DXI CAPITAL

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

September 30, 2021

NOTICE OF NO AUDITOR REVIEW OF 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 interim financial statements, the interim financial statements must be accompanied by a notice indicating that they have not been reviewed by an auditor.

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

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

DXI CAPITAL CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

(Unaudited) *(thousands of Canadian dollars)*	Notes	**September 30, 2021**	December 31, 2020
		$	$
ASSETS			
Current			
Cash		**5**	73
Accounts receivable		**-**	2
Prepaids and deposits		**7**	6
Current Assets		**12**	81
Non-current			
Property and equipment	4	**1**	2
Total Assets		**13**	83
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**151**	100
Loans from related parties	6	**450**	375
Current Liabilities		**601**	475
Total Liabilities		**601**	475
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	9	**113,916**	113,747
Contributed surplus		**12,191**	12,191
Subscriptions received in advance		**-**	169
Deficit		**(126,695)**	(126,499)
Total Shareholders' Equity (Deficit)		**(588)**	(392)
Total Liabilities and Shareholders' Equity (Deficit)		**13**	83

Going concern - Note 2(b)

Approved on behalf of the Board:

"signed"
Ronnie Bozzer - Director

"signed"
Robert Hodgkinson - Director

DXI CAPITAL CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

(Unaudited)		Three months ended September 30,		Nine months ended September 30	
(thousands of Canadian dollars, except per share amounts)	Notes	**2021**	2020	**2021**	2020
		$	$	**$**	$
EXPENSES					
Amortization, depletion and impairment losses	4	**1**	-	**2**	1
General and administrative		**49**	90	**168**	353
Financing expenses		**9**	145	**26**	421
Stock based compensation	10	**-**	-	**-**	6
Foreign exchange loss		**-**	-	**-**	1
Total Expenses		**59**	235	**196**	782
Loss before income taxes and other items		**(59)**	**(235)**	**(196)**	**(782)**
Gain on sale of investment in subsidiary	5	-	282	-	5,207
Other income		-	-	-	-
Loss from continuing operations		**(59)**	47	**(196)**	4,425
Loss from discontinued operations	5	-	15	-	(1,722)
Loss for the period		**(59)**	62	**(196)**	2,703
Other Comprehensive Income (Loss)					
Items that may be subsequently reclassified to profit or loss:					
Foreign currency translation adjustment		-	-	-	13
Comprehensive Loss		**(59)**	62	**(196)**	2,716
Loss per common share - basic and diluted					
Continuing operations		**(0.005)**	0.02	**(0.016)**	1.75
Discontinued operations		**n/a**	0.01	**n/a**	(0.68)
Weighted average common shares outstanding					
Basic		**11,966,024**	2,529,339	**11,966,024**	2,528,369
Diluted		**11,966,024**	2,529,339	**11,966,024**	2,528,369

DXI CAPITAL CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
(Expressed in Canadian Dollars)

(Unaudited) *(thousands of Canadian dollars, except number of shares)*	Number of Shares	Share Capital	Contributed Surplus	Subscriptions received in advance	Deficit	AOCI(L)*	Total
		$	$	$	$	$	$
Balance as at January 1, 2021	11,610,130	113,747	12,191	169	(126,499)	-	(392)
Share issued for subscriptions received in advance	355,894	169	-	(169)	-	-	-
Loss	-	-	-	-	(196)	-	(196)
Balance as at September 30, 2021	**11,966,024**	**113,916**	**12,191**	**-**	**(126,695)**	**-**	**(588)**
Balance as at January 1, 2020	2,485,127	109,323	13,084	-	(132,698)	3,523	(6,768)
Shares issued via debt conversion, net of issuance cos	44,301	125	-	-	-	-	125
Stock-based compensation	-	-	6	-	-	-	6
Income	-	-	-	-	2,703	-	2,703
Adjustment due to fractional rounding	(89)	-	-	-	-	13	13
Balance as at September 30, 2020	**2,529,339**	**109,448**	**13,090**	**-**	**(129,995)**	**3,536**	**(3,921)**

