

Financial statements of

**CUSPIS CAPITAL II LTD.**

**A Capital Pool Corporation**

For the years ended June 30, 2022 and 2021

*Audit. Tax. Advisory.*

## **Independent Auditor's Report**

To the Shareholders of Cuspis Capital II Ltd.

### **Opinion**

We have audited the financial statements of Cuspis Capital II Ltd. (the "Company"), which comprise the statements of financial position as at June 30, 2022 and 2021, and the statements of loss and comprehensive loss, statements of changes in shareholders' equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2022 and 2021 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### **Basis for opinion**

We conducted our audit 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. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other information**

Management is responsible for the other information. The other information comprises 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 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 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 judgement 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 risks 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 of the audit resulting in this independent auditor's report is Jessica Glendinning.

**McGovern Hurley LLP**



**Chartered Professional Accountants  
Licensed Public Accountants**

Toronto, Ontario  
October 25, 2022

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# CUSPIS CAPITAL II LTD.

A Capital Pool Corporation  
Statements of Financial Position  
(In Canadian dollars)

As at June 30,

	Note	2022	2021
<b>Assets</b>			
Current assets			
Cash		\$ 19,072	\$ 67,732
Short-term investments	6	1,660,137	1,650,651
Prepaid expenses and deposits	7	2,069	1,595
<b>Total assets</b>		<b>\$ 1,681,278</b>	<b>\$ 1,719,978</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities			
Accounts payable and accrued liabilities	8	\$ 48,478	\$ 27,899
<b>Total current liabilities</b>		<b>48,478</b>	<b>27,899</b>
Shareholders' equity			
Share capital	5	1,721,279	1,721,279
Share option reserve	5	186,071	186,071
Warrant reserve	5	78,946	78,946
Deficit		(353,496)	(294,217)
<b>Total shareholders' equity</b>		<b>1,632,800</b>	<b>1,692,079</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 1,681,278</b>	<b>\$ 1,719,978</b>
Nature of operations and going concern	1		

Approved by the Board of Directors:

(Signed) "William Ollerhead"

Director and Chief Executive Officer

(Signed) "Grant McCutcheon"

Director and Chief Financial Officer

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# CUSPIS CAPITAL II LTD.

A Capital Pool Corporation

## Statements of Loss and Comprehensive Loss

(In Canadian dollars)

For the year ended June 30,

	Note	2022	2021
Expenses			
Share-based compensation	5	\$ -	\$ 186,071
Professional fees		36,971	56,552
Filing costs		18,583	33,971
Qualifying transaction	1	13,125	11,667
Office and general		86	290
		<b>68,765</b>	288,551
Loss for the period before the undernoted		<b>(68,765)</b>	(288,551)
Interest income		9,486	876
Net loss and comprehensive loss for the year		<b>\$ (59,279)</b>	\$ (287,675)
Loss per share			
Basic and diluted	5, 9	<b>(0.01)</b>	(0.07)
Weighted average number of shares outstanding <sup>(1)</sup>			
Basic and diluted	5, 9	<b>7,500,000</b>	4,150,685

<sup>(1)</sup> For the periods presented, the calculation of weighted average number of common shares outstanding excludes escrowed shares, options and warrants.

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# CUSPIS CAPITAL II LTD.

A Capital Pool Corporation

## Statements of Changes in Shareholders' Equity

(In Canadian dollars)

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	Shares Issued #	Share Capital \$	Share-based Payment Reserve \$	Warrant Reserve \$	Deficit \$	Total Shareholders' Equity \$
<b>Balance, as at June 30, 2020</b>	<b>50,000</b>	<b>4,000</b>	-	-	<b>(6,542)</b>	<b>(2,542)</b>
Common shares issued for cash	12,450,000	1,995,000	-	-	-	1,995,000
Share issuance costs	-	(277,721)	-	78,946	-	(198,775)
Share-based compensation	-	-	186,071	-	-	186,071
Net loss for the year	-	-	-	-	(287,675)	(287,675)
<b>Balance, as at June 30, 2021</b>	<b>12,500,000</b>	<b>1,721,279</b>	<b>186,071</b>	<b>78,946</b>	<b>(294,217)</b>	<b>1,692,079</b>
Net loss for the year	-	-	-	-	(59,279)	(59,279)
<b>Balance, as at June 30, 2022</b>	<b>12,500,000</b>	<b>1,721,279</b>	<b>186,071</b>	<b>78,946</b>	<b>(353,496)</b>	<b>1,632,800</b>

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

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# CUSPIS CAPITAL II LTD.

