

**ISRAEL CAPITAL CANADA CORP.**

Condensed Interim Financial Statements

For the nine months ended July 31, 2021 and 2020

(Expressed in Canadian Dollars)

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# ISRAEL CAPITAL CANADA CORP.

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# ISRAEL CAPITAL CANADA CORP.

## NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity's auditors.

September 29, 2021

**ISRAEL CAPITAL CANADA CORP.**

Condensed Interim Statements of Financial Position

(Expressed in Canadian dollars)

	Notes	July 31, 2021	October 31, 2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 363,676	\$ 434,818
Prepaid expenses		2,275	-
<b>Total current assets</b>		<b>365,951</b>	<b>434,818</b>
Deferred charges		23,625	-
<b>Total assets</b>		<b>\$ 389,576</b>	<b>\$ 434,818</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Trade payables and accrued liabilities	4	\$ 6,250	\$ 22,000
Due to related parties	7	12,754	-
Subscriptions	5	35,000	-
<b>Total liabilities</b>		<b>54,004</b>	<b>22,000</b>
<b>Shareholders' equity</b>			
Share capital	6	482,979	482,979
Reserves	6	51,803	51,803
Deficit		(199,210)	(121,964)
<b>Total shareholders' equity</b>		<b>335,572</b>	<b>412,818</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 389,576</b>	<b>\$ 434,818</b>

Nature of Business and Going Concern (Note 1)

Proposed Qualifying Transaction (Note 10)

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

**ISRAEL CAPITAL CANADA CORP.**Condensed Interim Statements of Loss and Comprehensive Loss  
(Expressed in Canadian dollar)

	Note	Three months ended July 31,		Nine months ended July 31,	
		2021	2020	2021	2020
<b>EXPENSES:</b>					
Administrative Fees	7	\$ 4,725	\$ 1,575	\$ 14,175	\$ 1,575
Consulting fees		-	-	7,324	-
Office and miscellaneous		1,469	2,234	2,794	2,263
Professional fees (reclassification)		(5,394)	(16,309)	34,018	13,596
Regulatory fees		1,365	119	16,573	24,741
Share-based compensations	6	-	41,384	-	41,384
Transfer agent fees		1,365	3,898	2,573	3,898
<b>Total Expenses</b>		<b>3,530</b>	<b>32,901</b>	<b>77,457</b>	<b>87,457</b>
<b>Other items:</b>					
Interest Income		(165)	-	(211)	-
<b>Net loss and comprehensive loss for the period</b>		<b>\$ (3,365)</b>	<b>\$ (32,901)</b>	<b>\$ (77,246)</b>	<b>\$ (87,457)</b>
<b>Loss per share</b>					
- Basic and Diluted		<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>	<b>\$ (0.11)</b>
<b>Weighted average shares outstanding</b>					
- Basic and Diluted		<b>3,181,341</b>	<b>2,378,235</b>	<b>3,181,341</b>	<b>801,457</b>

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

**ISRAEL CAPITAL CANADA CORP.**

## Condensed Interim Statement of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

		<u>Share Capital</u>					
	Note	Shares	Amount	Reserves	Deficit	Total Equity	
<b>Balance at October 31, 2019</b>		<b>2,000,000</b>	<b>\$ 100,000</b>	<b>\$ -</b>	<b>\$ (5,383)</b>	<b>\$ 94,617</b>	
Issuance of shares for cash	6	2,000,000	100,000	-	-	100,000	
Initial Public Offering ("IPO")	6	2,000,000	200,000	-	-	200,000	
Shares issued for private placement	6	1,181,341	177,200	-	-	177,200	
Share issuance costs	6	-	(83,854)	-	-	(83,854)	
Fair value of agent's warrants	6	-	(10,419)	10,419	-	-	
Stock-based compensation	6	-	-	41,384	-	41,384	
Net loss for the period		-	-	-	(87,457)	(87,457)	
<b>Balance, July 31, 2020</b>		<b>7,181,341</b>	<b>482,927</b>	<b>51,803</b>	<b>(92,840)</b>	<b>441,890</b>	
Share Issuance costs	6	-	52	-	-	52	
Net loss for the period		-	-	-	(29,124)	(29,124)	
<b>Balance at October 31, 2020</b>		<b>7,181,341</b>	<b>482,979</b>	<b>51,803</b>	<b>(121,964)</b>	<b>412,818</b>	
Net loss for the period		-	-	-	(77,246)	(77,246)	
<b>Balance at July 31, 2021</b>		<b>7,181,341</b>	<b>\$ 482,979</b>	<b>\$ 51,803</b>	<b>\$ (199,210)</b>	<b>\$ 335,572</b>	