DXI CAPITAL CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

(Unaudited)	**Nine months ended September 30,**	
(thousands of Canadian dollars)	**2021**	2020
	$	$
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
(Loss) income for the period	**(196)**	2,703
Adjustment for items not affecting cash:		
Amortization, depletion and impairment losses	**2**	1,274
Stock based compensation	**-**	6
Non-cash financing expenses	**-**	424
Loss on held-for-sale assets	**-**	268
Gain on sale of investment in subsidiary	**-**	(5,207)
Cash flows from (used in) operations	**(194)**	(532)
Changes in operating working capital	**51**	203
Total Cash Flows from (used in) Operating Activities	**(143)**	(329)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Additions to property and equipment	**-**	(7)
Proceeds from sale of investments in subsidiaries	**-**	6
Changes in investing working capital	**-**	(34)
Total Cash Flows from (used in) Investing Activities	**-**	(35)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Advance of loans from related parties	**75**	250
Shares issued for cash, net of share issue costs	**-**	(7)
Principal payments on lease liabilities	**-**	(15)
Changes in financing working capital	**-**	(32)
Total Cash Flows from (used in) Financing Activities	**75**	196
CHANGE IN CASH AND CASH EQUIVALENTS	**(68)**	(168)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**73**	193
CASH AND CASH EQUIVALENTS, END OF PERIOD	**5**	25

Supplemental cash flow information – Note 11

NOTE 1 - CORPORATE INFORMATION

DXI Capital Corp. (the "Company") is a public company trading on the NEX under the symbol of "DXI.H", operated by the TSX Venture Exchange ("TSXV") in Canada. On September 11, 2020, the Company changed its name from DXI Energy Inc. to DXI Capital Corp. and effected a one hundred-to-one share consolidation of its common shares. All shares and per share amounts in these consolidated financial statements have been adjusted retroactively for all periods presented to reflect the effects of the share consolidation. The address of its registered office is 404 – 999 Canada Place, Vancouver, British Columbia.

The Company has been engaged in the business of exploring and developing oil and gas assets in North America. In the first nine months of 2020, the Company disposed all its oil and gas assets. As of March 31, 2021, the Company has no active operations. The management and board of directors are currently forging a new direction for the Company's shareholders.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, 0855524 B.C. Ltd., incorporated in British Columbia. These financial statements also include the accounts of Dejour Energy (Alberta) Ltd. ("DEAL"), incorporated in Alberta, until May 31, 2020 and Dejour Energy (USA) Corp. ("DUSA"), incorporated in Nevada, until August 26, 2020. The Company sold its equity interest in DEAL entirely and deconsolidated these accounts from its financial statements on May 31, 2020, the effective date of the change of control (note 5). The 100% equity interest of DUSA was seized by one of the Company's secured lenders and these accounts were deconsolidated from its financial statements on August 26, 2020, the effective date of the change of control (note 5). All intercompany transactions are eliminated upon consolidation.

These interim condensed consolidated financial statements were authorized and approved for issuance by the Board of Directors on November 29, 2021.

NOTE 2 - BASIS OF PRESENTATION

(a) Basis of presentation

The interim condensed consolidated financial statements for the nine months ended September 30, 2021and 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting. These interim results do not include all the information required for the full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2020. The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2020.

(b) Going concern

The financial statements were prepared on a going concern basis. The going concern basis assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company incurred a net loss of $196,000 during the nine months ended September 30, 2021, and as of that date has a working capital deficiency of $588,000 and an accumulated deficit of $126.7 million.

The Company's ability to continue as a going concern is dependent upon attaining profitable operations and sourcing additional equity and debt capital from financiers, other than the present non-arm's length lenders to the Company, to provide the Company with sufficient capital to fund future operations or activities. There is no assurance that future operations or activities will be successful. These material uncertainties cast substantial doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used that would be necessary if the going concern assumptions were not appropriate.

In March 2020, there was a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and; specifically, the regional economies in which the Company operates. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital.

(All tabular amounts are expressed in thousands of Canadian dollars unless otherwise noted)

NOTE 3 - ASSETS HELD FOR SALE

On December 31, 2019, the Company ceased to be an operator of record in the Piceance Basin in the State of Colorado and formally listed its remaining oil and gas properties in the Piceance Basin for sale with an accredited agent in the USA.

