would have resulted in a reverse takeover of Railtown by Sparx (the "Sparx Transaction"). On May 17, 2021, the Company announced that the LOI between Railtown and Sparx had been terminated by mutual consent.

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. To date there has been significant stock market volatility, significant volatility in foreign exchange markets, and restrictions on the conduct of business in many jurisdictions and the global movement of people. There remains ongoing uncertainty surrounding COVID19 and the extent of the impacts that it may have on the Corporation's ability to close a QT which could have an adverse impact on the Corporation's financial position, and cash flows.

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 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 International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended November 30, 2021.

Basis of measurement and functional currency

These financial statements have been prepared on a historical cost basis. In addition, the financial statements have been prepared using the accrual basis of accounting except for cash flow disclosure. These financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

These financial statements were approved by the board of directors on March 8, 2022.

Railtown Capital Corp.

Notes to the Financial Statements

For the year ended November 30, 2021 and period from June 22, 2020 (Date of Incorporation) to November 30, 2020

(Expressed in Canadian dollars)

3. Accounting policies

These financial statements have been prepared using the following accounting policies:

Financial instruments

a) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

b) Measurement

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. Cash, accounts payable and accrued liabilities are measured at amortized cost.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

c) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

Railtown Capital Corp.

Notes to the Financial Statements

For the year ended November 30, 2021 and period from June 22, 2020 (Date of Incorporation) to November 30, 2020

(Expressed in Canadian dollars)

3. Accounting policies (continued)

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

d) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss and comprehensive loss.

Financial liabilities

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

Cash

Cash includes cash on hand readily convertible into a known amount of cash and can be redeemed at any time without penalties, and amounts held in trust.

Share capital

The Company's common shares, and any future offerings of share warrants and options are classified as equity instruments. Incremental costs directly related to the issue of new shares are shown in equity as a deduction from the proceeds.

Share-based compensation

The fair value of 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 share issuance costs in which case they are booked as a reduction to share 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.

Deferred financing costs

Costs directly identifiable with the raising of capital are charged against the related capital stock. Costs related to shares not yet issued are recorded as deferred financing costs. These costs are presented as other assets until the issuance of the shares, to which the costs relate, at which time the costs are charged against the related share capital or charged to operations if the shares are not issued.

Railtown Capital Corp.

Notes to the Financial Statements

For the year ended November 30, 2021 and period from June 22, 2020 (Date of Incorporation) to November 30, 2020

(Expressed in Canadian dollars)

3. Accounting policies (continued)

Income taxes

Income taxes comprises both current and deferred tax. Income tax is recognized in the statement of loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case the income tax is also recognized in other comprehensive income or directly in equity.

Current income taxes are the expected taxes payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to taxes payable in respect of previous years.

The Company accounts for potential future net tax assets which are attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and which are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, no net asset is recognized. No potential income tax assets of the Company have been recognized.

Loss per share

Basic loss per share is calculated by dividing the loss for the period available to common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. Basic and diluted loss per share are the same for the periods presented. The Company uses the treasury stock method of calculating fully diluted loss per share amounts, whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Critical judgments in applying accounting policies

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies with the most significant effect on the amounts recognized in the Company's financial statements are as follows:

a) Going concern

In preparing these financial statements on a going concern basis, Management's critical judgment is that the Company will be able to meet its obligations and continue its operations for the next twelve months. As at November 30, 2021, the Company had a deficit of \$263,007 (2020 - \$31,700), net income of \$231,307 (2020 - \$31,700) and working capital of \$794,771 (2020 - \$200,550). The Company estimates it has sufficient funds to continue operations for the next 12 months.

Key sources of estimation uncertainty

The preparation of financial statements requires that the Company's management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Actual future outcomes could differ from present estimates and assumptions, potentially having material future effects on the Company's financial statements. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

Railtown Capital Corp.

Notes to the Financial Statements

For the year ended November 30, 2021 and period from June 22, 2020 (Date of Incorporation) to November 30, 2020
(Expressed in Canadian dollars)

3. Accounting policies (continued)

a) Deferred income taxes

Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates at the reporting date in effect for the period in which the temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized as part of the provision for income taxes in the period that includes the enactment date. The recognition of deferred income tax assets is based on the assumption that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

b) Share-based compensation

Management uses the Black-Scholes option pricing model to determine the fair value of employee stock options. This model requires 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.