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

**ISRAEL CAPITAL CANADA CORP.**Condensed Interim Statements of Cash Flows  
(Expressed in Canadian dollars)

	Nine months ended July 31, 2021	Nine months ended July 31, 2020
<b>CASH FLOWS PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (77,246)	\$ (87,457)
Stock-based compensation	-	41,384
Changes in non-cash working capital items:		
Prepaid expenses	(2,275)	-
Trade payables and accrued liabilities	(15,750)	(3,181)
Due to related parties	12,754	1,575
Net cash used in operating activities	(82,517)	(47,679)
<b>INVESTING ACTIVITIES</b>		
Deferred charges	(23,625)	-
Net cash used in investing activities	(23,625)	-
<b>FINANCING ACTIVITIES</b>		
Subscriptions received	35,000	-
Issuance of common shares, net	-	393,346
Net cash provided by financing activities	35,000	393,346
Change in cash during the period	(71,142)	345,667
Cash, beginning of period	434,818	100,000
Cash, end of period	\$ 363,676	\$ 445,667

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

Except for the transactions disclosed elsewhere in the financial statements, there were no non-cash investing or financing activities during the period ended July 31, 2021 and 2020.

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

# ISRAEL CAPITAL CANADA CORP.

Notes to Condensed Interim Financial Statements  
For the nine months ended July 31, 2021 and 2020  
(Expressed in Canadian Dollars)

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## 1. NATURE OF BUSINESS AND GOING CONCERN

Israel Capital Canada Corp. (the “Company”) was incorporated on August 15, 2019 under the Business Corporations Act (British Columbia). The Company is a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (“TSX-V”) Policy 2.4 (“Policy 2.4”) after completing its initial public offering on May 8, 2020. As a CPC, the Company’s objective will be to identify and acquire either operating assets or a business, subject to regulatory approval, that meet the criteria of a Qualifying Transaction (“QT”) as defined by the TSX-V. Until such time that a QT is completed, the Company will have no significant revenue and will incur expenses primarily for QT investigation, TSX-V listing and filing requirements, professional services and office facilities and administration, subject to certain restrictions under Policy 2.4. Additional discussion on these restrictions is included in Note 8.

On May 8, 2020, the Company completed its Initial Public Offering (“IPO”) on the TSX-V by raising \$200,000 through the issuance of 2,000,000 common shares of the Company at \$0.10 per share. The Company’s common shares were approved for listing on the TSX-V on May 8, 2020 and commenced trading effective May 12, 2020 under the symbol “IL.P”.

On October 8, 2020, the Company entered into a letter of intent (“LOI”) with Waveforce Electronics Inc. (“Waveforce”) to acquire a consumer wellness enhancement membership program. On February 17, 2021, the LOI was mutually terminated by both parties.

On March 27, 2021, the Company entered into a letter agreement (“Letter Agreement”) with FREmedica Technologies Inc. (“FREmedica”) pursuant to which the Company will acquire all of the issued and outstanding securities of the FREmedica Technologies ( the “Transaction”). See Note 10 of the Transaction.