On July 16, 2020, the Company received a notice of demand from its secured lender ("Lender") for repayment of the Company's indebtedness to the Lender (see Note 6).

As at September 30, 2021, there are no remaining assets held for sale.

NOTE 4 - PROPERTY AND EQUIPMENT

	Canadian Oil and Gas Properties	United States Oil and Gas Properties	Corporate and Other Assets Surplus	Total
	$	$	$	$
Cost:				
Balance at January 1, 2020	36,238	-	248	36,486
Additions	6	-	-	6
Change in decomissioning provision	206	-	-	206
Disposals	(36,450)	-	(77)	(36,527)
Balance at December 31, 2020	-	-	171	171
Balance at September 30, 2021	**-**	**-**	**171**	**171**

	Canadian Oil and Gas Properties	United States Oil and Gas Properties	Corporate and Other Assets Surplus	Total
	$	$	$	$
Accumulated amortization, depletion and impairment loss:				
Balance at January 1, 2020	(35,193)	-	(223)	(35,416)
Amortization and depletion	(56)	-	(17)	(73)
Change in decomissioning provision	(1,201)	-	-	(1,201)
Disposals	36,450	-	71	36,521
Balance at December 31, 2020	-	-	(169)	(169)
Amortization and depletion			(1)	(1)
Balance at September 30, 2021	**-**	**-**	**(170)**	**(170)**

	Canadian Oil and Gas Properties	United States Oil and Gas Properties	Corporate and Other Assets Surplus	Total
	$	$	$	$
Carrying amounts:				
At December 31, 2020	-	-	2	2
At September 30, 2021	**-**	**-**	**1**	**1**

(All tabular amounts are expressed in thousands of Canadian dollars unless otherwise noted)

NOTE 5 - DISPOSITION OF SUBSIDIARIES

(a) Dejour Energy (Alberta) Ltd. ("DEAL")

On May 31, 2020, the Company sold its 100% equity interest in DEAL to a privately held Calgary-based exploration and production company for a nominal price. On the date of change of control, the negative net assets value of DEAL was $4,925,000, resulting in a gain of $4,925,000.

	$
Accounts receivable	(37)
Prepaid and others	(275)
Accounts payable and accruals	1,147
Decommissioning liabilities	4,090
Negative net assets sold	4,925
Cash proceeds received	-
Gain on disposal of subsidiary	4,925

(b) Dejour Energy (USA) Corp. ("DUSA")

On July 16, 2020, the Company received a notice of demand from its secured lender ("Lender") for repayment of the Company's indebtedness to the Lender. Because the Company failed to do so, the Lender seized all the issued and outstanding shares of DUSA and sold the 100% equity interest on August 26, 2020 for $13,000 (US$10,000). On the date of change of control, the negative net assets value of DUSA was $3,824,000, resulting in a gain of $3,818,000.

	$
Property and equipment	(13)
Accounts payable and accruals	149
Decommissioning liabilities (Note 10)	152
Accumulated other comprehensive income	13
Reclassification of cumulative foreign exchange	3,523
Negative net assets sold	3,824
Net cash proceeds received (1)	(6)
Gain on disposal of subsidiary	3,818

(1) consideration less $7,000 in transaction costs

NOTE 6 - LOANS FROM RELATED PARTIES

(a) Loan from Hodgkinson Equities Corporation ("HEC")

On June 5, 2017, the Company entered into an amended loan agreement with Hodgkinson Equities Corporation ("HEC") for the loan amount of $4,500,000 whereby the parties agreed to (a) extend the due date from November 30, 2018 to June 5, 2022; (b) reduce the interest rate to Canadian prime rate plus 1% per annum; (c) provide the right to convert the entire outstanding amount into 584,415 common shares of the Company at a price of $7.70 per share; and (d) secure the loan by all assets of Dejour USA and issue a first mortgage in favour of HEC on DEAL's oil and gas properties. The first mortgage security so issued ranked "pari passu" with HVI's first mortgage security interest (note 6(b)).

