

TORCHLIGHT INNOVATIONS INC.

Condensed Interim Financial Statements
For The Three and Nine Months Ended September 30, 2023 and 2022
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

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 condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

TORCHLIGHT INNOVATIONS INC.

Condensed Interim Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	September 30, 2023	December 31, 2022
Assets		
Current Assets		
Cash	\$ 138,298	\$ 209,507
Prepaid	12,574	1,928
Total Assets	\$ 150,872	\$ 211,435
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 10,411	\$ 27,494
Shareholders' Equity		
Share capital (Note 6)	246,777	246,777
Contributed surplus (Note 6)	51,200	51,200
Deficit	(157,516)	(114,036)
Total Liabilities and Shareholders' Equity	\$ 150,872	\$ 211,435

Nature of business and continuing operations (Note 1)

Approved on Behalf of the Board on November 23, 2023:

"Fayyaz Alimohamed"
Fayyaz Alimohamed - CEO/CFO/Director

"Frederic Leigh"
Frederic Leigh - Director

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

TORCHLIGHT INNOVATIONS INC.

Condensed Interim Statement of Loss and Comprehensive Loss

For the three and nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Expenses				
Office and administration	\$ 44	\$ 2,367	3,107	\$ 2,597
Filing fee	2,648	13,125	8,389	29,375
Professional fees (Note 8)	700	47,942	31,984	92,135
Stock based compensation	-	40,700	-	40,700
Loss and comprehensive loss for the period	\$ 3,392	\$ 104,134	\$ 43,480	164,807
Weighted average number of common shares outstanding – basic and diluted (Note 7)	5,500,000	4,228,261	5,500,000	3,084,559
Basic and diluted loss per share	\$ 0.00	\$ (0.02)	\$ (0.01)	\$ (0.05)

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

TORCHLIGHT INNOVATIONS INC.

Condensed Interim Statement of Changes in Shareholders' Equity

For the nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	Share Capital		Contributed surplus	Deficit	Total Shareholders' Equity
	Number (Note 6)	Amount			
Balance, December 31, 2021	2,500,000	\$ 125,000	\$ -	\$ (34,501)	\$ 90,499
Common shares issued (Note 6)	3,000,000	222,217	10,500	-	232,717
Share based payments	-	-	40,700	-	40,700
Loss for the period	-	-	-	(164,807)	(164,807)
Balance, September 30, 2022	5,500,000	\$ 347,217	\$ 51,200	\$ (199,308)	\$ 199,109
Balance, December 31, 2022	5,500,000	\$ 246,777	\$ 51,200	\$ (114,036)	\$ 183,941
Loss for the period	-	-	-	(43,480)	(43,480)
Balance, September 30, 2023	5,500,000	\$ 246,777	\$ 51,200	\$ (157,516)	\$ 140,461

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

TORCHLIGHT INNOVATIONS INC.

Condensed Interim Statement of Cash Flows

For the nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Cash provided by (used in):		
Operating Activities:		
Loss for the period	\$ (43,480)	\$ (164,807)
Items not involving cash:		
Share based payments	-	40,700
Changes in working capital items:		
Prepaid	(10,646)	-
Accounts payable and accrued liabilities	(17,083)	66,409
Net cash used in operating activities	(71,209)	(57,698)
Financing activities		
Shares issued for cash net of cash share issue costs	-	232,717
Cash provided by financing activities	-	232,717
Change in cash for the period	(71,209)	175,019
Cash, beginning of the period	209,507	94,171
Cash, end of the period	\$ 138,298	\$ 269,190
Supplemental information:		
Interest paid	-	-
Income taxes	-	-

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

TORCHLIGHT INNOVATIONS INC.

Condensed Interim Statement of Cash Flows

For the nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

1. NATURE OF BUSINESS AND CONTINUING OPERATIONS

Torchlight Innovations Inc. (the “Company”) was incorporated on October 8, 2021, under the laws of British Columbia. The Company completed an Initial Public Offering (“IPO”) and is classified as a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (“TSX-V” or the “Exchange”) Policy 2.4.

Since incorporation on October 8, 2021, the Company has had no active business operations. As a CPC, the Company’s business objective is to identify and evaluate assets or businesses with a view to potential acquisition or participation by completing a Qualifying Transaction (“QT”), as defined in Exchange Policy 2.4 subject, in certain cases, to shareholder approval and acceptance by the TSX-V.

On August 8, 2022, the Company completed its IPO raising gross proceeds of \$300,000 pursuant to the Company’s final prospectus dated May 12, 2022, by issuing an aggregate of 3,000,000 common shares in the capital of the Company at a price of \$0.10 per share (Note 6).

Pursuant to the agency agreement dated May 12, 2022, Research Capital Corporation (the “Agent”) acted as the agent for the offering. In connection with the offering, the Agent received a cash commission, a work fee and other costs totaling \$67,282, and an option to purchase up to 300,000 Shares at a price of \$0.10 per share until August 8, 2024 (Note 6).