A Capital Pool Corporation

## Statements of Cash Flows

(In Canadian dollars)

For the year ended June 30,

	Note	2022	2021
Cash flows from operating activities			
Net loss for the year		\$ (59,279)	\$ (287,675)
Change in non-cash operating assets and liabilities			
Share-based compensation		-	186,071
Prepaid expenses and deposits	7	(474)	(1,595)
Accounts payable and accrued liabilities		20,579	20,357
Accrued interest income	6	(9,486)	(651)
Cash used in operating activities		(48,660)	(83,493)
Investing activities			
GIC redemption		1,650,000	-
Interest received on maturity of investment		5,963	-
GIC purchase		(1,655,963)	(1,650,000)
Cash provided by (used in) investing activities		-	(1,650,000)
Financing activities			
Share capital	5	-	1,995,000
Share issuance costs	5	-	(198,775)
Cash provided by financing activities		-	1,796,225
(Decrease) Increase in cash		(48,660)	62,732
Cash, beginning of year		67,732	5,000
Cash, end of year		\$ 19,072	\$ 67,732
Non-cash activities:			
Broker's warrants	5	\$ -	\$ 78,946

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

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# CUSPIS CAPITAL II LTD.

A Capital Pool Corporation

## Notes to the Financial Statements

(In Canadian dollars)

For the years ended June 30, 2022 and 2021

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### 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.

The Company is carrying 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”). The Company’s registered head office is located at 77 King Street West, Suite 700, Toronto, Ontario, Canada M5K 1G8. The Company’s shares are listed for trading on the TSX Venture Exchange under the symbol “CCII.P”.

As at June 30, 2022, the Company had no business operations. 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, in its efforts to complete a “Qualifying Transaction”, as such term is defined in the Exchange CPC Policy 2.4.

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.

#### Proposed Qualifying Transactions

On February 14, 2022, the Company entered into a letter of intent (the “LOI”) with Cytophage Technologies Inc. which was terminated on May 6, 2022.

On June 1, 2022, the Company entered into a LOI with Peninsula Capital Corp (“Peninsula”), a private company incorporated under the laws of the Province of Ontario. Trading in the common shares of the Company was halted pursuant to the policies of the Exchange.

#### Novel Coronavirus (“COVID-19”)

The Company’s operations could be significantly adversely affected by the effects of a widespread global outbreak of a 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 duration of the outbreak and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, the health crisis 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 a Qualifying Transaction.

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# CUSPIS CAPITAL II LTD.

A Capital Pool Corporation

## Notes to the Financial Statements

(In Canadian dollars)

For the years ended June 30, 2022 and 2021

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### 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 \$59,279 for the year ended June 30, 2022 (2021 - \$287,675). However, the Company believes that its working capital of \$1,632,800 as at June 30, 2022 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 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 financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

#### 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 October 25, 2022.

### 3. Cash restriction

There is a restriction on the use of proceeds realized from the sale of all securities issued by the Company as a CPC. The gross proceeds raised from the Company’s Initial Public Offering (the “Offering”) (note 5) may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a proposed Qualifying Transaction, with the exception that the lesser of 30% of the gross proceeds or \$210,000 may be used for purposes other than evaluating businesses or assets. These restrictions apply until completion of a Qualifying Transaction by the Company. The Company is required to complete its Qualifying Transaction on or before two years from the date the Company receives regulatory approval.

### 4. Summary of significant accounting policies

#### Cash and cash equivalents

Cash equivalents consist of deposits with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

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# CUSPIS CAPITAL II LTD.

A Capital Pool Corporation

## Notes to the Financial Statements

(In Canadian dollars)

For the years ended June 30, 2022 and 2021

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### 4. Summary of significant accounting policies (continued)

#### Financial instruments

##### *Financial assets*

##### Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either fair value through profit or loss (“FVPL”) or fair value through other comprehensive income (“FVOCI”), and “financial assets at amortized cost”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost.

##### Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of loss. The Company’s financial assets include cash and short-term investments which are measured at amortized cost.

##### Subsequent measurement – Financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statement of financial position with changes in fair value recognized in other income or expense in the statement of loss. The Company does not measure any financial assets at FVPL.