On April 29, 2019, the Company entered into an amending agreement with HEC to convert $2,500,000 into 416,666 common shares of the Company at a price of $6.00 per share. The agreement was approved by the "disinterested" or minority shareholders at the Company's "Annual General and Special Meeting of Shareholders" on April 29, 2019. On May 6, 2019, 416,666 common shares of the Company were issued to HEC and 13,731 common shares of the Company were issued in settlement of accrued interest.

(All tabular amounts are expressed in thousands of Canadian dollars unless otherwise noted)

Upon receipt of approval by the disinterested shareholders at the Company's Annual General and Special Meeting of Shareholders on August 20, 2020 and the acceptance by the TSXV on October 22, 2020, 4,332,505 shares of the Company at a price of $0.475 per share (including 121,979 shares in settlement of accrued interest) were issued to HEC on October 22, 2020. Thus, the loan of $2,000,000 and the accrued interest were repaid in full accordingly.

As at September 30, 2021, the carrying value of the loan liability is as follows:

	$
Balance at December 31, 2019	1,426
Accretion expense	125
Reversal of conversion feature on repayment	449
Repayment via share issuance	(2,000)
Balance at December 31, 2020 and September 30, 2021	**-**

(b) Loan from Hodgkinson Ventures Inc. ("HVI")

On June 5, 2017, the Company entered into an amended loan agreement with Hodgkinson Ventures Inc. ("HVI") for the loan amount of $2,000,000 whereby the parties agreed to (a) extend the due date from November 30, 2018 to June 5, 2022; (b) reduce the interest rate to Canadian prime rate plus 1% per annum; (c) provide the right to convert the entire outstanding amount into 259,740 common shares of the Company at a price of $7.70 per share; and (d) secure the loan by all assets of Dejour USA and issue a first mortgage in favour of HVI on DEAL's oil and gas properties. The first mortgage security so issued ranked "pari passu" with HEC's first mortgage security interest (note 6(a)).

On May 31, 2020, upon the sale of all the issued and outstanding shares of DEAL to a privately held Calgary-based exploration and production company, HVI agreed to fully release and discharge the first mortgage on DEAL's oil and gas properties. On July 16, 2020, the Company received a notice of demand from HVI for repayment of its indebtedness to HVI. Because the Company failed to do so, HVI was at liberty to realize its security interest and seized all the issued and outstanding shares of DUSA.

Upon receipt of approval by the disinterested shareholders and the acceptance by the TSXV, 4,332,505 shares of the Company at a price of $0.475 per share (including 121,979 shares in settlement of accrued interest) were issued to HVI on October 22, 2020. Thus, the loan of $2,000,000 and the accrued interest were repaid in full accordingly.

As at March 31, 2021, the carrying value of the loan liability is as follows:

	$
Balance at December 31, 2019	1,425
Accretion expense	125
Reversal of conversion feature on repayment	450
Repayment via share issuance	(2,000)
Balance at December 31, 2020 and September 30, 2021	**-**

(c) Shareholder loan

On May 21, 2020, the Company entered into a loan agreement with HEC and HVI for the loan amount of $150,000. The loans bear interest at 8% per annum.

On June 17, 2020, the Company further entered into a loan agreement with HEC for an additional loan amount of up to $100,000. The loan bears interest at 8% per annum.

On October 19, 2020, the Company further entered into a loan agreement with HVI for an additional loan amount of up to $50,000. The loan bears interest at 8% per annum.

On December 22, 2020, the Company further entered into a loan agreement with HEC for an additional loan amount of up to $75,000. The loan bears interest at 8% per annum.

(All tabular amounts are expressed in thousands of Canadian dollars unless otherwise noted)

On March 12, 2021, the Company further entered into a loan agreement with HEC for an additional loan amount of up to $25,000. The loan bears interest at 8% per annum.

On March 26, 2021, the Company further entered into a loan agreement with HEC for an additional loan amount of up to $50,000. The loan bears interest at 8% per annum.

The aggregate sum of the principal loan amount is $450,000 and accrued interest of $37,924 at September 30, 2021 on the loans.

Subsequent to September 30, 2021, the Company entered into a further $40,000 loan agreement with both HEC and HVI, each for $20,000. The loans bear interest at 8% per annum.

