

ESG Capital 1 Inc.
Condensed Interim Financial Statements
For the three month period ended September 30, 2021
(Expressed in Canadian Dollars)
(Unaudited)

ESG Capital 1 Inc.
Condensed Interim Statement of Financial Position
(Expressed in Canadian Dollars)
(unaudited)

	Note		September 30, 2021
Assets			
Current			
Cash	5	\$	339,799
Total assets		\$	339,799
Liabilities & Shareholders' Equity			
Current Liabilities			
Accounts payable and accruals		\$	12,190
Total liabilities			12,190
Shareholders' Equity			
Share capital	6	\$	382,871
Contributed surplus			71,438
Deficit			(126,700)
Total shareholders' equity			327,609
Total liabilities and shareholders' equity		\$	399,799

Approved on behalf of the Board of Directors

Signed "*Robert Pollock*"

 Director

Signed "*David Guebert*"

 Director

ESG Capital 1 Inc.
Condensed Interim Statement of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(unaudited)

	Note	For the 3 months ended September 30, 2021	From March 8, 2021 (date of incorporation) to September 30, 2021
Expenses			
Professional fees		\$ 1,745	\$ 35,897
Regulatory and shareholder communications		16,385	31,475
Share based compensation	6	59,328	59,328
Loss and comprehensive loss		\$ 77,459	\$ 126,700
Loss per share (Note 6)			
Basic and Diluted		\$ (0.03)	\$ (0.05)
Weighted average number of shares outstanding	6	2,823,913	2,727,295

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

ESG Capital 1 Inc.
Condensed Interim Statement of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

For the period from March 8, 2021 (date of incorporation) to September 30, 2021

(unaudited)

	Share Capital (#)	Share Capital (\$)	Contributed Surplus (\$)	Deficit (\$)	Shareholders' Equity (\$)
At incorporation date March 8, 2021 (Note 6)		-	-	-	-
Issuance of common shares seed financing	2,650,000	265,000	-	-	265,000
Issuance of common shares in IPO	1,000,000	200,000	-	-	200,000
Share issue costs	-	(82,129)	12,110	-	(70,019)
Stock based compensation	-	-	59,328	-	59,328
Net loss and comprehensive loss	-	-	-	(126,700)	(126,700)
Balance at September 30, 2021	3,650,000	382,871	71,438	(126,700)	327,609

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

ESG Capital 1 Inc.
Condensed Interim Statement of Cash Flows

(Expressed in Canadian Dollars)

*For the period from March 8, 2021 (date of incorporation) to September 30, 2021
(unaudited)*

	Note		From March 8, 2021 (date of incorporation) to September 30, 2021
Cash flows from operating activities:			
Net loss		\$	(126,700)
Stock based compensation			59,328
Change in non-cash working capital:			
Accounts payable and accruals			12,190
Cash flows used in operating activities			(55,182)
Cash flows from financing activities:			
Proceeds from share issuance (net of share issue costs)	6	\$	394,981
Cash flows provided by financing activities			394,981
Increase in cash			339,799
Cash beginning of period			-
Cash end of period		\$	339,799

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

ESG Capital 1 Inc.
Notes to Condensed Interim Financial Statements
(Expressed in Canadian Dollars)
For the three-month ended September 30, 2021
(unaudited)

1. INCORPORATION AND NATURE OF OPERATIONS

ESG Capital 1 Inc. (the "Company") was incorporated on March 8, 2021 by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Ontario). The Company is classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Company is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising of an option or by any concomitant transaction. The purpose of such an acquisition is to satisfy the related conditions of a qualifying transaction under the Exchange rules.

The head office and registered office of the Company is located at Suite 902, 18 King Street East, Toronto, ON, M5C 1C4.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing.

The novel coronavirus ("COVID-19") outbreak was declared a pandemic by the World Health Organization on March 11, 2020. This has resulted in significant economic uncertainty and governments worldwide are enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global financial markets have experienced significant volatility and weakness as a consequence of this economic uncertainty. The duration and impact of the COVID-19 outbreak is unknown as this time, as is the effectiveness of interventions by governments and central banks. The full extent of the impact on the Company's future financial results is uncertain given the length and severity of these developments cannot be reliably estimated.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") on a basis consistent with the accounting, estimation and valuation policies described in the Company's audited Financial Statements as at June 30, 2021. Certain information and disclosures normally required to be included in the notes to the financial statements have been condensed or omitted. These condensed interim financial statements should be read in conjunction with the Company's financial statements as at and for the period ended June 30, 2021, filed under the Company's profile on SEDAR at www.sedar.com.

These condensed interim financial statements were authorized for issue in accordance with a resolution of the directors on December 6, 2021.