FREmedica is a wholly-owned subsidiary of Waveforce, a developer of light pulse frequency emitter platforms for different industries to assist in improving performance in people, plants and products. FREmedica was founded on November 5, 2016 for the purpose of creating a frequency emitter that delivers a special package of frequencies designed for the health and wellness market, specifically to target Lyme disease within North America.

The Company’s head office is Suite 2050, 1055 W. Georgia Street, Vancouver, B.C. Canada, V6E 3P3, and the registered office address is Suite 400, 725 Granville Street, Vancouver, BC, Canada, V7Y 1G5.

These condensed interim financial statements for the nine months ended July 31, 2021 were authorized for issue by the Board of Directors on September 29, 2021.

These condensed interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company’s continuing operations as intended are dependent upon the Company’s ability to complete a QT as discussed above. Should the Company fail to complete a QT, its ability to raise sufficient financing to maintain operations may be impaired, and accordingly, the Company may be unable to realize the carrying value of its net assets. However, management believes the Company has sufficient working capital to continue operations for the next 12 months.

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

# ISRAEL CAPITAL CANADA CORP.

Notes to Condensed Interim Financial Statements  
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## 1. NATURE OF BUSINESS AND GOING CONCERN (cont'd)

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

## 2. BASIS OF PRESENTATION

### *Statement of compliance*

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Standards ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") and International Financial Reporting Interpretation Committee ("IFRIC"). It is therefore recommended that these condensed interim financial statements be read in conjunction with the Company's audited financial statements for the year ended October 31, 2020.

### *Basis of measurement*

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

### *Significant estimates and assumptions*

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments and the recoverability and measurement of deferred tax assets.

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

## ISRAEL CAPITAL CANADA CORP.

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### 3. SIGNIFICANT ACCOUNTING POLICIES

#### *Financial instruments*

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

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

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

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

Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition).

The Company's financial instruments consist of cash, trade payables and accrued liabilities, and due to related parties. The fair value of cash is measured at fair value through profit or loss and any changes to fair value subsequent to initial recognition are recorded in profit or loss for the period in which they occur. The Company's trade payables and accrued liabilities, and due to related parties are measured at amortized cost using the effective interest rate method. Interest expense is recorded to profit or loss, as applicable.

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

#### Impairment of financial assets

An 'expected credit loss' (ECL) model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The Company's sole financial asset is cash and, accordingly, does not hold any financial assets measured at amortized cost.

## **ISRAEL CAPITAL CANADA CORP.**

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

#### **Financing costs**

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

#### **Share-based compensation**

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

The fair value of share-based compensation to employees is measured at grant date using the Black-Scholes option pricing model, and is recognized over the vesting period using the graded vesting method. The fair value of share-based compensation to non-employees is measured at the date the goods or services are received, at either the fair value of the goods or services received or the fair value of the equity instruments issued using the Black-Scholes option pricing model, if the fair value of the goods or services received cannot be readily measured.

For both employees and non-employees, the fair value is recognized as an expense with a corresponding increase in reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. For share options granted with vesting terms conditional upon the achievement of a performance condition, and the performance condition is not a market condition, the Company revises its estimates of the length of the vesting period, if necessary, when information arises that indicates that the length of the vesting period differs from previous estimates. When this occurs, the change in estimate is accounted for prospectively.

#### **Income taxes**

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

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

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

#### **Income taxes** (cont'd)

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

#### **(Loss) earnings per share**

Basic (loss) earnings per share is calculated by dividing net (loss) earnings by the weighted average number of common shares outstanding during the period which excludes shares held in escrow. All escrow shares are considered contingently cancellable until the Company completes a QT and, accordingly, are not considered to be outstanding shares for the purposes of the loss per share calculation.

Diluted (loss) earnings per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of "in-the-money" stock options and common share purchase warrants are used to purchase common shares of the Company at their average market price for the period. In periods that the Company reports a net loss, any stock options or warrants outstanding are excluded from the calculation of diluted loss per share as their inclusion would be anti-dilutive.