NOTE 7 - LEASE LIABILITIES

	$
Balance at December 31, 2019	**16**
Lease payments	(16)
Balance at December 31, 2020 and September 30, 2021	**-**

The Company had lease liabilities for contracts related to its offices in Vancouver and Calgary. Leases are entered into and exited in coordination with specific business requirements which includes the assessment of the appropriate durations for the related leased assets. As at September 30, 2021, the lease contracts for the offices in Vancouver and Calgary. The Company maintains a monthly lease in Vancouver at $2,000 per month, cancellable with 30 days notice.

NOTE 8 - DECOMMISSIONING LIABILITY

	Canadian Oil and Gas Properties	**United States Oil and Gas Properties**	**Total**
	$	$	$
Balance at December 31, 2019	**3,878**	**-**	**3,878**
Change in estimated future cash flows	205	-	205
Unwinding of discount	7	-	7
Disposal (note 7)	(4,090)	-	(4,090)
Balance at December 31, 2020 and September 30, 2021	**-**	**-**	**-**

The present value of the decommissioning liability was calculated using the following weighted average inputs:

	Canadian Oil and Gas Properties	**United States Oil and Gas Properties**
As at December 31, 2020 and September 30, 2021:		
Discount rate	-	-
Inflation rate	-	-
As at December 31, 2019:		
Discount rate	1.62%	1.67%
Inflation rate	2.00%	2.00%

NOTE 9 - SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common voting shares, an unlimited number of first preferred shares issuable in series, and an unlimited number of second preferred shares issuable in series. No preferred shares have been issued and the terms of preferred shares have not been defined.

Issued and Outstanding

In October and November 2020, the Company issued 9,080,791 common shares at a price of $0.475 per share to settle a total of $4,314,000 in debt owed to various creditors, including the issuance of 8,665,010 shares to settle a total of $4,000,000 in loans from related parties and a total of $116,000 in accrued interest. The Company incurred professional and other costs of $15,000 related to these debt settlements.

In January 2020, the Company issued 44,301 common shares at a price of $3.00 per share for the settlement of accrued interest of $133,000. The Company incurred professional and other costs of $8,000 related to this debt settlement.

In December 2019, the Company completed a private placement and 319,944 units were issued at a price of $3.00 per unit. Each unit consists of one common share and one common share purchase warrant. Each whole common share purchase warrant is exercisable into one common share of the Company at $4.00 per share on or before December 2, 2020. Gross proceeds raised were $960,000. In connection with this private placement, the Company paid finders' fees of $61,000 and other related costs of $13,000.

In July 2019, the Company completed a private placement and 58,356 common shares were issued at a price of $6.00 per share for gross proceeds of $350,000. The Company paid professional and other costs of $9,000 related to this offering. 100% of the common shares were issued to two officers of the Company.

In March 2019, the Company completed a private placement and 330,523 common shares were issued at a price of $6.00 per share for gross proceeds of $1,983,000. The Company paid professional and other costs of $28,000 related to this offering. 9,062 of the common shares were issued to a director of the Company (2,396) and a creditor of the Company (6,666) to settle the amount of $14,000 and $40,000 respectively owing to them.

In February 2019, the Company issued 129,999 common shares for the conversion of secured loans of $780,000. In May 2019, the Company issued 583,333 common shares for the conversion of secured loans of $3,500,000 and 26,910 common shares for the settlement of accrued interest of $161,000.

In September 2020, the former CFO of the Company subscribed to 355,894 shares of the Company at a price of $0.475 per share for total proceeds of $169,000. After approval by the TSXV, on February 17, 2021 the shares were issued for the settlement of unpaid salaries.

NOTE 10 - STOCK OPTIONS AND SHARE PURCHASE WARRANTS

(a) Stock Options

The Stock Option Plan (the "Plan") is a 10% "rolling" plan pursuant to which the number of common shares reserved for issuance is 10% of the Company's issued and outstanding common shares as constituted on the date of any grant of options.

The Plan provides for the grant of options to purchase common shares to eligible directors, senior officers, employees and consultants of the Company ("Participants"). The exercise periods and vesting periods of options granted under the Plan are to be determined by the Company with approval from the Board of Directors. The expiration of any option will be accelerated if the participant's employment or other relationship with the Company terminates. The exercise price of an option is to be set by the Company at the time of grant but shall not be lower than the market price (as defined in the Plan) at the time of grant.

