

# **ISRAEL CAPITAL CANADA CORP.**

Financial Statements

For the year ended October 31, 2020 and  
the period from August 15, 2019 (Date of Incorporation) to October 31, 2019

(Expressed in Canadian Dollars)

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# ISRAEL CAPITAL CANADA CORP.

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Israel Capital Canada Corp.

### ***Opinion***

We have audited the accompanying financial statements of Israel Capital Canada Corp. (the "Company"), which comprise the statements of financial position as at October 31, 2020 and 2019, and the statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the year ended October 31, 2020 and the period from incorporation on August 15, 2019 to October 31, 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2020 and 2019, and its financial performance and its cash flows for the year ended October 31, 2020 and the period from incorporation on August 15, 2019 to October 31, 2019, in accordance with International Financial Reporting Standards ("IFRS").

### ***Basis for Opinion***

We conducted our audits 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

### ***Other Information***

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes 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 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 IFRS, 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.

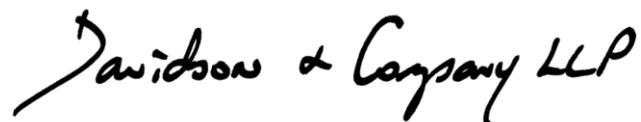
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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.

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

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

February 23, 2021

**ISRAEL CAPITAL CANADA CORP.**Statements of Financial Position  
(Expressed in Canadian dollars)

	Notes	October 31, 2020	October 31, 2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 434,818	\$ 100,000
<b>Total assets</b>		<b>\$ 434,818</b>	<b>\$ 100,000</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Trade payables and accrued liabilities	4	\$ 22,000	\$ 5,383
<b>Total liabilities</b>		<b>22,000</b>	<b>5,383</b>
<b>Shareholders' equity</b>			
Share capital	5	482,979	100,000
Reserves	5	51,803	-
Deficit		(121,964)	(5,383)
<b>Total shareholders' equity</b>		<b>412,818</b>	<b>94,617</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 434,818</b>	<b>\$ 100,000</b>

Nature of Business and Going Concern (Note 1)

Approved on behalf of the Board of Directors:

“Stephen Davis”

Director

“Hari Varshney”

Director

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

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

		<b>Year ended</b>	Period from
	<b>Note</b>	<b>October 31, 2020</b>	incorporation (August 15, 2019) to October 31, 2019
<b>EXPENSES:</b>			
Administrative Fees	6	\$ 6,300	\$ -
Marketing and promotion		595	-
Office and miscellaneous		2,791	-
Professional fees		35,544	5,383
Regulatory fees		25,597	-
Stock-based compensation	5	41,384	-
Transfer agent fees		4,370	-
Loss and comprehensive loss for the period		\$ (116,581)	\$ (5,383)
Net loss per share – Basic and Diluted		\$ (0.08)	\$ (0.00)
Weighted average shares outstanding			
– Basic and Diluted		1,406,181	-

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

**ISRAEL CAPITAL CANADA CORP.**

## Statement of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

		<u>Share Capital</u>					
	Note	Shares	Amount	Reserves	Deficit	Total Equity	
<b>Balance at August 15, 2019</b>		-	\$ -	\$ -	\$ -	\$ -	
Issuance of incorporation share		1	1	-	-	1	
Cancellation of incorporation share		(1)	(1)	-	-	(1)	
Issuance of shares for cash	5	2,000,000	100,000	-	-	100,000	
Net loss for the period		-	-	-	(5,383)	(5,383)	
<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	5	2,000,000	100,000	-	-	100,000	
Initial Public Offering ("IPO")	5	2,000,000	200,000	-	-	200,000	
Shares issued for Private Placement	5	1,181,341	177,200	-	-	177,200	
Share issuance costs	5	-	(83,802)	-	-	(83,802)	
Fair value of agent's warrants	5	-	(10,419)	10,419	-	-	
Stock-based compensation	5	-	-	41,384	-	41,384	
Net loss for the year		-	-	-	(116,581)	(116,581)	
<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>	

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

**ISRAEL CAPITAL CANADA CORP.**

## Statements of Cash Flows

(Expressed in Canadian dollars)

	<b>Year ended October 31, 2020</b>	Period from incorporation (August 15, 2019) to October 31, 2019
<b>CASH FLOWS PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (116,581)	\$ (5,383)
Stock-based compensation	41,384	-
Changes in non-cash working capital items:		
Trade payables and accrued liabilities	16,617	5,383
Net cash used in operating activities	<b>(58,580)</b>	-
<b>FINANCING ACTIVITIES</b>		
Issuance of common shares, net	393,398	100,000
Net cash provided by financing activities	<b>393,398</b>	100,000
Change in cash during the period	<b>334,818</b>	100,000
Cash, beginning of period	<b>100,000</b>	-
Cash, end of period	<b>\$ 434,818</b>	\$ 100,000

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

During the year ended October 31, 2020, the Company recorded a fair value of \$10,419 on agents' warrants issued in connection with the Company's IPO.

Except for transactions disclosed elsewhere in the financial statements, there were no non-cash investing or financing activities during the period from incorporation on August 15, 2019 to October 31, 2019.

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

# ISRAEL CAPITAL CANADA CORP.

Notes to Financial Statements

For the year ended October 31, 2020 and from August 15, 2019 (Date of Incorporation) to October 31, 2019  
(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.

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 700, 838 West Hastings Street, Vancouver, BC, Canada, V6C 0A6.

