

Impact Acquisitions Corp.
FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

(EXPRESSED IN CANADIAN DOLLARS)



DALE MATHESON CARR-HILTON LABONTE LLP
 CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report

To the Shareholders of Impact Acquisitions Corp.

Opinion

We have audited the financial statements of Impact Acquisitions Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years 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 December 31, 2022 and 2021, and its financial performance and its cash flows for the years 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 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events or conditions, along with other matters, which indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters, that in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

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Other Information

Management is responsible for the other information. The other information comprises the information included in 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 audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, 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, 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 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

April 28, 2023

Impact Acquisitions Corp.
Statements of Financial Position
(Expressed in Canadian Dollars)

As at	Note	December 31, 2022	December 31, 2021
<u>Assets</u>			
Current assets			
Cash and cash equivalents		\$ 246,563	\$ 81,622
Total assets		\$ 246,563	\$ 81,622
<u>Liabilities and Shareholders' Equity</u>			
Current liabilities			
Accounts payable and accrued liabilities	3	\$ 12,687	\$ 34,356
		12,687	34,356
Shareholders' Equity			
Share capital	4	368,530	140,000
Option Reserve	4	65,750	-
Accumulated deficit		(200,404)	(92,734)
Total Shareholders' Equity		233,876	47,266
Total Liabilities and Shareholders' Equity		\$ 246,563	\$ 81,622

Going concern (Note 1)

These financial statements were approved for issue by the Board of Directors on April 28, 2023 and signed on its behalf by:

 "Itamar David"
 Director

 "Andrew Gertler"
 Director

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

Impact Acquisitions Corp.
Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	For the year ended December 31, 2022		For the year ended December 31, 2021	
Expenses				
Accounting	5	\$ 33,532	\$	13,729
Bank Charges		136		113
Filing and Other Fees		24,039		14,713
Financing Fees		-		10,250
Legal	5	6,628		50,560
Share-based payment	4, 5	43,335		-
		(107,670)		(89,365)
Net and comprehensive loss		\$ (107,670)	\$	(89,365)
Basic and diluted loss per common share		\$ (0.02)	\$	(0.05)
Weighted average number of common shares outstanding – basic and diluted		5,249,315		1,798,356

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

Impact Acquisitions Corp.
Statements of Changes in Shareholder's Equity
(Expressed in Canadian Dollars)

	Share Capital		Option Reserve	Deficit	Total Shareholder's Equity (Deficiency)
	Number of Shares	Amount			
Balance, December 31, 2020	1	\$ -	\$ -	\$ (3,369)	\$ (3,369)
Cancellation of Incorporation share	(1)	-	-	-	-
Proceeds for shares issued	2,800,000	140,000	-	-	140,000
Net Loss	-	-	-	(89,365)	(89,365)
Balance, December 31, 2021	2,800,000	140,000	-	(92,734)	47,266
Shares issued for cash	3,000,000	300,000	-	-	300,000
Share issuance costs	-	(71,470)	22,415	-	(49,055)
Share-based payment	-	-	43,335	-	43,335
Net loss	-	-	-	(107,670)	(107,670)
Balance, December 31, 2022	5,800,000	\$ 368,530	\$ 65,750	\$ (200,404)	\$ 233,876

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

Impact Acquisitions Corp.
Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the Year ended December 31, 2022	For the Year ended December 31, 2021
Cash flows from operating activities		
Net loss	\$ (107,670)	\$ (89,365)
Item not involving cash: Share-based payment	43,335	-
Change in non-cash working capital item Accounts payable and accrued liabilities	(21,669)	31,005
Net cash used by operating activities	(86,004)	(58,360)
Cash flows from financing activities		
Proceeds from the issuance of shares, net of issuance costs	250,945	140,000
Net cash provided by financing activities	250,945	140,000
Increase in cash	164,941	81,640
Cash and cash equivalents, beginning	81,622	(18)
Cash and cash equivalents, ending	\$ 246,563	\$ 81,622
Supplemental cash flow information:		
Issuance of agent's options	\$ 22,415	\$ -
Cash and cash equivalent consist of the following:		
Cash held in banks	\$ 16,563	\$ 81,622
Guaranteed investment certificates	230,000	-
	\$ 246,563	\$ 81,622

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

Impact Acquisitions Corp.
Notes to the Financial Statements
For the Years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN

Impact Acquisitions Corp. (the "Company") was incorporated on December 5, 2019 under the Business Corporations Act (British Columbia). The Company is a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange (the "Exchange") Policy 2.4. The principal business of the Company is the identification and evaluation of assets or business with a view to potentially acquire them or an interest therein by an option or any concomitant transaction. The purpose of such acquisition is to satisfy the related conditions of a qualifying transaction under the policies of the Exchange ("Qualifying Transaction").