4. Share capital

a) Authorized: Unlimited common shares without par value.

b) Shares issued

Common shares: 13,000,000 (2020 – 5,000,000)

During the year ended November 30, 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 paid \$85,560 in cash share issuance costs and 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 Financial Statements

For the year ended November 30, 2021 and period from June 22, 2020 (Date of Incorporation) to November 30, 2020

(Expressed in Canadian dollars)

4. Share capital (continued)

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

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

The following table summarizes information about the share options as at November 30, 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	9.17	1,300,000	January 28, 2031

The Company recorded share-based compensation expense of \$96,088 during the year ended November 30, 2021 (2020 - \$nil). The fair value of options recognized in the year has been estimated using the Black-Scholes option 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 November 30, 2021 and 2020 and the changes for the year and period then ended are as follows:

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

The following table summarizes information about the warrants as at November 30, 2021:

Exercise price per share of warrants outstanding	Number of warrants outstanding	Weighted average remaining life (years)	Expiry date
\$0.10	500,000	4.16	January 28, 2026

Railtown Capital Corp.
Notes to the Financial Statements

For the year ended November 30, 2021 and period from June 22, 2020 (Date of Incorporation) to November 30, 2020
(Expressed in Canadian dollars)

4. Share capital (continued)

The fair value of warrants recognized in the year has been estimated using the Black-Scholes option 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. Income taxes

A reconciliation between the Company's income tax provision computed at statutory rates to the reported income tax provision is as follows:

	November 30, 2021	November 30, 2020
	\$	\$
Loss for the year before income tax recovery	(231,307)	(31,700)
Statutory tax rate	27.00%	27.00%
Expected income tax recovery	(62,453)	(8,559)
Share issuance costs and other	(33,079)	(743)
Share-based compensation	25,944	-
Non-deductible items	16,601	-
Change in non-recognized deferred tax assets	52,987	9,302
Income tax recovery	-	-

Deferred taxes reflect the tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax values. The unrecognized deductible temporary differences as at November 30, 2021 and 2020 are comprised of the following:

	November 30, 2021	November 30, 2020
		\$
Unrecognized deductible temporary differences and tax losses		
Losses carried forward	131,038	32,250
Share-issuance costs	99,664	2,200
Total unrecognized deductible temporary differences and tax losses	230,702	34,450

As at November 30, 2021, the Company has estimated non-capital losses for Canadian income tax purposes of \$131,038 (2020 - \$32,350) that may be carried forward to reduce taxable income derived in future years. The Canadian non-capital losses expire in 2040-2041.

Railtown Capital Corp.

Notes to the Financial Statements

For the year ended November 30, 2021 and period from June 22, 2020 (Date of Incorporation) to November 30, 2020

(Expressed in Canadian dollars)

6. Related party transactions

The Company's related parties consist of the Company's directors and officers, and any companies associated with them. During the year ended November 30, 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 \$96,088 in share-based compensation as a result of the grant of the options.

During the period from the date of incorporation on June 22, 2020 to November 30, 2020, the Company did not enter into any transactions with related parties.

Key management includes directors and executive officers of the Company. During the year ended November 30, 2021 and period ended November 30, 2020, no other compensation was paid or payable to key management for employee services.

7. 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 November 30, 2021 is shown in the table below:

At November 30, 2021	Assets – Amortized cost	Liabilities – Amortized cost	Total
	\$	\$	\$
Financial assets			
Cash	800,499	-	800,499
Total financial assets	800,499	-	800,499
Financial liabilities			
Accounts payable and accrued liabilities	-	5,728	5,728
Total financial liabilities	-	5,728	5,728

Railtown Capital Corp.

Notes to the Financial Statements

For the year ended November 30, 2021 and period from June 22, 2020 (Date of Incorporation) to November 30, 2020

(Expressed in Canadian dollars)

7. Financial instruments and risk management (continued)

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 November 30, 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 \$794,771 as at November 30, 2021.

Railtown Capital Corp.

Notes to the Financial Statements

For the year ended November 30, 2021 and period from June 22, 2020 (Date of Incorporation) to November 30, 2020

(Expressed in Canadian dollars)

8. 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.