**PRELIMINARY PROSPECTUS**

Non-Offering Prospectus November 11, 2022

# VM Hotel Acquisition Corp.

## (to be renamed Pyure Enterprises Inc. in connection with the Business Combination (as defined below))

No securities are being offered pursuant to this prospectus. This prospectus is being filed by VM Hotel Acquisition Corp. (the "**Corporation**"), which is a special purpose acquisition corporation incorporated under the laws of the Province of British Columbia. The Corporation was organized for the purpose of effecting, directly or indirectly, an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination involving the Corporation that will qualify as its "qualifying acquisition". Since no securities are being sold pursuant to this prospectus, no proceeds will be raised pursuant to this prospectus. The Corporation received $100 million of proceeds from its IPO, which was completed on March 1, 2021. The total proceeds of $100 million were placed in an escrow account with TSX Trust Company (the "**Escrow Agent**") immediately following the IPO and the proceeds remaining in escrow after giving effect to the Extension (defined below) will be released upon consummation of the Business Combination (defined below) in accordance with the terms and conditions of the Escrow Agreement. All capitalized terms not herein defined have the meanings ascribed to them in the "*Glossary of Terms*".

On September 22, 2022, the Corporation announced that it had entered into a definitive agreement, as amended (the "**Business Combination Agreement**") with The Pyure Company Inc. ("**Pyure**"), HGI Industries, Inc. ("**HGI**"), a majority shareholder of Pyure, and TCPI Mergersub, Inc. ("**Merger Sub**"), a wholly owned subsidiary of the Corporation, pursuant to which the Corporation intends to acquire, through a series of transactions, all of the issued and outstanding shares of Pyure (the "**Business Combination**"). See "*The Business Combination – Transaction Steps of the Business Combination*". Following the Business Combination, the Corporation will continue to operate the business of Pyure, and will rename itself Pyure Enterprises Inc. (referred to herein as "**New Pyure**"). The Business Combination constitutes the Corporation's "qualifying acquisition" under Part X of the TSX Company Manual.

Pyure is a U.S.-based air purification technology company that manufactures and distributes hydroxyl air purification technology and provides comprehensive design, commissioning, and maintenance services. Pyure offers active purification with a technology that replicates the way sunlight sanitizes the atmosphere by generating hydroxyls and diffusing natural molecules that clean all air and surfaces in the indoor space. Pyure has also developed a cloud-based indoor air quality platform that can monitor and control its devices and generate recurring revenues through a software as a service like model that delivers indoor air quality as a service. See "*The Business of Pyure*".

This prospectus is being filed in accordance with section 1028 of the TSX Company Manual in connection with the Closing. Unless otherwise indicated, this prospectus has been prepared assuming that the Business Combination has been completed.

The currently issued and outstanding Class A Restricted Voting Shares and Warrants are listed and posted for trading on the Toronto Stock Exchange (the "**Exchange**" or the "**TSX**") under the symbols "VMH.U" and "VMH.WT.U", respectively. The closing price of the Class A Restricted Voting Shares and Warrants on the TSX on September 21, 2022, the last trading day before the Business Combination was announced, was $9.75 and $0.12, respectively.

In connection with the Business Combination, the Class A Restricted Voting Shares not required to be redeemed will automatically convert into Common Shares on a one-for-one basis, and the Class B Shares will automatically convert into Proportionate Voting Shares on a 100-for-one basis. Proportionate Voting Shares, including fractions thereof, may at any time, subject to the FPI Condition, at the option of the holder, be converted into Common Shares at a ratio of 100 Common Shares per Proportionate Voting Share with fractional Proportionate Voting Shares convertible into Common Shares at the same ratio. Prior to the conversion, each Proportionate Voting Share carries 100 votes per Proportionate Voting Share (compared to one vote per Common Share) and is entitled to dividends and liquidation distributions in an amount equal to 100 times the amount distributed in respect of each Common Share. The Common Shares may at any time, at the option of the holder and with the consent of New Pyure, be converted into Proportionate Voting Shares at a ratio of one Proportionate Voting Share for 100 Common Shares. Other than as set out above, generally the Common Shares and the Proportionate Voting Shares have the same rights, are equal in all respects and are treated by New Pyure as if they were shares of one class only. Unless otherwise stated, this prospectus assumes conversion of all Proportionate Voting Shares into Common Shares. See "*Description of SHARE CAPITAL*" in this prospectus.

The closing of the Business Combination is conditional upon, among other things, the listing of the Common Shares on the TSX. The TSX has not yet approved the Business Combination or conditionally approved the listing of the Common Shares, and there can be no assurance that it will. The Corporation has reserved the symbol "PYUR" and "PYUR.WT" for the Common Shares and Warrants, respectively.

Pursuant to the Business Combination Agreement, Pyure agreed, among other things, to use commercially efforts to complete a debt or equity financing of at least $15 million, prior to the closing of the Business Combination (the "**Pyure Financing**"). The funds from the Pyure Financing are expected to be used to fund New Pyure's working capital and for general corporate purposes, including funding expanded sales and marketing activities, further development of the product portfolio and cloud-based platform, and increased general and administrative expenses to support future growth in sales. The completion of the Pyure Financing is a condition precedent under the Business Combination, which, if waived by the Corporation, will result in less funds being available to New Pyure following Closing. See "*The Business Combination – Overview*" in this prospectus.