Basis of measurement

These condensed interim financial statements are stated in Canadian dollars which is the Company's functional currency and were prepared on a going concern basis, under the historical cost convention except for certain financial instruments that have been measured at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these condensed interim financial statements are consistent with the accounting policies disclosed in Note 3 of the Company's audited financial statements for the period ended June 30, 2021. These condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the period end June 30, 2021.

ESG Capital 1 Inc.
Notes to Financial Statements
(Expressed in Canadian Dollars)

For the three-month period end September 30, 2021

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the condensed interim financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the condensed interim financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates. These condensed interim financial statements have been prepared using the same judgements, estimates and assumptions as reported in the Company's June 30, 2021 audited financial statements.

5. CASH

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to \$3,000 per month may be used to cover prescribed costs of issuing common shares or 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.

6. SHARE CAPITAL

Authorized

Unlimited number of common shares.

Issued

Common Shares

	Number of Shares	\$
Issued at incorporation (i)	-	-
Issued at \$0.10 per share (ii)	2,650,000	265,000
Issued through initial public offering	1,000,000	200,000
As at September 30, 2021	2,650,000	465,000

- (i) One common share was issued on the date of incorporation at a price of \$0.05 which was subsequently cancelled prior to the private placement.
- (ii) Common shares issued are held in escrow until completion of a Qualifying Transaction. 25% of these common shares will be released on the issuance of the Final Exchange Bulletin and an additional 25% will be released on the dates 6 months, 12 months and 18 months following the initial release. These common shares, which are considered contingently issuable until the Company completes a Qualifying Transaction, are not considered to be outstanding for the purpose of the loss per share calculation.
- (iii) On September 14, 2021, the Company completed its initial public offering (the "Offering") of 1,000,000 shares at a price of \$0.20 per share. As consideration for services rendered in connection with the Offering, the Company paid Haywood Securities Inc. (the "Agent") \$15,000 and also granted options to acquire 100,000 common shares for a period of 24 months at an exercise price of \$0.20. These options were valued at the date of issue using the Black Scholes option pricing model with the following assumptions: dividend yield 0%, risk-free rate of 0.40%, expected volatility of 120% and an expected life of two years. The value attributed to these options was \$12,110.

Stock options

The Company has adopted an incentive stock option plan (the "Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers and technical consultants to the Company and Eligible Charitable Organizations, non-transferable options to purchase Common Shares, provided that the number of Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Common Shares as at the date of grant of any such option, and that the exercise period does not exceed 10 years from the date of grant.

The number of Common Shares issuable to any individual director or officer will not exceed 5% of the issued and outstanding Common Shares of the Company as at the date of grant of such option. The number of Common

ESG Capital 1 Inc.

Notes to Financial Statements

(Expressed in Canadian Dollars)

For the three-month period end September 30, 2021

Shares issuable at any given time to all technical consultants in aggregate will not exceed 2% of the issued and outstanding Common Shares of the Company as at the date of grant of such option.

Upon listing, the Company granted 360,000 stock options to its directors and officers at an exercise price of \$0.20 per share for a period of five years from the date of the grant. These options were valued at the date of issue using the Black Scholes option pricing model with the following assumptions: dividend yield 0%, risk-free rate of 0.82%, expected volatility of 120% and an expected life of five years. The value attributed to these options was \$59,328 and is recognized as stock based compensation.

7. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company, as part of its operations, carries financial instruments consisting of cash and accounts payable and accruals. It is management's opinion that the Company is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

Fair value

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.
- Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).
- Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The carrying amount of cash and account payable and accruals approximates its fair value due to the short-term maturities of these items.

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk as its cash balance is held in a lawyer's trust account with a reputable Canadian law firm.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. As at September 30, 2021, the Company has cash of \$339,799 to satisfy obligations of \$12,190 as they come due, as such, is not exposed to significant liquidity risk.

Market risk

Market risk is the risk of loss that results from changes in market prices, market risk is comprised of foreign currency risk, interest rate risk and other price risks.

i. Currency risk

The Company does not have assets or liabilities in a foreign currency and therefore is not exposed to foreign currency risk.

ii. Interest rate risk

The Company's cash is held in an account with a Canadian law firm and is non-interest bearing.

iii. Commodity risk

The Company is not exposed to commodity price risk.

ESG Capital 1 Inc.
Notes to Financial Statements

(Expressed in Canadian Dollars)

For the three-month period end September 30, 2021

8. CAPITAL MANAGEMENT

The Company's capital consists of share capital. The Company's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete an acquisition or other transaction as disclosed in Note 1. The Company sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Company's objectives when managing capital are:

- i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and,
- ii. to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Company is not subject to any externally or internally imposed capital requirements at period-end apart from the requirements of the Exchange.