##### Subsequent measurement – Financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statement of comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

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# CUSPIS CAPITAL II LTD.

A Capital Pool Corporation

## Notes to the Financial Statements

(In Canadian dollars)

For the years ended June 30, 2022 and 2021

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### 4. Summary of significant accounting policies (continued)

#### Financial instruments (continued)

##### *Financial assets (continued)*

###### Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

##### *Financial liabilities*

###### Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

###### Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the statement of loss.

###### Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statement of loss.

###### Fair value hierarchy

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly;

Level 3 – Inputs for assets or liabilities that are not based on observable market data.

#### **Income taxes**

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

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# CUSPIS CAPITAL II LTD.

A Capital Pool Corporation

## Notes to the Financial Statements

(In Canadian dollars)

For the years ended June 30, 2022 and 2021

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### 4. Summary of significant accounting policies (continued)

#### Income taxes (continued)

Deferred tax is recorded on temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, the tax asset is not recognized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

#### Share-based payments

The Company has a stock option plan (the "Option Plan") which is discussed in note 5. The Company uses the fair value-based method of accounting for share-based payment arrangements. The fair value of each option granted to directors, officers, consultants and employees is accounted for in operations over the vesting period of the option using the Black-Scholes option pricing model at the date of grant, with the related increase to share option reserve. Upon exercise of the stock options, the consideration paid, together with the amount previously recognized in share option reserve, is recorded as an increase in share capital. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

#### Loss per share

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted earnings per share calculation. All of the Company's outstanding stock options and warrants were anti-dilutive for the years ended June 30, 2022 and 2021.

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# CUSPIS CAPITAL II LTD.

A Capital Pool Corporation

## Notes to the Financial Statements

(In Canadian dollars)

For the years ended June 30, 2022 and 2021

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### 4. Summary of significant accounting policies (continued)

#### **Use of estimates, assumptions and judgements**

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which will require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

#### Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions could affect the fair value estimates.

#### Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

#### **Contingencies**

See note 1.

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# CUSPIS CAPITAL II LTD.

A Capital Pool Corporation

## Notes to the Financial Statements

(In Canadian dollars)

For the years ended June 30, 2022 and 2021

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### 5. Share capital

#### Authorized

Unlimited common shares with no par value

#### Issued

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	Number of Common Shares	Amount
<b>Balance as at June 30, 2020</b>	<b>50,000</b>	<b>\$ 4,000</b>
Share issuance	12,450,000	1,995,000
Share issuance costs	-	(277,721)
<b>Balance as at June 30, 2021 and June 30, 2022</b>	<b>12,500,000</b>	<b>1,721,279</b>

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#### Seed share issuance

During the quarter 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.

#### Initial Public Offering

On December 11, 2020, the Company completed the Offering pursuant to which it issued 7,500,000 common shares at \$0.20 per share, for aggregate proceeds of \$1,500,000.

#### 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.

#### Stock options

Upon closing of the Offering on December 11, 2020, the Company granted to officers and directors of the Company an aggregate of 1,250,000 stock options exercisable at \$0.20 per share for a period of five years. These options vested immediately upon grant and were valued at \$186,071 using the Black-Scholes option pricing model based on the following assumptions: expected volatility of 101% based on the average volatility of comparable companies, expected life of five years, expected dividend yield of 0%, risk free rate of 0.25% and a share price of \$0.20. The weighted average remaining life of the options outstanding as at June 30, 2022 was 3.45 years.

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	Number of stock options issued and exercisable	Weighted average exercise price
<b>Balance as at June 30, 2020</b>	<b>-</b>	<b>\$ -</b>
Granted	1,250,000	0.20
<b>Balance as at June 30, 2021 and June 30, 2022</b>	<b>1,250,000</b>	<b>\$ 0.20</b>

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# CUSPIS CAPITAL II LTD.

A Capital Pool Corporation

## Notes to the Financial Statements

(In Canadian dollars)

For the years ended June 30, 2022 and 2021

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### 5. Share capital (continued)

#### Compensation warrants

Upon closing of the Offering on December 11, 2020, the Company granted to the agent of the Offering (the "Agent") an aggregate of 750,000 compensation warrants exercisable at \$0.20 per share for a period of two years. The compensation warrants were valued at \$78,946 using the Black-Scholes option pricing model based on the following assumptions: expected volatility of 101% based on the average volatility of comparable companies, expected life of 2 years, expected dividend yield of 0%, risk free rate of 0.25% and a share price of \$0.20. These compensation warrants vested immediately upon grant. The weighted average remaining life of the compensation warrants outstanding as at June 30, 2022, was 0.45 years.