An investment in New Pyure is subject to a number of risks that should be carefully considered by investors. In reviewing this prospectus, an investor should carefully consider the matters described under the heading "Risk Factors".

As the Business Combination constitutes the Corporation's qualifying acquisition, holders of Class A Restricted Voting Shares can (conditional on Closing) elect to redeem all or a portion of their Class A Restricted Voting Shares provided that they deposit their Class A Restricted Voting Shares for redemption prior to the Redemption Election Deadline, which shall be at least 21 days following the date the Corporation's final prospectus is made publicly available and the notice of redemption is mailed to Class A Restricted Shareholders. A Redeeming Shareholder is entitled (conditional on Closing) to receive the Class A Qualifying Acquisition Redemption Price (as defined herein) per Class A Restricted Voting Share provided that they deposit their Class A Restricted Voting Shares for redemption prior to the Redemption Election Deadline. This redemption amount is anticipated to be $[●] per Class A Restricted Voting Share (the "**Redemption Amount**"), assuming a [●], 2023 redemption date. The Class A Restricted Voting Shares that are not redeemed shall be automatically converted into an equivalent number of Common Shares. See "*The Business Combination – Redemption Rights*" in this prospectus.

Original purchasers of Class A Restricted Voting Shares and/or Warrants from the Underwriters in the Corporation's IPO may have a contractual right of action for rescission or damages against the Corporation and certain other persons if this prospectus or any amendment hereto contains a misrepresentation. See "*Contractual Right of Action*" in this prospectus.

On October 14, 2022, the Corporation called for a special meeting of Class A Restricted Voting Shareholders to be held on November 28, 2022 (the "**Special Meeting**") to vote on a resolution to approve an extension of the Corporation's permitted timeline to complete its qualifying acquisition from November 30, 2022 to March 31, 2023 (the "**Extension**"). In connection with the Extension, the Corporation is providing holders of Class A Restricted Voting Shares, irrespective of whether such holders voted for or against, or did not vote on, the Extension, an opportunity to redeem all or a portion of their Class A Restricted Voting Shares in accordance with their terms, provided that they deposit their shares for redemption prior to the second Business Day before the date of the Special Meeting. It is estimated that all Class A Restricted Voting Shares validly deposited for redemption in connection with the Extension shall be redeemed for $10.03 per Class A Restricted Voting Share.

**This prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities.**

Shareholders should be aware that the acquisition, holding and disposition of the securities described in this prospectus may have tax consequences in Canada, the United States and elsewhere depending on each particular shareholder's specific circumstances. Shareholders should consult their own tax advisors with respect to such tax considerations. See "*Certain Canadian Federal Income Tax Considerations*" and "*Certain United States Federal Income Tax Considerations*" in this prospectus.

**No underwriters have been involved in the preparation of this prospectus or performed any review or independent due diligence of the contents of this prospectus.**

The head office of the Corporation is located at Brookfield Place, 161 Bay Street Suite 2420, Toronto, ON, M5J 2S1 and its registered office is located at 1600 – 925 West Georgia Street, Vancouver, BC V6C 3L2, which will also be the head and registered offices of New Pyure.

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## GLOSSARY OF TERMS

"**Advance Notice Provisions**" has the meaning set out under the sub-heading "*Description of SHARE CAPITAL – Advance Notice Provisions*";

"**allowable capital loss**" has the meaning set out under the heading "*Certain Canadian Federal Income Tax Considerations – Taxation of Capital Gains and Capital Losses*";

"**Articles**" means the notice of articles and articles of the Corporation;

"**Audit Committee**" has the meaning set out under the sub-heading "*Corporate Governance and Board Committees – Committees of the Board – Audit Committee*";

"**BCBCA**" means the *Business Corporations Act* (British Columbia), as it may be amended from time to time;

"**Board**" or "**Board of Directors**" means the board of directors of New Pyure, as constituted from time to time;

"**Business Combination**" has the meaning ascribed to it on the cover page;

"**Business Combination Agreement**" means the business combination agreement dated September 22, 2022, as amended on September 29, 2022, among the Corporation, Pyure, HGI, and Merger Sub relating to the Business Combination, as it may be further amended, supplemented or otherwise modified from time to time;

"**Business Day**" means any day that is not a Saturday, Sunday or other day on which banks are required or authorized by law to be closed in Toronto, Ontario, or Miami, Florida;

"**CAGR**" means compound annual growth rate;

"**CDC**" has the meaning set out under the sub-heading "*Our Industry*";

"**CDS**" means CDS Clearing and Depository Services Inc.;

"**CDS Participant**" has the meaning set out under the sub-heading "*The Business Combination – Redemption Rights – Process for Redemption by Non-Registered Holders of Restricted Voting Shares*";

"**Chair**" means Mahyar Khosravi in his role as the Executive Chair of the Board of Directors;