### 4. TRADES PAYABLE AND ACCRUED LIABILITIES

Trades payable and accrued liabilities of the Company consisted of professional fees due within the next 12 months.

### 5. SUBSCRIPTIONS

In connection to the Company's concurrent financing (Note 10), during the period ended July 31, 2021, the Company received subscriptions to purchase 99,998 units at price of \$0.35 per unit for total gross proceeds of \$35,000.

### 6. SHAREHOLDERS' EQUITY

#### **a. Authorized**

The Company is authorized to issue an unlimited number of common shares and preferred shares without par value.

#### **b. Issued and outstanding**

During the nine months ended July 31, 2021, there were no transactions affecting share capital.

During the year ended October 31, 2020, the Company:

- i) issued 2,000,000 common shares at a price of \$0.05 per share for gross proceeds of \$100,000 completing the issuance of the Seed Shares of the Company;

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### 6. SHAREHOLDERS' EQUITY (cont'd)

#### **b. Issued and outstanding** (cont'd)

- ii) completed its IPO and issued 2,000,000 common shares at a price of \$0.10 per share for gross proceeds of \$200,000. On November 28, 2019, the Company entered into an agreement with Canaccord Genuity Corp. ("Canaccord") who acted as the Company's agent for the IPO. Pursuant to the agreement, the Company paid Canaccord a cash commission of \$20,000 or 10% of gross proceeds of the IPO, and granted the Agent an aggregate of 200,000 warrants (the "Agent's Warrants") exercisable at a price of \$0.10 for a 24-month period from the date the Company's common shares were listed on the TSX-V (note 5(d)). The Company recorded \$10,419 in share issuance costs as the fair value of the Agent's Warrants granted. The Company also paid an administration fee of \$15,000, and reimbursed legal and out-of-pocket expenses totaling \$17,300 to Canaccord. The Company paid \$22,400 in other share issuance costs in connection to the IPO; and
- iii) completed a non-brokered private placement of 1,181,341 common shares at a price of \$0.15 per share for gross proceeds of \$177,200. The Company paid \$9,102 in share issuance costs in connection to this private placement. No finder's fees were paid.

#### **c. Escrow shares**

Upon completion of the IPO and pursuant to an escrow agreement dated March 6, 2020, 4,000,000 common shares issued to directors and officers of the Company prior to the IPO were placed into escrow. Under the escrow agreement, 10% of the escrowed common shares will be released from escrow on the date of the issuance of the final Exchange bulletin (the "Initial Release") upon completion of a QT, and an additional 15% will be released every six months following the Initial Release over a period of thirty-six months. As at July 31, 2021, 4,000,000 (October 31, 2020 – 4,000,000) common shares remained in escrow. These shares have been excluded from the calculation of loss per share.

#### **d. Stock options**

On February 25, 2020, the Board of Directors adopted an incentive stock option plan which provides that the Board of Directors of the Corporation may from time to time, in its discretion, and in accordance with TSX-V regulations, grant to directors, officers, employees or management's company employees, and consultants to the Corporation, 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 at the time of closing of its IPO. Such options will be exercisable for a period of up to 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

During the nine months ended July 31, 2021, there were no stock options granted by the Company.

During the year ended October 31, 2020, the Company granted:

- i) 400,000 stock options to directors of the Company. Each option is exercisable at a price of \$0.10 for a period of five years expiring on May 8, 2025; and

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### 6. SHAREHOLDERS' EQUITY (cont'd)

#### d. Stock options(cont'd)

- ii) charitable stock options to a charity named Funding for Life Society to purchase an aggregate of up to 1% of the issued and outstanding common shares, being 60,000 common shares, exercisable at a price of \$0.10 per common share for a period of the earlier of: May 8, 2025 and the 90th day following the date Funding for Life Society ceases to be an Eligible Charitable Organization, as such terms is defined in the TSX-V policies.