	Number of compensation warrants issued	Weighted average exercise price
Balance as at June 30, 2020	-	\$ -
Granted	750,000	0.20
Balance as at June 30, 2021 and June 30, 2022	750,000	\$ 0.20

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 a Qualifying Transaction. The remaining 50% may only be sold after completion of a Qualifying Transaction.

#### Shares subject to escrow

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 6<sup>th</sup>, 12<sup>th</sup>, 18<sup>th</sup>, 24<sup>th</sup>, 30<sup>th</sup> and 36<sup>th</sup> 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.

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# CUSPIS CAPITAL II LTD.

A Capital Pool Corporation

## Notes to the Financial Statements

(In Canadian dollars)

For the years ended June 30, 2022 and 2021

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### 6. Cash and short-term investment

#### Cash

As at June 30, 2022, the Company had \$19,072 in cash held at a Canadian financial institution (June 30, 2021 - \$67,732).

#### Short-term investment

On May 25, 2021, the Company invested \$1,650,000 in a one-year fully cashable guaranteed investment certificate ("GIC") with an effective annual interest rate of 0.4%. During the quarter ended March 31, 2022, the GIC was redeemed and the principal plus interest received totaling \$5,963 were reinvested in a one-year fully cashable GIC with an effective annual interest rate of 1%.

During the year ended June 30, 2022, \$9,486 was earned in interest (June 30, 2021 - \$876).

### 7. Prepaid expenses and deposits

Prepaid expenses and deposits as at June 30, 2022 totaling \$2,069 (June 30, 2021 – \$1,595) mainly included the Company's annual contracts for SEDAR filings and news release dissemination.

### 8. Accounts payable and accrued liabilities

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

	June 30, 2022	June 30, 2021
Accounts payable	\$ 31,838	\$ 2,887
Accrued liabilities	16,640	25,012
Total	\$ 48,478	\$ 27,899

### 9. Net loss per share

The net loss per common share was based on the loss attributable to common shareholders and the weighted average number of common shares outstanding. The weighted average shares outstanding does not include 5,000,000 escrowed shares as they are contingently returnable.

Diluted loss per share does not include the effect of any share options or compensation warrants outstanding as they are anti-dilutive.

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A Capital Pool Corporation

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### 10. Provision for income taxes

Major items causing the Company's income tax rate to differ from the statutory rate of 27% were as follows:

	Year ended June 30,	
	2022	2021
Loss before income taxes	\$ (59,279)	\$ (287,675)
Expected income tax recovery based on statutory rate	16,000	76,000
Share based compensation	-	(49,000)
Tax benefits not recognized	(16,000)	(27,000)
Deferred income tax expense	\$ -	\$ -

### Deductible temporary differences

	June 30,	
	2021	2021
Unrecognized deductible temporary differences		
Non-capital loss carry-forwards	\$ 231,000	\$ 148,000
Share issue costs	120,000	160,000
<b>Total</b>	<b>\$ 351,000</b>	<b>\$ 308,000</b>

### Deferred income tax balances

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits. The Company has approximately \$231,000 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 2042.

### 11. Related party transactions

Related parties include the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

Refer to Note 5 for details on seed shares issued and stock options granted to related parties.

### 12. 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 remain 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 other than the cash restriction disclosed in Note 3. There were no significant changes in the Company's approach to capital management during the years ended June 30, 2022 and 2021.

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### 13. 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 June 30, 2022, the Company's financial instruments consist of cash, short-term investments, 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 Company's completion of a Qualifying Transaction, and to limit the Company's 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 and short-term investment balances which were held at a Canadian financial institution as at June 30, 2022. 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. Management believes the Company had no significant exposure to interest rate risk through its financial instruments as at June 30, 2022, as the short-term investments bear interest at a fixed rate.

A 1% increase (decrease) in the interest rate on the short-term investments as at June 30, 2022 would result in an estimated increase (decrease) in net income (loss) of approximately \$16,600 (2021 - \$16,500).

#### 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 12, in normal circumstances. The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and have normal trade terms.