"**Charter of the Audit Committee**" has the meaning set out under the sub-heading "*Corporate Governance and Board Committees – Audit Committee*";

"**Class A Qualifying Acquisition Redemption Price**" means an amount per Class A Restricted Voting Share, payable in cash, equal to the *pro rata* portion (per Class A Restricted Voting Share) of: (A) the escrowed funds available in the Escrow Account at the time immediately prior to the redemption deposit deadline, including interest and other amounts earned thereon, less (B) an amount equal to the total of (i) any applicable taxes payable by the Corporation on such interest and other amounts earned in the Escrow Account, and (ii) actual and expected expenses directly related to the redemption, each as reasonably determined by the Corporation, subject to the limitations described in this prospectus. For greater certainty, such amount will not be reduced by the amount of any tax of the Corporation under Part VI.1 of the Tax Act or the deferred underwriting commission per Class A Restricted Voting Share held in the Escrow Account;

"**Class A Restricted Voting Shareholders**" means the registered or beneficial holders of the Class A Restricted Voting Shares;

"**Class A Restricted Voting Shares**" means the Class A restricted voting shares in the capital of the Corporation, and each a "**Class A Restricted Voting Share**";

"**Class A Restricted Voting Units**" means the Class A restricted voting units offered to the public under the IPO at an offering price of $10.00 per Class A Restricted Voting Unit, each comprised of one Class A Restricted Voting Share and one-half of a Warrant, and each a "**Class A Restricted Voting Unit**";

"**Class B Shares**" means the Class B shares of the Corporation, and each a "**Class B Share**";

"**Class B Units**" means the Class B Units each comprised of one Class B Share and one-half of a Warrant, and each "**Class B Unit**";

"**Closing**" means the completion of the Business Combination;

"**Code**" means the United States Internal Revenue Code of 1986, as amended;

"**Code of Ethics**" has the meaning ascribed to it under the heading "*Corporate Governance and Board Committees – Code of Ethics*";

"**Common Shares**" means the common shares in the capital of New Pyure, and each a "**Common Share**";

"**Compensation Committee**" means the Compensation Committee of New Pyure;

"**Consideration Shares**" means 24,287,985 Common Shares, to be issued at a price of $10.00 per share, for aggregate consideration of $242,879,850, to be issued to the Pyure Shareholders pursuant to the Business Combination Agreement, less the number of Common Shares that would have been issuable to Non-Accredited Shareholders and less the number of shares issuable upon the exercise of any Pyure Warrants or other warrants that remain outstanding following the Effective Time;

"**Corporation**" means VM Hotel Acquisition Corp., a corporation incorporated under the laws of the Province of British Columbia pursuant to the BCBCA;

"**Corporation Financial Statement**" means (a) the audited financial statements of the Corporation for the year ended December 31, 2021 and for the period from the date of incorporation on November 16, 2020 to December 31, 2020, together with the notes thereto and the auditors' report thereon, and (b) the unaudited condensed interim financial statements for the three and six months ended June 30, 2022 and 2021, together with the notes thereto, each attached to this prospectus as Appendix A;

"**Corporation MD&A**" has the meaning set out under the heading "*Management's Discussion and Analysis of the Corporation*";

"**CRA**" has the meaning set out under the heading "*Certain Canadian Federal Income Tax Considerations*";

"**DGCL**" means the General Corporation Law of the State of Delaware;

"**Effective Time**" means such time as the agreements of merger, which are attached to the Business Combination Agreement, have been duly filed with the Secretary of State of Delaware, as applicable, or at such later date or time as may be agreed by Pyure and the Corporation in writing as specified in the Business Combination Agreement;

"**Escrow Account**" means an escrow account established with the Escrow Agent pursuant to the terms Escrow Agreement;

"**Escrow Agent**" means TSX Trust Company;

"**Escrow Agreement**" means the escrow agreement dated March 1, 2021, among the Corporation, the Escrow Agent, and the Underwriters;

"**ESG**" means environmental, social and governance;

"**Exchange**" means the Toronto Stock Exchange, or any successor, assign or replacement exchange on which any of the Corporation's or New Pyure's securities are listed from time to time;

"**Exchange Ratio**" means one Pyure Common Share for every X of a Consideration Share, where "X" shall be the quotient obtained, as at immediately prior to the Effective Time, by dividing (i) 24,287,985 less the number of Common Shares that would be issuable to Non-Accredited Shareholders but for the requirement to pay cash to Non-Accredited Shareholders, less the number of Common Shares issuable upon the exercise of any Pyure Warrants or other warrants that remain outstanding following the Effective Time by (ii) the number of Pyure Common Shares outstanding immediately prior to the Effective Time (including, for greater certainty, any Pyure Common Shares issued upon the exercise of Pyure Warrants or Pyure Options, the conversion of Pyure Preferred Shares or pursuant to the First Merger);

"**Extension**" means the extension of the Corporation's permitted timeline to complete its qualifying acquisition from November 30, 2022 to March 31, 2023, approval of which is being sought at a meeting of holders of Class A Restricted Voting Shares on November 28, 2022, the details of which are set out in the Corporation's management information circular dated October 28, 2022;