(All tabular amounts are expressed in thousands of Canadian dollars unless otherwise noted)

The following table summarizes information about outstanding stock option transactions:

	Number of options	Weighted average exercise price
		$
Balance at December 31, 2019	**75,500**	**10.00**
Options cancelled	(75,500)	10.00
Balance at December 31, 2020 and September 30, 2021	**-**	**-**

No stock options were issued during the nine months ended September 30, 2021.

(b) Share Purchase Warrants

The following table summarizes information about warrant transactions:

	Number of Warrants	Weighted average Exercise price
		$
Balance at December 31, 2019	**319,944**	**4.00**
Warrants expired	(319,944)	4.00
Balance at December 31, 2020 and September 30, 2021	**-**	**-**

NOTE 11 - SUPPLEMENTAL CASH FLOW INFORMATION

Changes in working capital consisted of the following:

-

Changes in working capital consisted of the following:

	Nine months ended September 30, 2021	2020
	$	$
Changes in working capital:		
Accounts Receivable	-	157
Prepaids and deposits	**1**	27
Accounts payable and accrued liabilities	**51**	(43)
	52	141
Comprised of:		
Operating activities	**26**	207
Investing activities	-	(34)
Financing activities	**26**	(32)
	52	141
Other cash flow information:		
Cash paid for interest	-	-
Income taxes paid	-	-

NOTE 12 - RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2021 and in addition to the loans from related parties (note 6), the Company entered into the following transactions with related parties:

(a) Compensation awarded to key management included a total of salaries and director and management fees of $45,000 (2020 - $84,000) and non-cash stock-based compensation of $nil (2020 - $6,000). Key management includes the Company's officers and directors. The salaries and director fees are included in general and administrative expenses.

Included in accounts payable and accrued liabilities at September 30, 2021 is $50,000 (December 31, 2020 - $5,000) owing to the officers and directors of the Company.

(b) Interest expenses of $nil (2020 - $133,000 via issuance 4,430,136 of the Company's common shares) related to loans from related parties were paid via the issuance nil of the Company's common shares to companies controlled by or associated with a director of the Company.

NOTE 13 - DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that financial asset or financial liability. Due to the use of subjective judgments and uncertainties in the determination of these fair values the values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

The Company classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instruments:

- Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

- Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

- Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

As at September 30, 2021, the Company had no financial instruments measured at fair value.

NOTE 14 - FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

The Company operates in the United States, giving rise to exposure to market risks from changes in foreign currency rates. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company also has exposure to a number of risks from its use of financial instruments including: credit risk, liquidity risk, and market risk. This note presents information about the Company's exposure to each of these risks and the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

(a) Credit Risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. At September 30 30, 2021, financial assets on the statement of financial position are comprised of cash. The maximum credit exposure at Septmeber 30, 2021 is the carrying amount of cash of $5,000. A major financial institution holds the cash.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to mitigate the liquidity risk is to ensure, as far as possible, it always has adequate liquidity to satisfy its financial obligations.

(c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's net earnings. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. The Company currently has no operating properties and therefore the exposure to market risk is minimal.

(d) Capital Management Strategy

The Company's policy on capital management is to maintain a prudent capital structure so as to maintain financial flexibility, preserve access to capital markets, maintain investor, creditor and market confidence, and to allow the Company to fund future developments. The Company considers its capital structure to include share capital, cash and cash equivalents, and working capital. In order to maintain or adjust capital structure, the Company may from time to time issue shares or enter into debt agreements and adjust its capital spending to manage current and projected operating cash flows and debt levels.

The Company's share capital is not subject to any external restrictions. The Company has not paid or declared any dividends, nor are any contemplated in the foreseeable future. There have been no changes to the Company's capital management strategy during the nine months ended September 30, 2021.

NOTE 15 - SUBSEQUENT EVENTS

Subsequent to September 30, 2021, the Company entered into a shareholder loan agreement for $40,000 with both HEC and HVI, each for $20,000 each. The loans were entered into on October 1, 2021, bear interest at 8% per annum and are due on demand.