The Company intends to use the net proceeds of the offering to identify and evaluate assets or businesses for acquisition with a view to completing a "Qualifying Transaction" under the policies of the Exchange. On August 4, 2022, the Exchange issued a bulletin announcing the listing of the common shares as of market open on August 8, 2022, and immediately halted trading pending completion of the Offering. The Shares resumed trading under the trading symbol "TLX.P" on August 10, 2022.

As a CPC, 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 for reasonable general and administrative expenses of the Company. These restrictions will apply until completion of a QT by the Company as defined under the policies of the Exchange.

TORCHLIGHT INNOVATIONS INC.

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

1. NATURE OF BUSINESS AND CONTINUING OPERATIONS (continued)

The Company has an accumulated deficit of \$157,516 as at September 30, 2023 (December 31, 2022 - \$114,036). The Company's ability to continue its operations is dependent upon obtaining additional financing sufficient to cover its operating costs and finance any identified business acquisition. The Company will require additional financing to accomplish its long-term strategic objectives. All the preceding indicates the existence of a material uncertainty that may cast substantial doubt about the Company's ability to continue as a going concern. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

The head office, principal address and the records and registered office is located at 2300 – 550 Burrard Street, Vancouver, BC, V6C 2B5.

The condensed interim financial statements of the Company for the nine months ended September 30, 2023 were approved and authorized for issue by the Board of Directors on November 23, 2023.

The Company has prepared its condensed interim financial statements in accordance with IAS 34 Interim Financial Reporting (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”). They do not include all financial information required for full annual financial statements and should be read in conjunction with the Audited Financial Statements of the Company for the year ended December 31, 2022.

2. 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”).

TORCHLIGHT INNOVATIONS INC.

Notes to the Condensed Interim Financial Statements
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3. BASIS OF PRESENTATION

The condensed interim financial statements have been prepared on a historical cost basis, except for items classified as financial instruments at fair value through profit or loss, which are stated at their fair value. The condensed interim financial statements are presented in Canadian dollars, which is also the Company's functional currency. In addition, the condensed interim financial statements have been prepared using the accrual basis of accounting except for cash flow information. The preparation of condensed interim financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

4. SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies have been applied on a basis consistent with those applied in the most recent audited annual financial statements. The policies applied in these condensed interim financial statements are based on IFRS issued and effective as of the date the Board of Directors approved and authorized to issue these condensed interim financial statements.

Significant accounting judgements and estimates

The preparation of these financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the statement of financial position date and reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Judgements

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has made appropriate disclosures regarding the going concern assumption (Note 1).

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

- i) The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.
- ii) The calculation of share-based compensation requires estimates of volatility, forfeiture rates and market prices surrounding the issuance of share options. These estimates impact share-based compensation expense and share based compensation reserve. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

5. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

As of September 30, 2023, \$Nil (December 31, 2022 - \$Nil) was due to related parties.

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has identified its directors and officers as its key management personnel and the compensation costs for key management personnel and companies related to them are recorded at their exchange amounts as agreed upon by transacting parties.

During the nine months ended September 30, 2023, \$Nil (2022 - \$Nil) was recorded as compensation costs for key management personnel and companies related to them.

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6. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and outstanding

The Company did not issue shares during the nine months ended September 30, 2023.

During the year ended December 31, 2022, the Company issued common as follows:

- On August 8, 2022, the Company closed its IPO and issued 3,000,000 common shares at a price of \$0.10 per share for gross proceeds of \$300,000. The Company paid a cash commission and other costs to the agent in the amount of \$67,283 and issued 300,000 compensation warrants valued at \$10,500 exercisable into common shares at a price of \$0.10 per common share for a period of 24 months from the date of issuance. The Company also paid issuance costs of \$100,440 consisting of legal and other fees. The fair value of the warrants of \$10,500 was calculated using Black-Scholes option pricing model with the following assumptions: stock price – \$0.10; exercise price – \$0.10; expected life – two years; volatility – 59%; dividend yield – \$nil; and risk-free rate – 3.24%.

(c) Escrowed shares

In connection with the Company's IPO transaction (Note 1), 2,500,000 common shares issued at \$0.05 per share are held in escrow pursuant to the requirements of the Exchange. Twenty five percent of the escrowed common shares will be released from escrow on the issuance of the Final Exchange Bulletin (as defined in the policies of the Exchange) (the "Initial Release") and an additional twenty five percent will be released on each of the dates which are six, twelve and eighteen months following the Initial Release.

All common shares acquired on exercise of stock options granted to directors and officers of the Company prior to completion of the QT, must also be deposited in escrow until the Final Exchange Bulletin is issued.

All common shares acquired in the secondary market prior to completion of a QT by a Control Person (as defined in the policies of the Exchange), are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Company held by principals of the resulting issuer will also be subject to escrow.