"**Extraordinary Dividend**" means any dividend, together with all other dividends payable in the same calendar year, that has an aggregate absolute dollar value which is greater than $0.25 per share, with the adjustment to the applicable price (as the context may require) being a reduction equal to the amount of the excess;

"**FDA**" means U.S. Food and Drug Administration;

"**First Agreement of Merger**" means the agreement and plan of merger to be entered into between HGI and Pyure, and filed in accordance with the DGCL and Chapter 78 of the Nevada Revised Statutes to effectuate the First Merger;

"**First Merger**" means the merger of HGI with and into Pyure in accordance with the First Agreement of Merger, upon which Pyure will be the surviving entity;

"**forward-looking statements**" has the meaning ascribed to it under the heading "*Caution Regarding Forward-Looking Statements*";

"**Founder Lock-Up Agreement**" has the meaning set out under the sub-heading "*Securities Subject to Contractual Restriction on Transfer – Lock-Up Agreements*";

"**Founder Locked-Up Shareholders**" means the Founders' that are a party to a Founder Lock-Up Agreement;

"**Founders**" means collectively, the Sponsors, John Andrew, Tracy Sherren and Charles Suddaby as holders of Founders' Shares;

"**Founders' Shares**" means the 2,245,000 Class B Shares issued to the Founders (and not, for greater clarity, the Class B Shares originally underlying the Class B Units);

"**FPI Condition**" has the meaning set out under the sub-heading "*Conversion Conditions*";

"**FTC**" means the Federal Trade Commission;

"**FTC Act**" means the Federal Trade Commission Act;

"**HEPA**" has the meaning set out under the sub-heading "*Competition*";

"**HGI**" means HGI Industries, Inc.;

"**HGI Financial Statements**" means (i) the audited consolidated balance sheets of HGI as of December 31, 2021 and December 31, 2020 and the audited consolidated statements of operations, shareholders' equity and cash flows of HGI for each of the 12 months ended December 31, 2021, December 31, 2020 and December 31, 2019, and the auditors report thereon and the notes thereto, and (ii) the unaudited consolidated balance sheets of HGI as of June 30, 2022 and the unaudited consolidated statement of operations, shareholders' equity and cash flows of HGI as at and for the three and six months then ended June 30, 2022 and 2021;

"**HGI MD&A**" has the meaning set out under the heading "*Management's Discussion and Analysis of HGI*";

"**HGI Shareholders**" means any holder of HGI Shares as of immediately prior to the First Merger;

"**HGI Shares**" means the outstanding common shares in the capital of HGI;

"**Holdback Shares**" has the meaning set out under the sub-heading "*The Business Combination Agreement*";

"**Holder**" has the meaning set out under the heading "*Certain Canadian Federal Income Tax Considerations*";

"**HVAC**" has the meaning set out under the heading "*The Business of Pyure*";

"**IAQ**" means indoor air quality;

"**IFRS**" means International Financial Reporting Standards, as issued by the International Accounting Standards Board;

"**IPO**" means the Corporation's initial public offering of Class A Restricted Voting Units offered to the public under the Corporation's final long form prospectus dated February 23, 2021;

"**Lock-Up Agreements**" has the meaning set out under the sub-heading "*Securities Subject to Contractual Restriction on Transfer – Lock-Up Agreements*";

"**Lock-Up Restrictions**" has the meaning set out under the sub-heading "*Securities Subject to Contractual Restriction on Transfer – Lock-Up Agreements*";

"**Lock-Up Shares**" has the meaning set out under the sub-heading "*Securities Subject to Contractual Restriction on Transfer – Lock-Up Agreements*";

"**Locked-Up Shareholders**" means the Founders and the Pyure Shareholders (other than the Pyure Shareholders holding less than 100,000 Pyure Shares) that are a party to the Lock-Up Agreements;

"**Management Shareholder**" means the management shareholders of Pyure that agreed to a hold back of 5% of the Common Shares otherwise deliverable to them under the Business Combination Agreement as security for the limited indemnification obligations of such management shareholders to the Corporation pursuant to the terms of the Business Combination Agreement;

"**MDR**" means the Medical Device Reporting Regulation (21 CFR Part 803);

"**Merger Sub**" means TCPI Mergersub, Inc.;

"**Merger Sub 2**" means TCPI Mergersub II, Inc., a wholly owned subsidiary of the Corporation;

"**MERV**" has the meaning set out under the sub-heading "*Passive Technologies*";

"**MI 61-101**" means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*;

"**MI 61-101 Requirements**" has the meaning set out under the sub-heading "*The Business Combination – Related Party Interests*";

"**Named Executive Officer**" or "**NEO**" has the meaning set out under the sub-heading "

*Directors' and Executive Officers'* Compensation – *Introduction*";

"**New Pyure**" means the Corporation, after giving effect to the transactions contemplated by the Business Combination Agreement, which shall then be named Pyure Enterprises Inc.;

"**New Pyure Shareholders**" means the registered and beneficial holders of the Common Shares and Proportionate Voting Shares;

"**NI 41-101**" means National Instrument 41-101 – *General Prospectus Requirements*;