As at July 31, 2021, the following stock options were outstanding:

	Expiry Date	Number of Options	Weighted Average Exercise Price	Weighted average period
Options	May 8, 2025	460,000	\$0.10	3.77 years

The Company recorded \$Nil (2020 - \$41,384) in stock-based compensation expense in connection with the option grant. The fair value of the stock options granted was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

Nine months ended July 31,	2021	2020
Risk free rate	-	0.33%
Dividend yield	-	-
Weighted average volatility	-	146.61%
Weighted average expected life	-	5 years
Weighted average fair value	-	\$ 0.090

#### e. Agent's warrants

In connection to the Company's IPO on May 8, 2020, an aggregate of 200,000 non-transferable Agent's Warrants were issued to the Agent involved in the offering. The Agent's Warrants are exercisable at price of \$0.10 per share for a period of two years from the date of the listing of the Company's shares on the Exchange. Pursuant to the Exchange Policy 2.4, the Agent agreed that only 50% of the common shares obtained by the agent pursuant to the exercise of the Agent's Warrants may be sold prior to the completion of a QT, and the remaining balance may only be sold after completion of the QT.

As at July 31, 2021, the following Agent's Warrants were outstanding:

	Expiry Date	Number of Warrants	Weighted Average Exercise Price	Weighted average period
Agent's Warrants	May 8, 2022	200,000	\$0.10	0.77 years

The Company recorded \$Nil (2020 - \$10,419) in the Equity reserves account for the agent's warrants issued.

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### 6. SHAREHOLDERS' EQUITY (cont'd)

#### e. *Agent's warrants* (cont'd)

The fair value of the agent's warrants granted was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

Nine months ended July 31,	2021	2020
Risk free rate	-	0.26%
Dividend yield	-	-
Weighted average volatility	-	99.82%
Weighted average expected life	-	2 years
Weighted average fair value	-	\$ 0.052

### 7. RELATED PARTY TRANSACTIONS

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive directors and officers.

On July 1, 2020, the Company entered into an administrative services agreement with Varshney Capital Corp. ("VCC"), a company with a director in common, for administrative services provided to the Company for an initial term of 120 days or until the Company completes a QT in exchange for a monthly fee of \$1,500 plus taxes. Upon completion of a QT, the monthly fee will increase to \$5,000 plus taxes for a six-month term with a renewal option for an additional six months at a monthly fee of \$7,500 plus taxes and thereafter on an annual basis until otherwise terminated.

During the period ended July 31, 2021, the Company paid \$14,175 (2020 - \$1,575) for administrative fees to VCC.

As at July 31, 2021, \$12,754 (October 31, 2020 - \$Nil) was owed to a director for reimbursement of accounting fees paid on behalf of the Company.

During the year ended October 31, 2020, Dr. Keith Pyne, director of the Company, and Stephen Davis, Director, CEO and President of the Company, purchased 500,000 common shares at \$0.05 per common share each. In addition, an independent investor also purchased a total of 1,000,000 common shares at \$0.05 per common share.

### 8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company has designated its trade payables and accrued liabilities and due to related parties as financial liabilities at amortized cost.

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### 8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

#### a. Fair value

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- i) Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- ii) Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- iii) Level 3 - Inputs for assets and liabilities that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The carrying value of cash has been measured at fair value using level 1 inputs. Trade payables and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

#### b. Financial risk management

##### *Credit risk*

Credit risk is the risk of loss arising from a customer or third party to a financial instrument failing to meet its contractual obligations. The Company limits exposure to credit risk by maintaining its cash with a major Canadian financial institution.

##### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and seeking equity financing when needed. As at July 31, 2021, the Company had cash of \$363,676 (October 31, 2020 – \$434,818) which is sufficient to settle its current liabilities of \$54,004 (October 31, 2020 - \$22,000).

Pursuant to the policies of the Exchange, the proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or for administrative and general expenses. These restrictions apply until completion of the Company's QT as defined by Exchange Policy 2.4.

