

Unaudited condensed interim financial statements of

CUSPIS CAPITAL II LTD.

A Capital Pool Corporation

For the three months ended September 30, 2020 and from the date of incorporation (September 3, 2019) to September 30, 2019

NOTICE OF NO AUDIT OR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

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 Canada for a review of interim financial statements by an entity's auditor.

CUSPIS CAPITAL II LTD.

A Capital Pool Corporation

Condensed Interim Statements of Financial Position

(In Canadian dollars)

(Unaudited)

As at

	Note	September 30, 2020	June 30, 2020
Assets			
Current assets			
Funds held in trust	5	\$ 478,700	\$ 5,000
Prepaid expenses and deposits	6	21,300	-
Deferred financing costs	7	9,600	-
Total assets		\$ 509,600	\$ 5,000

Liabilities and Shareholders' Equity

Current liabilities			
Accounts payable and accrued liabilities	8	\$ 51,582	\$ 7,542
Total current liabilities		51,582	7,542
Shareholders' equity (deficiency)			
Share capital	4	497,200	4,000
Deficit		(39,182)	(6,542)
Total shareholders' equity (deficiency)		458,018	(2,542)
Total liabilities and shareholders' equity (deficiency)		\$ 509,600	\$ 5,000

Nature of operations and going concern (Note 1)

Subsequent events (Note 12)

Approved by the Board of Directors:

(Signed) "William Ollerhead"

Director and Chief Executive Officer

(Signed) "Grant McCutcheon"

Director and Chief Financial Officer

CUSPIS CAPITAL II LTD.

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Condensed Interim Statements of Loss and Comprehensive Loss

(In Canadian dollars)

(Unaudited)

For the

	Note	Three months ended September 30, 2020	Period from incorporation (September 3, 2019) to September 30, 2019
Expenses			
Professional fees		\$ 16,088	\$ 455
Filing costs		16,552	-
Net loss and comprehensive loss for the period		\$ (32,640)	\$ (455)
Loss per share			
Basic and diluted	4	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding			
Basic and diluted		3,270,652	50,000

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

CUSPIS CAPITAL II LTD.

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Condensed Interim Statements of Changes in Shareholders' Equity (Deficiency)

(In Canadian dollars)

	Shares issued #	Share Capital \$	Deficit \$	Total shareholders' Equity (deficiency) \$
Balance, as at September 3, 2019	-	-	-	-
Seed common shares issued for cash	50,000	5,000	-	5,000
Share issuance costs	-	(1,000)	-	(1,000)
Net loss for the period	-	-	(455)	(455)
Balance, as at September 30, 2019	50,000	4,000	(455)	(3,545)
Balance, as at June 30, 2020	50,000	4,000	(6,542)	(2,542)
Seed common shares issued for cash	4,950,000	495,000	-	495,000
Share issuance costs	-	(1,800)	-	(1,800)
Net loss for the period	-	-	(32,640)	(32,640)
Balance, as at September 30, 2020	5,000,000	497,200	(39,182)	458,018

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CUSPIS CAPITAL II LTD.

A Capital Pool Corporation

Condensed Interim Statements of Cash Flows

(In Canadian dollars)

(Unaudited)

For the

	Three months ended September 30, 2020	Period from incorporation (September 3, 2019) to September 30, 2019
Cash flows from operating activities		
Net loss for the period	\$ (32,640)	\$ (455)
Change in non-cash operating assets and liabilities		
Prepaid expenses and deposits	(21,300)	-
Deferred financing costs	(9,600)	-
Accounts payable and accrued liabilities	44,040	1,455
Cash provided by (used in) operating activities	(19,500)	1,000
Financing activities		
Share capital	495,000	5,000
Share issuance costs	(1,800)	(1,000)
Cash provided by financing activities	493,200	4,000
Increase in cash	473,700	5,000
Cash, beginning of period	5,000	-
Cash, end of period	\$ 478,700	\$ 5,000

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

CUSPIS CAPITAL II LTD.