"**NI 51-102**" means National Instrument 51-102 – *Continuous Disclosure Obligations*;

"**NI 52-110**" means National Instrument 52-110 – *Audit Committees*;

"**NI 54-101**" means National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*;

"**Nomination and Governance Committee**" means the Nomination and Governance Committee of New Pyure;

"**Non-Accredited Shareholder**" means a Pyure Shareholder or HGI Shareholder who is not an "accredited investor" (as defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended);

"**Non-Canadian Resident Holder**" has the meaning set out under the heading "*Certain Canadian Federal Income Tax Considerations – Non- Resident Holders*";

"**Notice Date**" has the meaning set out under the sub-heading "*Description of SHARE CAPITAL – Advance Notice Provisions*";

"**NP 11-201**" means National Policy 11-201 – *Electronic Delivery of Documents*;

"**NP 11-203**" means National Policy 11-203 – *Process for Exemptive Relief Applications in Multiple Jurisdictions*;

"**Odd Lot**" has the meaning set out under the sub-heading "*Description of SHARE CAPITAL- Take-Over Bid Protection*";

"**OSC Rule 56-501**" means the Ontario Securities Commission Rule 56-501 – *Restricted Securities*;

"**OSHA**" means the Occupational Safety and Health Administration;

"**Outside Date**" means March 31, 2023 or such other date as Pyure and the Corporation may mutually agree in writing;

"**Parties**" means collectively, the Corporation, Pyure, HGI, and Merger Sub, and "**Party**" means any of them, as applicable;

"**PCO**" has the meaning set out under the heading "*The Business of Pyure*";

"**Proportionate Voting Shares**" means the proportionate voting shares in the capital of the New Pyure, and each a "**Proportionate Voting Share**";

"**Proposed Amendments**" has the meaning set out under the heading "*Certain Canadian Federal Income Tax Considerations*";

"**PVS Offer**" has the meaning set out under the sub-heading "*Description of SHARE CAPITAL – Take-Over Bid Protection*";

"**Pyure**" means The Pyure Company Inc.;

"**Pyure Common Shares**" means, collectively, the Class A common stock and the Class B common stock in the capital of Pyure, which for greater certainty includes the Class A common stock to be issued to HGI Shareholders pursuant to the First Merger;

"**Pyure Financing**" has the meaning set out under the sub-heading "*The Business Combination – Overview*";

"**Pyure Lock-Up Agreement**" has the meaning set out under the sub-heading "*Securities Subject to Contractual Restriction on Transfer – Lock-Up Agreements*";

"**Pyure Locked-Up Shareholders**" means the Pyure Shareholders that are a party to a Pyure Lock-Up Agreement;

"**Pyure Options**" has the meaning set out under the heading "*Rights to Purchase Securities*";

"**Pyure Preferred Shares**" means, collectively, the Series 1 shares of preferred stock in the capital of Pyure, the Series 2 shares of preferred stock in the capital of Pyure and any series of preferred stock in the capital of Pyure issued in connection with the Pyure Financing;

"**Pyure Shareholders**" means any holder of Pyure Shares as of immediately prior to the Effective Time and includes, for greater certainty, the HGI Shareholders that receive Pyure Shares on the First Merger and the holders of Pyure Warrants that exercise such Pyure Warrants prior to the Effective Time;

"**Pyure Shares**" means, collectively, the Pyure Common Shares and the Pyure Preferred Shares and all shares into which all outstanding options, warrants and all other convertible securities of Pyure will be converted, exercised or exchanged prior to the closing of the Business Combination;

"**Pyure Warrants**" means warrants exercisable for any Pyure Shares;

"**RDSP**" has the meaning set out under the sub-heading "*Certain Canadian Federal Income Tax Considerations – Eligibility for Investment*";

"**Redeeming Shareholder**" means a holder of Class A Restricted Voting Shares who has validly elected to redeem their Class A Restricted Voting Shares in respect of the Business Combination in accordance with the redemption rights provided in the constating documents of the Corporation, and who has not withdrawn such election;

"**Redemption Amount**" has the meaning ascribed to it on the cover page;

"**Redemption Election Deadline**" means 5:00 p.m. (Toronto time) on [●], 2023, or such other date as announced by the Corporation by way of news release;

"**Redemption Limitation**" has the meaning set out under the sub-heading "*The Business Combination – Redemption Rights*";

"**Redemption Notice**" has the meaning set out under the sub-heading "*The Business Combination – Redemption Rights – Process for Redemption by Non-Registered Holders of Restricted Voting Shares*";

"**Related Party Transaction**" has the meaning set out under the sub-heading "*The Business Combination Agreement – Related Party Interests*";

"**Replacement Options**" means options of New Pyure that are issued to former holders of Pyure Options, on substantially the same terms and conditions as such Pyure Options;

"**Resident Holder**" has the meaning set out under the heading "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada*";

"**RESP**" has the meaning set out under the sub-heading "*Certain Canadian Federal Income Tax Considerations –* Eligibility for Investment";

"**RRIF**" has the meaning set out under the sub-heading "*Certain Canadian Federal Income Tax Considerations – Eligibility for Investment*";