On March 9, 2022, the Company completed of its initial public offering (the "IPO") of 3,000,000 common shares at the price of \$0.10 per common share. The common shares of the Company commenced trading on the Exchange on March 11, 2022, under the trading symbol IMPC.P. The head office, principal address and registered office of the Company are located at Suite 501-3292 Production Way, Burnaby, Canada.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The proposed business of the Company, and the completion of a Qualifying Transaction, involves a high degree of risk. There is no assurance that the Company will identify an appropriate business for acquisition or investment, and even if so identified and warranted, it may not be able to finance such an acquisition or investment within the requisite time period. Additional funds will be required to enable the Company to pursue such an initiative, and the Company may be unable to obtain such financing on terms which are satisfactory to it. Furthermore, there is no assurance that the business will be profitable.

These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position. These financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these financial statements, adjustments would be necessary to the statement of financial position classifications used. Such adjustments could be material.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

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").

These financial statements were authorized for issue by the Company's Board of Directors on April 28, 2023.

Basis of presentation

These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and 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. The accounting policies set out below have been applied consistently to the period presented in these financial statements.

Impact Acquisitions Corp.
Notes to the Financial Statements
For the Years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

The financial statements are presented in Canadian dollars, unless otherwise noted.

Cash and cash equivalent

Cash is comprised of cash on hand, cash held in trust accounts and demand deposits. Cash equivalents are short-term, highly liquid investments with maturities within 12 months when acquired or cashable on demand without penalty.

Share-based payments

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Income tax

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

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

Impact Acquisitions Corp.
Notes to the Financial Statements
For the Years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss per share

Basic loss per share is calculated by dividing the statement of loss and comprehensive loss by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the statement of loss and comprehensive loss and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees and warrants outstanding. The weighted average number of diluted shares is calculated in accordance with the treasury stock method. The treasury stock method assumes that the proceeds received from the exercise of all potentially dilutive instruments are used to repurchase common shares at the average market price during the period.

Financial instruments

All financial assets are initially recorded at fair value and classified into one of three categories: fair value through profit or loss (“FVTPL”), fair value through other comprehensive income (“FVTOCI”) and at amortized costs. All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities. The Company’s financial instruments comprise due from related parties and accounts payable and accrued liabilities.

a) Financial assets

Classification and measurement

The Company classifies its financial assets in the following categories: FVTPL, FVTOCI or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The classification of debt instruments is driven by the business model for managing the financial assets and their contractual cash flow characteristics. Debt instruments are measured at amortized cost if the business model is to hold the instrument for collection of contractual cash flows and those cash flows are solely principal and interest. If the business model is not to hold the debt instrument, it is classified as FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Equity instruments that are held for trading (including all equity derivative instruments) 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 assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the income statement in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Financial assets at FVTOCI

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 arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Impact Acquisitions Corp.
Notes to the Financial Statements
For the Years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

a) Financial assets (continued)

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. At each reporting date, the loss allowance for the financial asset is measured 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 loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Derecognition of financial assets

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the income statement. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

b) Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

FVTPL - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities - This category consists of liabilities carried at amortized cost using the effective interest method. Accounts payable and accrued liabilities are included in this category. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the year. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts are as follows:

Deferred income tax

The Company recognizes the deferred tax benefit of deferred tax assets to the extent their recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions from deferred tax assets.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Impact Acquisitions Corp.
Notes to the Financial Statements
For the Years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Going Concern

The assumption that the Company is a going concern and will continue in operation for the foreseeable future and at least one year.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

NOTE 3 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2022	December 31, 2021
Accounts payable	\$ 4,287	\$ 31,856
Accrued liabilities	8,400	2,500
	<u>\$ 12,687</u>	<u>\$ 34,356</u>

NOTE 4 – SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

On March 9, 2022, the Company completed its initial public offering (the “IPO”) of 3,000,000 common shares at the price of \$0.10 per common share for gross proceeds of \$300,000.

A cash commission equal to 10% of the gross proceeds, a corporate finance fee of \$10,500 and legal fees incurred pursuant to the IPO were paid to PI Financial Corp. (“the Agent”) from the gross proceeds and were classified as share issuance costs. The Company recorded \$71,470 in share issuance costs.

As part of the Agreement, the Agent received one non-transferable option to acquire up to 300,000 common shares at a price of \$0.10 per share for a period of 60 months from the date the Company’s common shares were listed on the Exchange (March 11, 2022), in consideration for its services as the Company’s agent. The fair value of the agent options of \$22,415 is included in share issuance costs and was estimated using the Black-Scholes Option Pricing Model with the following assumptions: no expected dividends to be paid; volatility of 100% based on industry standard for comparable companies without a historical volatility; risk-free interest rate of 1.65%; and expected life of 5 years.

During the year ended December 31, 2021, the Company issued 2,800,000 common shares (“Founders’ Shares”) at a price of \$0.05 per share for gross proceeds of \$140,000, of which 2,100,000 common shares were issued to the directors of the Company.

The proceeds raised from the issuance of Founders’ Shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that \$3,000 per month may be used to cover administrative and general expenses of the Company. These restrictions may apply until completion of a Qualifying Transaction by the Company as defined under the policies of the Exchange. The 2,800,000 common shares are held in escrow until the completion of a Qualifying Transaction.