A Capital Pool Corporation

Notes to the Condensed Interim Financial Statements

(In Canadian dollars)

(Unaudited)

For the Periods Ended September 30, 2020 and 2019

1. Nature of operations and going concern

Cuspis Capital II Ltd. (the “Company” or “Cuspis II”) was incorporated September 3, 2019 pursuant to the provisions of the Business Corporations Act (Ontario). The Company’s corporate and tax year-end is June 30. Cuspis II became a reporting issuer on November 13, 2020.

The Company intends to carry on business as a Capital Pool Corporation (“CPC”), as such term is defined in TSX Venture Exchange Inc. (the “Exchange”) Policy 2.4 – Capital Pool Companies (“CPC Policy 2.4”). As at September 30, 2020, the Company had no business operations and did not enter into any agreements to acquire an interest in businesses or assets. The Company’s principal purpose is the identification, evaluation and acquisition of assets, properties or businesses or participation therein subject, in certain cases, to shareholder approval and acceptance by the Exchange. The Company’s registered head office is located at 77 King Street West, Suite 700, Toronto, Ontario, Canada M5K 1G8.

The Company intends to complete an initial public offering (the “IPO”) subsequent to September 30, 2020 (note 12). The gross proceeds raised from the IPO may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a proposed “Qualifying Transaction” as such term is defined in Exchange CPC Policy 2.4 (“Transaction Expenses”) with the exception that the lesser of 30% of the gross proceeds and \$210,000 may be used for purposes other than those included in the Transaction Expenses.

Where a Qualifying Transaction warrants, additional funding may be required. The ability of the Company to fund its potential future operations and commitments may be dependent upon the ability of the Company to obtain additional financing. Under the Exchange CPC Policy 2.4, the Company must identify and complete a Qualifying Transaction within 24 months from the date the Company’s shares are listed for trading on the Exchange. There is no assurance that the Company will be able to complete a Qualifying Transaction within 24 months of being listed or that it will be able to secure the necessary financing to complete a Qualifying Transaction. The Exchange may suspend or delist the Company’s shares from trading should it not meet these requirements.

Novel Coronavirus (“COVID-19”)

The Company’s operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company’s operations and ability to finance its operations and complete its IPO and a Qualifying Transaction.

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A Capital Pool Corporation

Notes to the Condensed Interim Financial Statements

(In Canadian dollars)

(Unaudited)

For the Periods Ended September 30, 2020 and 2019

1. Nature of operations and going concern (continued)

Going concern

These financial statements were prepared on a going-concern basis of accounting, which assumes that the Company will continue operations for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of business. The Company does not generate revenue from operations and incurred a net loss of \$32,640 for the three months ended September 30, 2020 (period ended September 30, 2019 - \$455). However, the Company believes that its working capital balance as at September 30, 2020 will provide the Company with sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period. As the Company has no revenues, its ability to continue as a going concern is dependent on its ability to obtain additional financing and complete a Qualifying Transaction. These financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

2. Basis of presentation

Statement of compliance

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards ("IFRS").

Accounting policies and methods of their application followed in the preparation of these unaudited condensed interim financial statements are consistent with those used in the annual audited financial statements for the year ended June 30, 2020, which are included with the Preliminary Prospectus and available on www.SEDAR.com.

Basis of measurement

These financial statements have been prepared on an historical cost basis and on an accrual basis except for cash flow information. The financial statements are presented in Canadian dollars, which is the Company's functional currency.

These financial statements were authorized for issue by the Board of Directors on December 1, 2020.

3. Change in accounting policy

On July 1, 2020, the Company adopted the amendments to IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8"). These standards were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments did not have any material impact on the Company's financial statements.