"**RRSP**" has the meaning set out under the sub-heading "*Certain Canadian Federal Income Tax Considerations – Eligibility for Investment*";

"**SEC**" means the U.S. Securities and Exchange Commission;

"**Second Agreement of Merger**" means the agreement and plan of merger to be entered into between Merger Sub and Pyure, and filed in accordance with the DGCL to effectuate the Second Merger;

"**Second Merger**" means the merger of Merger Sub with and into Pyure in accordance with the Second Agreement of Merger, upon which Pyure will be the surviving entity;

"**Securities**" has the meaning set out under the heading "*Certain Canadian Federal Income Tax Considerations*", and "**Security**" means any one of them;

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval located at www.sedar.com;

"**signatories**" has the meaning set out under the heading "*Contractual Right of Action*";

"**Special Meeting**" has the meaning ascribed to it on the cover page;

"**Specified Securities**" has the meaning set out under the sub-heading "*Securities Subject to Contractual Restriction on Transfer – Voting Support*";

"**Sponsors**" means, together, VM HA Sponsor Corp. and VM HA Sponsor LP, and "**Sponsor**" means either one of them;

"**Support Agreement**" has the meaning set out under the sub-heading "*Securities Subject to Contractual Restriction on Transfer – Voting Support*";

"**Tax Act**" means the *Income Tax Act* (Canada), and the regulations promulgated thereunder, as amended;

"**taxable capital gain**" has the meaning set out under the heading "*Certain Canadian Federal Income Tax Considerations – Taxation of Capital Gains and Capital Losses*";

"**TFSA**" has the meaning set out under the sub-heading "*Certain Canadian Federal Income Tax Considerations –* Eligibility for Investment";

"**Third Agreement of Merger**" means the agreement and plan of merger to be entered into between Pyure and Merger Sub 2, and filed in accordance with the DGCL to effectuate the Third Merger;

"**Third Merger**" means the merger of Pyure with and into Merger Sub 2 in accordance with the Third Agreement of Merger, upon which Merger Sub 2 will be the surviving entity;

"**Transaction Size Exemptions**" has the meaning set out under the sub-heading "*The Business Combination Agreement – Related Party Interests*";

"**Transfer Agent**" means TSX Trust Company;

"**Treasury Regulations**" has the meaning set out under the heading "*Certain United States Federal Income Tax Considerations*";

"**TSX**" means the Toronto Stock Exchange, or any successor, assign or replacement exchange on which any of the Corporation's or New Pyure's securities are listed from time to time;

"**TVOC**" has the meaning set out under the sub-heading "*Pyure Efficacy*";

"**U.S. Code**" means U.S. Code of Federal Regulations, Title 21;

"**U.S. Holders**" has the meaning ascribed to it under the heading "*Tax Considerations for U.S. Holders - Certain U.S.* Federal Income Tax Matters Relating to the Warrants **–** *U.S. Holders*";

"**U.S. Person**" means a "U.S. person" as such term is defined in Regulation S under the U.S. Securities Act;

"**U.S. Securities Act**" means the *United States Securities Act of 1933*, as amended;

"**Underwriters**" means Echelon Wealth Partners Inc. and Stifel Nicolaus Canada Inc.;

"**United States**" or "**U.S.**" means the United States of America, its territories and possessions, any State of the United States and the District of Columbia;

"**UV-C**" has the meaning set out under the sub-heading "*Passive Technologies*";

"**VOCs**" has the meaning set out under the sub-heading *"Our Industry"*;

"**Warrant Agent**" means TSX Trust Company;

"**Warrant Agreement**" means the warrant agency agreement dated March 1, 2021 between the Corporation and the Warrant Agent; and

"**Warrants**" means the warrants of the Corporation to acquire Class A Restricted Voting Share at an exercise price of U.S. $11.50, and having the terms and conditions set forth in the Warrant Agreement.

## NOTICE TO READERS

This prospectus is being filed by the Corporation, which is a special purpose acquisition corporation incorporated under the laws of the Province of British Columbia. The Corporation was organized for the purpose of effecting an acquisition of one or more businesses or assets by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization or any other similar business combination involving the Corporation that will qualify as its "qualifying acquisition". This prospectus is being filed in accordance with section 1028 of the TSX Company Manual in connection with the completion of the Corporation's qualifying acquisition.

Readers should assume that the information appearing in this prospectus is accurate only as at its date, regardless of the date of Closing. The Corporation's and Pyure's business, financial condition, results of operations and prospects may have changed since that date. Pyure maintains a website at https://pyure.com. Information presented on or accessed through the website is not incorporated into, or made part of, this prospectus.