Impact Acquisitions Corp.
Notes to the Financial Statements
For the Years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

NOTE 4 – SHARE CAPITAL (continued)

Stock Options

During the year ended December 31, 2021, the Company adopted a stock option plan providing for the grant to the Company’s officers, directors, employees and permitted consultants and management company employees of options to purchase common shares of the Company. Under the Stock Option Plan, the Company may grant options to purchase up to 10% of the issued and outstanding shares of the Company.

As at December 31, 2022, the Company has the following stock options outstanding:

	Number of Stock options	Weighted average exercise price \$
Outstanding at, December 31, 2020 and 2021	-	-
Granted – Agent options	300,000	0.10
Granted – Stock options	580,000	0.10
Outstanding and Exercisable at December 31, 2022	880,000	0.10

As at December 31, 2022, the weighted average remaining life of the stock options is 4.19 years.

On March 9, 2022, the Company granted incentive stock options to its directors and officers to acquire up to an aggregate of 580,000 shares with an exercise price of \$0.10 per share and expiry date of March 9, 2027. The fair value of the options was estimated using the Black-Scholes Option Pricing Model the following assumptions: no expected dividends to be paid; volatility of 100% based on industry standard for comparable companies without a historical volatility; risk-free interest rate of 1.65%; and expected life of 5 years. During the period ended December 31, 2022, the Company recognized \$43,335 of share-based payment expense.

NOTE 5 – RELATED PARTY TRANSACTIONS

Key management personnel include those persons who are responsible for planning, directing, and controlling the activities of the Company. The Company has determined that key management personnel consist of members of the Company’s Board of Directors and Corporate Officers. All related party transactions are carried out in the normal course of operation. As at December 31, 2022, \$3,675 (December 31, 2021 - \$31,856) owing to related parties, accounted for in accounts payable and accrued liabilities.

During the year ended December 31, 2021, the Company issued 2,100,000 common shares to directors at \$0.05 per share for proceeds of \$105,000.

During the year ended December 31, 2022, the Company incurred

- \$18,312 (December 31, 2021 - \$50,560) in legal fees to a law firm where a former director of the Company is a partner of which \$12,626 (December 31, 2021 – Nil) is related to share issuance costs; and
- \$12,337 (December 31, 2021 - \$11,229) in accounting fees to a company owned by an officer of the Company; and
- \$43,335 (December 31, 2021 - Nil) in share-based payments related to stock options granted to officers and directors of the Company.

Impact Acquisitions Corp.
Notes to the Financial Statements
For the Years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

NOTE 6 – CAPITAL MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity which is comprised of issued share capital and retained earnings. The Company manages its capital structure and makes adjustments to it in light of economic conditions.

The Company's primary source of capital is through the issuance of common shares. The Company manages and adjusts its capital structure when changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek additional funding. The Company may require additional capital resources to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required in the long term but recognizes there will be risks involved that may be beyond its control.

While the Company is a CPC it is subject to externally imposed capital requirements under the policies and regulation of the Exchange applicable to CPC entities. In summary, the Company is required to use its available funds to identify and complete a Qualifying Transaction and fund reasonable general and administrative costs, including costs related to the initial public offering of the CPC. There are prohibitions under the policies and regulations of the Exchange to use available funds for payments to non-arm's length parties in the form of compensation such as salaries, consulting fees and bonuses.

NOTE 7 – FINANCIAL INSTRUMENTS

Financial Instruments

The Company's financial instruments consist of cash, bank indebtedness and accounts payable and accrued liabilities. Cash and bank indebtedness are measured at fair value through profit and loss ("FVTPL"). The carrying value of accounts payable and accrued liabilities approximate their fair value largely due to the short-term maturities of these instruments. The fair value of the financial assets and financial liabilities are included at the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Fair values of quoted instruments are based on price quotations at the reporting date. The fair value of unquoted instruments and liabilities measured at amortized cost are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk, and maturities.

Fair value hierarchy

As at December 31, 2022, the Company held the following financial instruments measured at fair value: cash (level 1).

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the year ended December 31, 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Impact Acquisitions Corp.
Notes to the Financial Statements
For the Years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

NOTE 7 – FINANCIAL INSTRUMENTS (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's financial assets consist of cash. The Company's maximum exposure to credit risk, as at period-end, is the carrying value of its financial assets. The Company mitigates credit risk by holding financial instruments within financial institutions of high creditworthiness.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they come due. The Company currently settles its financial obligations with cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at December 31, 2022, the Company had a cash balance of \$246,563 (December 31, 2021 –\$81,622) and outstanding financial liabilities of \$12,687 (December 31, 2021 - \$34,356).

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 Company is not exposed to any significant interest rate risk.

NOTE 8 – INCOME TAXES

A reconciliation of the Company's expected income tax recovery to actual income tax recovery is as follows:

For the year ended	December 31, 2022	December 31, 2021
Net loss	\$ (107,670)	\$ (89,365)
Statutory income tax rate	27%	27%
Expected income tax recovery	(29,071)	(24,129)
Unrecognized deductible temporary differences and other	29,071	24,129
Income tax recovery	\$ -	\$ -

The Company has \$171,390 in non-capital losses carried forward for tax purposes, which can be carried forward until 2041 to be offset against future business income and business capital gains.