These financial statements for the year ended October 31, 2020 were authorized for issue by the Board of Directors on February 23, 2021.

These 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 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.

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.

## **ISRAEL CAPITAL CANADA CORP.**

Notes to Financial Statements

For the year ended October 31, 2020 and from August 15, 2019 (Date of Incorporation) to October 31, 2019  
(Expressed in Canadian Dollars)

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### **2. BASIS OF PRESENTATION**

#### ***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 issued by the International Financial Reporting Interpretations Committee (“IFRIC”). These financial statements have been prepared using the accounting policies set out in Note 3.

#### ***Basis of measurement***

These 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.

#### ***Comparative information***

The Company was incorporated on August 15, 2019. The comparatives do not reflect the same length of time.

#### ***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.

### **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.

## ISRAEL CAPITAL CANADA CORP.

Notes to Financial Statements

For the year ended October 31, 2020 and from August 15, 2019 (Date of Incorporation) to October 31, 2019  
(Expressed in Canadian Dollars)

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

#### *Financial instruments (cont'd)*

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, and trade payables and accrued liabilities. 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 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.

#### 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.

## ISRAEL CAPITAL CANADA CORP.

Notes to Financial Statements

For the year ended October 31, 2020 and from August 15, 2019 (Date of Incorporation) to October 31, 2019  
(Expressed in Canadian Dollars)

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

#### Share-based compensation (cont'd)

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.

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.

## ISRAEL CAPITAL CANADA CORP.

Notes to Financial Statements

For the year ended October 31, 2020 and from August 15, 2019 (Date of Incorporation) to October 31, 2019  
(Expressed in Canadian Dollars)

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

#### **(Loss) earnings per share (cont'd)**

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. TRADE PAYABLES AND ACCRUED LIABILITIES

Trade payables and accrued liabilities of the Company consisted of professional fees and administrative and corporate services, and are payable within the next 12 months.

### 5. 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 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;
- 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.

## ISRAEL CAPITAL CANADA CORP.

Notes to Financial Statements

For the year ended October 31, 2020 and from August 15, 2019 (Date of Incorporation) to October 31, 2019  
(Expressed in Canadian Dollars)

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

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

During the period from incorporation on August 15, 2019 to October 31, 2019, the Company issued:

- i) 1 common share for \$1.00 upon incorporation. The Company subsequently repurchased this share for the same amount and cancelled the common share; and
- ii) 2,000,000 common shares at a price of \$0.05 per share for gross proceeds of \$100,000 (the "Seed Shares").

#### ***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 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 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
- 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 October 31, 2020, 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	4.52 years

## ISRAEL CAPITAL CANADA CORP.

Notes to Financial Statements

For the year ended October 31, 2020 and from August 15, 2019 (Date of Incorporation) to October 31, 2019  
(Expressed in Canadian Dollars)

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

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

The Company recorded \$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:

Year ended October 31,	2020	2019
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, 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 October 31, 2020, 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	1.52 years

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

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

Year ended October 31,	2020	2019
Risk free rate	0.26%	–
Dividend yield	–	–
Weighted average volatility	99.82%	–
Weighted average expected life	2 years	–
Weighted average fair value	\$ 0.052	–

### 6. 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.

## ISRAEL CAPITAL CANADA CORP.

Notes to Financial Statements

For the year ended October 31, 2020 and from August 15, 2019 (Date of Incorporation) to October 31, 2019  
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### 6. RELATED PARTY TRANSACTIONS (cont'd)

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 year ended October 31, 2020, the Company paid \$6,300 (2019 - \$Nil) for administrative fees to VCC.

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 resulting in each owning 13.9% of the Company's issued and outstanding common shares. In addition, an independent investor also purchased a total of 1,000,000 common shares at \$0.05 per common share resulting in an ownership of 13.9% of the Company's issued and outstanding common shares.

On May 8, 2020, the Company granted an aggregate of 400,000 stock options to the officers and directors of the Company and recognized \$35,986 in share-based compensation.

During the period from August 15, 2019 (date of incorporation) to October 31, 2019, the officers and directors of the Company either directly or indirectly subscribed to a total of 2,000,000 shares at \$0.05 per common share being 100% of the issued and outstanding shares on October 31, 2019.

### 7. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2020	2019
Loss for the period	\$ (116,581)	\$ (5,383)
Statutory rate	27%	27%
Expected income tax recovery at statutory rate	(31,000)	(1,000)
Change in valuation allowance	43,000	1,000
Expenses not deductible for tax purposes and other	(12,000)	—
Income tax recovery	\$ —	\$ —

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

Temporary Differences	2020	Expiry Date Range	2019	Expiry Date Range
Share issuance costs	\$ 67,000	2041 to 2044	\$ —	N/A
Non-capital losses available for future periods	\$ 97,000	2039 to 2040	\$ 5,000	2039

Tax attributes are subject to review, and potential adjustment, by tax authorities.

## ISRAEL CAPITAL CANADA CORP.

Notes to Financial Statements

For the year ended October 31, 2020 and from August 15, 2019 (Date of Incorporation) to October 31, 2019  
(Expressed in Canadian Dollars)

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### 8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

#### 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 October 31, 2020, the Company had cash of \$434,818 (2019 – \$100,000) which is sufficient to settle its current liabilities of \$22,000 (2019 - \$5,383).

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.

## ISRAEL CAPITAL CANADA CORP.

Notes to Financial Statements

For the year ended October 31, 2020 and from August 15, 2019 (Date of Incorporation) to October 31, 2019  
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### 8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

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

##### *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.

##### (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.