Unless otherwise indicated, (a) the disclosure in this prospectus has been prepared assuming: (i) that the Business Combination has been completed, (ii) Pyure raised $15 million in connection with the Pyure Financing, (iii) the issuance of 24,287,985 Common Shares to Pyure Shareholders, and Pyure Warrants have been previous exercised in accordance with their terms, (iv) the issuance of ● Replacement Options to former holders of Pyure Options, (v) all Class A Restricted Voting Share have been automatically converted into Common Shares, and that all Class B Shares have been automatically converted on a 100-for-1 basis into Proportionate Voting Shares, (vi) all Proportionate Voting Shares have been converted into Common Shares on the basis of 100 Common Shares for each outstanding Proportionate Voting Share, and (vii) no Class A Restricted Voting Shares are redeemed in connection with the Extension, (b) all dollar amounts are expressed in United States dollars and all references to "$"are to United States dollars and references to "C$" are to Canadian dollars, and (c) all financial statements included in this prospectus were prepared in accordance with IFRS.

Unless the context otherwise permits, indicates or requires, all references in this prospectus to the "Corporation" are references to Corporation prior to the Closing and all references to "New Pyure" are references to the Corporation and the business to be carried on by it following the Closing. HGI is currently a non-operating legal entity, whose only asset is its ownership interest in Pyure. Given that the business of Pyure was operated by HGI prior to October 16, 2020, unless the context otherwise permits, indicates or requires: (a) all references to financial results of HGI and/or Pyure in this prospectus are to the consolidated results of HGI and as such, are reflective of the results of Pyure, and (b) all references in the "*Caution Regarding Forward-Looking Statements*", "*Prospectus Summary*", "*The Business of Pyure*", "*Selected Consolidated Financial Information*" and "*Management's Discussion and Analysis of HGI*" sections of this prospectus to (i) "we", "us", "our", or "Pyure" are references to Pyure and/or HGI, as the context requires, and the business carried on by Pyure and/or HGI, at the applicable time such business as carried on by such entity, and (ii) "management" are references to the current officers and directors of Pyure.

The information provided herein concerning New Pyure following the Closing is provided as of the date of this prospectus. Accordingly, the information provided herein is subject to change prior or subsequent to the Closing. See "*Caution Regarding Forward-Looking Statements*".

The following table sets forth, for the periods indicated, the high, low, average and period-end rates of exchange for one U.S. dollar, expressed in Canadian dollars, based on the daily exchange rate published by the Bank of Canada during the respective periods.

| | **Six Months Ended June 30,** | | **Year Ended December 31,** | | |
|---|---|---|---|---|---|
| | **2022** | **2021** | **2021** | **2020** | **2019** |
| Rate at end of period .......... | 1.2886 | 1.2678 | 1.2678 | 1.2732 | 1.2988 |
| Average rate during period. | 1.2715 | 1.2535 | 1.2535 | 1.3415 | 1.3269 |
| High rate for period........... | 1.3039 | 1.2942 | 1.2942 | 1.4496 | 1.3600 |
| Low rate for period............ | 1.2451 | 1.2040 | 1.2040 | 1.2718 | 1.2988 |

## NON-IFRS MEASURES

This prospectus makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of Pyure's results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of Pyure's financial information reported under IFRS.

Pyure uses non-IFRS measures including "Adjusted EBITDA" and "Adjusted EBITDA Margin" which may be calculated differently by other companies. Non-IFRS measures and metrics are used to provide investors with supplemental measures of Pyure's operating performance and liquidity and thus highlight trends in Pyure's business that may not otherwise be apparent when relying solely on IFRS measures. Management of Pyure also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of companies in similar industries. Management of Pyure also uses non-IFRS measures and metrics, in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of executive compensation. See "*New Pyure Pro Forma Consolidated Capitalization*", "*Selected Consolidated Financial Information*", *and* "*Management's Discussion and Analysis of* HGI".

Prospective investors should review this information in conjunction with the Corporation Financial Statements, the Corporation MD&A, and the HGI Financial Statements and the HGI MD&A included elsewhere in this prospectus or attached hereto.

"**Adjusted EBITDA**" is defined as net loss for the period, adjusted to exclude finance expense, income tax expense, depreciation and amortization, share-based compensation expense, transaction costs, expenses related to non-routine legal matters, and other expense (income), net.

"**Adjusted EBITDA Margin**" is defined as Adjusted EBITDA as a percentage of revenue.

For a discussion of the use of "Adjusted EBITDA", and "Adjusted EBITDA Margin" and reconciliations thereof to the most directly comparable IFRS measures, "Non IFRS Measures" in the Pyure MD&A included in " *HGI Management's Discussion* & Analysis ".

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus are prospective in nature and constitute forward-looking information and/or forward-looking statements within the meaning of applicable securities laws (collectively, "**forward-looking statements**"). Forward-looking statements include, but are not limited to: statements concerning the completion and proposed terms of, and matters relating to, the Business Combination and the Extension, and the expected timings related thereto; the closing of the Business Combination; the Redemption Amount; the closing of the Pyure Financing; the expected operations, financial results and condition of New Pyure following the Business Combination, including such things as future business strategy, competitive strengths, goals, expansion and growth of New Pyure's business, operations and plans, new revenue streams, the implementation and effectiveness of New Pyure's business and growth strategy; expansion into new markets; expectations of market size and growth in the jurisdictions in which New Pyure operates or contemplates future operations; expectations for regulatory and/or competitive factors related to the air purification industry generally; general economic trends; New Pyure's future objectives and strategies to achieve those objectives; the listing of the Common Shares and the continued listing of the Warrants; any market created for New Pyure's securities; the estimated cash flow, capitalization and adequacy thereof for New Pyure following the Business Combination; the expected benefits of the Business Combination to, and resulting treatment of, holders of Class A Restricted Voting Shares, Class B Shares and the Warrants; the anticipated effects of the Business Combination; provisions in the Articles; the number of Common Shares outstanding following the Business Combination; New Pyure's compensation of its directors and executive officers; principal steps to the Business Combination; the satisfaction of the conditions to consummate the Business Combination; as well as other statements with respect to management's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "expect", "intend", "estimate", "anticipate", "believes", "should", "plans" or "continue", or similar expressions suggesting future outcomes or events.