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A Capital Pool Corporation

Notes to the Condensed Interim Financial Statements

(In Canadian dollars)

(Unaudited)

For the Periods Ended September 30, 2020 and 2019

4. Share capital

Authorized

Unlimited common shares with no par value

Issued

	Number of Common Shares	Amount
Balance as at September 3, 2019	-	\$ -
Seed share issuance	50,000	5,000
Share issuance costs	-	(1,000)
Balance as at September 30, 2019 and June 30, 2020	50,000	\$ 4,000
Seed share issuance	4,950,000	495,000
Share issuance costs	-	(1,800)
Balance as at September 30, 2020	5,000,000	\$ 497,200

Seed share issuance

On September 3, 2019, the Company issued 50,000 shares to a director and officer at a price of \$0.10 per share for gross proceeds of \$5,000.

During the three months ended September 30, 2020, the Company issued an aggregate of 1,800,000 seed common shares to the directors and officers of the Company and an additional 3,150,000 seed common shares to other investors at a price of \$0.10 per share for gross proceeds of \$495,000.

Shares subject to escrow after completion of the IPO

After completing the IPO, all issued and outstanding seed shares will be held in escrow pursuant to the requirements of the Exchange to be released as to 10% thereof on completion of the Company's Qualifying Transaction, as defined in the policies of the Exchange, and as to 15% thereof on each of the 6th, 12th, 18th, 24th, 30th and 36th months following the initial release, pursuant to the terms of an Escrow Agreement dated as of November 11, 2020 between the Company, TSX Trust Company, and the shareholders of the Company.

Subject to certain permitted exemptions, all securities of the Company held by principals of the resulting issuer will also be escrowed.

All common shares acquired on exercise of stock options granted to directors and officers prior to completion of a Qualifying Transaction must also be deposited and held in escrow pursuant to the requirements of the Exchange.

All common shares of the Company acquired in the secondary market prior to the completion of a Qualifying Transaction by a Control Person, as defined in the policies of the Exchange, are required to be deposited and held in escrow.

The seed common shares are considered contingently issuable until the Company completes a Qualifying Transaction and, accordingly, they are not considered to be outstanding shares for purposes of loss per share calculations.

CUSPIS CAPITAL II LTD.

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Notes to the Condensed Interim Financial Statements

(In Canadian dollars)

(Unaudited)

For the Periods Ended September 30, 2020 and 2019

4. Share capital (continued)

Stock option plan

The stock option plan ("Option Plan") provides that the Board of Directors of the Company may from time to time, in its discretion and in accordance with the Exchange requirements, grant to directors, officers, consultants and employees of the Company, options to acquire a maximum number of common shares equal to 10% of the total issued and outstanding common shares of the Company, exercisable for a period of up to ten years from the date of grant.

The Option Plan was approved by the Board of Directors and adopted by the Company on November 11, 2020.

5. Funds held in trust

As at September 30, 2020, the Company had \$478,700 held in trust with its lawyers (June 30, 2020 - \$5,000).

6. Prepaid expenses and deposits

The Company's prepaid expenses and deposits as at September 30, 2020 totaling \$21,300 included professional fee deposits and legal funds held in trust which are mainly required to fulfill the obligations of the IPO (note 12).

7. Deferred financing costs

The deferred financing costs as at September 30, 2020 totaling \$9,600 related to the IPO (note 12).

8. Accounts payable and accrued liabilities

The Company's accounts payable and accrued liabilities consist of the following:

	September 30, 2020	June 30, 2020
Professional expenses	\$ 22,630	\$ 4,742
Accrued filing fees	16,552	-
Share issuance costs and deferrals	12,400	2,800
Total	\$ 51,582	\$ 7,542

9. Income taxes

The Company has approximately \$20,000 of non-capital losses in Canada, which, under certain circumstances, can be used to reduce the taxable income of future years. These losses expire in 2040 and 2041.

Deferred tax assets have not been recognized because it is not probable that future taxable profit will be available against which the Company can use the benefits.