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6. SHARE CAPITAL (continued)

(d) Stock options

During the year ended December 31, 2022, the Company's board of directors adopted a stock option plan (the "Stock Option Plan") whereby it can grant incentive stock options to directors, officers, employees, and technical consultants of the Company. The maximum number of shares that may be reserved for issuance under the Stock Option Plan is limited to 10% of the issued common shares of the Company at any time. The vesting period for all options is at the discretion of the Board of Directors. The exercise price will be set by the Board of Directors at the time of grant and cannot be less than the discounted market price of the Company's common shares.

The Stock Option Plan provides that the number of common shares that may be reserved for the issuance to any one individual upon exercise of all stock options held by such an individual may not exceed 5% of the issued common shares, if the individual is a director or officer, or 2% of the issued common shares, if the individual is a consultant or engaged in providing investor relations services, on a yearly basis. All options granted under the Stock Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability. Options granted under the Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession. All common shares acquired on exercise of stock options granted to directors and officers prior to the completion of a QT must be deposited in escrow until the final exchange bulletin relating to a QT is issued.

On August 8, 2022, the Company granted 550,000 stock options to directors, officers and consultants of the Company. The stock options are exercisable at \$0.10 for a period of ten years. The fair value of the stock options of \$40,700 was calculated using Black-Scholes option pricing model with the following assumptions: stock price – \$0.10; exercise price – \$0.10; expected life – ten years; volatility – 66%; dividend yield – \$nil; and risk-free rate – 2.7%.

No stock options were granted during the nine months ended September 30, 2023.

As at December 31, 2022 and September 30, 2023, the Company had 550,000 exercisable stock options with the life of 8.86 years outstanding.

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6. SHARE CAPITAL (continued)

(d) Share purchase warrants

On August 8, 2022, as part of the private placement the Company issued 300,000 compensation warrants exercisable into common shares at a price of \$0.10 per common share for a period of 24 months from the date of issuance. The fair value of the warrants of \$10,500 was calculated using Black-Scholes option pricing model with the following assumptions: stock price – \$0.10; exercise price – \$0.10; expected life – two years; volatility – 59%; dividend yield – \$nil; and risk-free rate – 3.24%.

As at December 31, 2022 and September 30, 2023, the Company has 300,000 warrants with the life of 0.86 years outstanding.

7. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the nine months ended September 30, 2023, was based on the loss attributable to common shareholders of \$43,480 (2022 - \$164,807) and the weighted average number of common shares outstanding of 5,500,000 (2022 – 2,500,000). The 2,500,000 common shares held in escrow became contingently returnable on completion of the IPO and accordingly are not considered to be outstanding shares for the purposes of loss per share calculations for the nine months ended September 30, 2023.

8. PROFESSIONAL FEES

The Company incurred \$31,984 in professional fees during the nine months ended September 30, 2023, which consists of \$8,653 in accounting and audit fees, and \$23,331 in legal fees. The Company incurred \$92,135 in professional fees during the nine months ended September 30, 2022, which consisted of \$12,135 in accounting and audit fees, and \$80,000 in legal fees.

9. MANAGEMENT OF CAPITAL

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

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 for reasonable general and administrative expenses of the Company. These restrictions apply until completion of a QT by the Company as defined under the policies of the Exchange.

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Notes to the Condensed Interim Financial Statements
For the nine months ended September 30, 2023 and 2022
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10. FINANCIAL INSTRUMENTS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Market Risk

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk and are disclosed as follows:

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds no financial instruments that are denominated in a currency other than Canadian dollars. As at September 30, 2023 the Company is not exposed to currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. The Company's sensitivity to interest rates relative to its cash balances is currently immaterial. The Company also has no long-term debt with variable interest rates, so it has no negative exposure to changes in the market interest rate.

(iii) Price rate risk

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions. Management believes that the credit risk related to its cash is negligible.

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Notes to the Condensed Interim Financial Statements
For the nine months ended September 30, 2023 and 2022
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(Unaudited – Prepared by Management)

10. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At September 30, 2023 the Company has no sources of revenue and cash balance of \$138,298 to settle current liabilities of \$10,411. The Company's exposure to liquidity risk is currently negligible.

The Company remains dependent upon the financial support of its shareholders and debtholders. All the Company's financial liabilities have contractual maturities of 30 days and subject to normal trade terms. Additionally, the Company has insufficient funds from which to finance any identified business acquisition and as such will require additional financing to accomplish the Company's long-term strategic objectives. Future funding may be obtained by means of issuing share capital or debt financing. There can be no certainty of the Company's ability to raise additional financing through these means. If the Company is unable to continue financing itself through these means, it is possible that the Company will be unable to continue as a going concern (Note 1).

Fair Value Measurements

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and
- Level 3 – Inputs that are not based on observable market data.

As at September 30, 2023 the Company's financial instruments consist of cash, accounts payable and accrued liabilities. Cash is classified as fair value using Level 1 measurement. Accounts payable and accrued liabilities are classified as amortized cost. The fair value of accounts payable and accrued liabilities approximates its carrying value because of the short-term nature of the instruments.