Effective January 1, 2021, the Exchange amended its Policy 2.4. Under the amended policy, a CPC may only incur expenses to operate its business to identify and evaluate assets or business for a proposed QT; reasonable expenses related to the CPC's IPO and prescribed costs of issuing the common shares and maintaining the CPC's regulatory requirements; and reasonable general and administrative expenses of the CPC not exceeding \$3,000 per month.

##### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

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### 8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

#### b. Financial risk management (cont'd)

##### (a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company is not exposed to significant interest rate risk.

##### (b) Foreign currency risk

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

##### (c) Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potentially adverse impact on the Company's ability to obtain equity financing due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

### 9. CAPITAL MANAGEMENT

The Company is actively looking to acquire an interest in a business or assets and this involves a high degree of risk. The Company has not determined whether it will be successful in its endeavors and does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of common shares. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations.

The Company is not subject to any externally imposed capital requirements other than the cash restriction disclosed in Note 8.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern.

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's general operations. To effectively manage the Company's capital requirements, the Company monitors expenses and overhead to ensure costs and commitments are being paid.

### 10. PROPOSED QUALIFYING TRANSACTION

On March 27, 2021, the Company entered into a Letter Agreement with FREmedica Technologies Inc. (Note 1), which sets out the terms and conditions pursuant to which the Company will acquire 100% of the issued and outstanding shares of FREmedica in exchange for 18,000,000 common shares (the "Payment Shares") in the capital of the Company, which Payment Shares the Company will issue to Waveforce, the parent company of FREmedica. The intention is for the Transaction to constitute the Company's Qualifying Transaction, as such term is defined under the TSX Venture Exchange (the "Exchange") *Policy 2.4 – Capital Pool Companies* (the "CPC Policy").

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### 10. PROPOSED QUALIFYING TRANSACTION (cont'd)

On completion of the Transaction, the Company intends to be listed on the Exchange as a Tier 2 technology issuer and will principally focus on continuing and developing the business of FREmedica. FREmedica is applying for a patent for the formulation of frequencies that they have captured and packaged to help manage the symptoms of Lyme disease. The frequency package is delivered by a frequency emitter which FREmedica has designed. The frequencies are downloaded from an app, which delivers the frequencies to an upgradeable wearable device called "Wave 1" that transmits the frequencies in a conformable pattern using light diodes onto the skin.

The directors and officers of the Company own approximately 19.49% of the issued and outstanding common shares of Waveforce. Stephen Davis, the CEO and a director of the Company, is the Chairman and a director of Waveforce. Dr. Keith Pyne - a director of the Company - is also a director of Waveforce. The Transaction, therefore, is considered a Non-Arm's Length Qualifying Transaction under the CPC Policy. In accordance with the rules of the Exchange, the Company will seek shareholder approval for the Qualifying Transaction by written consent of the "majority of the minority" or by holding a shareholders' meeting.

#### Terms of the Transaction

Under the terms of the Letter Agreement, the Company will acquire 100% of the issued and outstanding common shares of FREmedica from Waveforce in exchange for the Payment Shares and a 10% royalty payable to Waveforce in exchange for the frequency capture technology, secure storage of frequencies and the platform for the delivery of frequencies through the Wave 1 frequency emitter. In addition, the Company has agreed to settle outstanding shareholder loans provided by Waveforce to FREmedica in the approximate amount of \$1,245,000 through the issuance of 3,557,143 common shares in the capital of the Company at a deemed price of \$0.35 per common share (the "Debt Settlement"). The Debt Settlement is subject to acceptance by the Exchange and disinterested shareholder approval in accordance with the policies of the Exchange, which the Company will seek to obtain.