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Notes to the Condensed Interim Financial Statements

(In Canadian dollars)

(Unaudited)

For the Periods Ended September 30, 2020 and 2019

10. Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and ensure sufficient liquidity in order to become a CPC and complete a Qualifying Transaction so that it can provide adequate returns for shareholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital as total shareholders' equity. The Company is not subject to any externally imposed capital requirements. There were no significant changes in the Company's approach to capital management during the periods ended September 30, 2020 and June 30, 2020.

11. Financial instruments and risk management

The Company's activities may expose it to a variety of financial risks: fair values, credit risk, liquidity risk and market risk (including interest rate risk). The Board of Directors provides regular guidance for overall risk management.

Fair values

As at September 30, 2020 and June 30, 2020, the Company's financial instruments consist of cash, and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

The Company is exposed in varying degrees to a number of risks arising from financial instruments. Management's involvement in the operations allows for the identification of risks and variances from expectations. The Company does not participate in the use of financial instruments to mitigate these risks. The Board approves the risk management processes. The Board's main objectives for managing risks are to ensure liquidity, the fulfillment of obligations, the completion of the IPO, the Company's search for a Qualifying Transaction, and limit exposure to credit and market risks.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company is exposed to credit risk through its cash balance which is held with the Company's lawyers in trust. The Company believes its exposure to credit risk is not significant.

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 market interest rates. None of the Company's financial instruments bear interest. Therefore, management believes the Company has no significant exposure to interest rate risk through its financial instruments as at September 30, 2020 and June 30, 2020.

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Notes to the Condensed Interim Financial Statements

(In Canadian dollars)

(Unaudited)

For the Periods Ended September 30, 2020 and 2019

11. Financial instruments and risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in note 10, in normal circumstances. The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and have normal trade terms.

12. Subsequent events

The IPO

Pursuant to a prospectus dated November 11, 2020, the Company is proposing to offer a minimum of 2,500,000 common shares of the Company at \$0.20 per common share for gross proceeds of \$500,000 (the "Minimum Offering") and up to a maximum of 7,500,000 common shares of the Company at \$0.20 per common share for gross proceeds of \$1,500,000 (the "Maximum Offering").

Stock option agreements

Concurrently with the completion of the IPO, the Company intends to enter into stock option agreements with officers and directors of the Company, entitling them to purchase up to that number of common shares equal to 10% of the number of common shares that will be outstanding upon completion of the IPO, at a price of \$0.20 per common share for a period of five years from the date of issuance.

Agent's compensation

The Company has entered into an agreement between the Company and Industrial Alliance Securities Inc. (the "Agent") dated effective November 11, 2020 (the "Agency Agreement"). Pursuant to the terms of the Agency Agreement, the Agent will receive a commission of 10% of the aggregate gross proceeds from the sale of the common shares, a \$10,000 corporate work fee, and reimbursement of its expenses and legal fees incurred pursuant to the IPO plus disbursements and taxes. The Company will grant to the Agent and its sub-agents, if any, at the closing of the IPO the "Agent's Warrant" to acquire common shares in number equal to 10% of the number of common shares sold under the IPO, at \$0.20 per share for a 24-month period following the date of listing of the common shares on the Exchange. Pursuant to CPC Policy 2.4, where the Agent receives an option or the right to subscribe for a certain number of shares as consideration for acting as Agent, 50% of the options exercised or 50% of the shares held pursuant to that right may be sold prior to completion of the Qualifying Transaction. The remaining 50% may only be sold after completion of the Qualifying Transaction.

Deductible costs of this issue include listing and filing fees, the Agent's expenses and legal fees, the Agent's corporate work fee and the Company's legal fees, audit fees and expenses, which are estimated at \$117,455, assuming the Minimum Offering is subscribed for, and \$117,455, assuming the Maximum Offering is subscribed for, inclusive of taxes and disbursements and exclusive of the Agent's commission.