In addition, the Company has agreed to change its name to FREmedica Inc. or such another name as the parties may decide following completion of the Transaction. The current directors of the Company will have an option to remain on the board of directors of the Company (the "Board") for one year following completion of the Transaction. The Company will grant FREmedica a right to nominate one additional director for appointment to the Board, subject to acceptance by the Exchange and all required shareholder approvals. The Company has also agreed to advance up to \$25,000 to FREmedica, subject to Exchange approval, which FREmedica will use to pay for its audit and legal fees.

The Letter Agreement provides that the parties will execute a comprehensive agreement (the "Formal Agreement") to supersede the Letter Agreement by April 30, 2021. The Formal Agreement will contain all customary representation and warranties, covenants, provision of legal opinions, and other items that would normally appear in a comprehensive agreement covering such matters. The Letter Agreement remains binding and enforceable until the Formal Agreement is executed.

The Company does not anticipate paying any finder's fees on the Transaction. Further details of the Transaction will follow in future news releases.

#### Concurrent Financing

As a condition to the completion of the Transaction, the Company will undertake a non-brokered private placement financing to raise up to \$3,000,000 through the issuance of 8,571,428 units (the "Units") at a price of \$0.35 per unit (the "Offering"). Each Unit will consist of one common share and one-half of one common share purchase warrant (each whole such warrant, a "Warrant"). Each Warrant shall be exercisable to acquire one common share in the capital of the Company for a period of 24 months at an exercise price equal to \$0.70 per share. The Company also anticipates issuing broker warrants (each, a

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### **10. PROPOSED QUALIFYING TRANSACTION (cont'd)**

“Broker’s Warrant”) equal to 7% of the number of units sold in connection with the Offering and paying finder’s commission equal to 7% of the gross proceeds received in connection with the Offering. Each Broker’s warrant will entitle the holder hereof to acquire one common share of the Company at an exercise price of \$0.35 for a period of one year from the closing of the Offering. The Offering is subject to the approval of the Exchange. On completion of the Transaction, the proceeds of the Offering will be used to further develop the business of the Company and for general working capital purposes. Further details regarding the Offering will be included in a subsequent news release once additional details become available.

#### **Capitalization of Company on Close of the Transaction and Offering**

It is expected that following the completion of the Transaction, the Debt Settlement and the Offering there will be approximately 37,309,912 common shares of the Company, 460,000 options, 4,285,714 Warrants and 800,000 Agent Warrants issued and outstanding. The existing shareholders of the Company will hold approximately 7,181,341 (19.25%) of the common shares of the Company. In connection with the Offering, new shareholders of the Company will hold approximately 8,571,428 (22.97%) of the common shares of the Company. In connection with the Transaction and the Debt Settlement, Waveforce will hold approximately 21,557,143 (57.78%) of the common shares of the Company.

#### **Conditions of Closing**

Completion of the Transaction will be subject to certain conditions, including but not limited to: (a) the receipt of all necessary approvals of the boards of directors of the Company and FREmedica; (b) the receipt of all required consents and approvals, including without limitation, approval of the Transaction by the Exchange as the Company’s Qualifying Transaction; (c) the Company satisfying the initial listing requirements set by the Exchange for a Tier 2 technology issuer; (d) the completion by the Company of the Offering; and (e) the completion of satisfactory mutual due diligence.

Closing of the Transaction is expected to occur on or prior to November 30, 2021 or such other date as may be agreed upon by the Company and FREmedica. The Agreement may be terminated by either party if (a) the Company and FREmedica mutually agree; (b) the Transaction is not permitted to be the Company’s Qualifying Transaction by the Exchange; or (c) Exchange approval has not been received on or before November 30, 2021.

#### **Sponsorship**

Sponsorship of a Qualifying Transaction of a capital pool company is required by the Exchange unless exempt in accordance with Exchange policies or a waiver is granted by the Exchange. The Company intends to apply for an exemption from the sponsorship requirements under section 3.4 of the CPC Policy or a waiver of sponsorship if an exemption from sponsorship is unavailable. However, there can be no guarantee that a waiver will be granted if no exemption is available.