Forward-looking statements reflect management's current beliefs, expectations and assumptions and are based on information currently available to management, management's historical experience, perception of trends and current business conditions, expected future developments and other factors which management considers appropriate. With respect to the forward-looking statements included in this prospectus, the Corporation and Pyure have made certain assumptions with respect to, among other things: the anticipated receipt of any required regulatory approvals and consents (including the final approval of the TSX); the expectation that each of the Corporation and Pyure will comply with the terms and conditions of the Business Combination Agreement; the expectation that all conditions of the Business Combination Agreement will be satisfied or waived; the expectation that no event, change or other circumstance will occur that could give rise to the termination of the Business Combination Agreement; that no unforeseen changes in the legislative and operating frameworks for New Pyure will occur; that New Pyure will meet its future objectives and priorities; that New Pyure will have access to adequate capital to fund its future projects and plans; that New Pyure's future projects and plans will proceed as anticipated; taxes payable; as well as assumptions concerning legislative framework, general economic and industry growth rates, prices, currency exchange and interest rates and competitive intensity, future pandemics or other material outbreaks of disease, safety issues, recalls, and no unplanned material changes in New Pyure's customer, distributor and employee relations.

Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the future circumstances, outcomes or results anticipated or implied by such forward-looking statements will occur or that plans, intentions or expectations upon which the forward-looking statements are based will occur. By their nature, forward-looking statements involve known and unknown risks and uncertainties and other factors that could cause actual results to differ materially from those contemplated by such statements. Factors that could cause such differences include, but are not limited to: New Pyure's ability to achieve or sustain profitability in the future; New Pyure ability to successfully implement its business strategies and achieve profitable revenue growth; New Pyure ability to sustain its supply chain and navigate global bottlenecks; New Pyure's ability to support and expand its network of distributors; intense competition; New Pyure's products have not been proven to reduce the risk of pathogen transmission; New Pyure's ability to protect its intellectual property and to operate without infringing or misappropriating the intellectual property rights of others; New Pyure's ability to expand its manufacturing capacity if demand for its products increases rapidly; New Pyure's ability to perform as expected; product quality problems and product recalls and product liability; New Pyure's ability to expand new product offerings and introduce additional products; New Pyure's ability to comply with regulatory requirements; New Pyure's ability to maintain satisfactory pricing and margins for its products; loss of significant customers; FTC enforcement actions; New Pyure's ability to maintain insurance with adequate level of coverage; additional governmental restrictions; New Pyure's results of operation may fluctuate significantly; New Pyure's ability to expend into new markets successfully; security breaches; litigation New Pyure becomes subject to; the closing of the Business Combination and the Pyure Financing, including the satisfaction or waiver of all conditions thereto; the receipt of listing approval; the level of redemptions of Class A Restricted Voting Shares; the future exercise of the contractual right of action; expectations of investors and securities analysts; dilution from the exercise of Warrants; retention of key personnel; New Pyure's ability to maintain its "foreign private issuer" status; and other factors discussed under "*Risk* Factors".

**All forward-looking statements included in and incorporated into this prospectus are qualified by these cautionary statements. Unless otherwise indicated, the forward-looking statements contained herein are made as of the date of this prospectus and, except as expressly required by applicable law, the Corporation and Pyure undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.**

**Readers are cautioned that the actual results achieved will vary from the information provided herein and that such variations may be material. Consequently, there are no representations by the Corporation that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements**.

## MARKET AND INDUSTRY DATA

This prospectus relies on and refers to information regarding various companies and certain market and industry data. The Corporation and Pyure have obtained this information and industry data from independent market research reports and other publicly available sources. Such reports generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed. Although the Corporation and Pyure believe the market research and publicly available information is reliable, the Corporation and Pyure have not independently verified and cannot guarantee the accuracy or completeness of that information and investors should use caution in placing reliance on such information.

## TRADEMARKS AND TRADENAMES

This prospectus and the information incorporated herein by reference include certain trademarks and trade names such as Shield + Pyure Mini™, Pyure Flex®, Shield + Pyure Profile®, Shield + Pyure Pro™ , Shield + Pyure Profile®, Shield + Pyure ProStream™, Pyure Dynamic Protection®, Shield + Pyure Insite™, and Odorox®, which are protected under applicable intellectual property laws and are the property of Pyure. Solely for convenience, Pyure's trademarks and tradenames referred to in this prospectus may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that rights to these trademarks and tradenames will not be asserted, to the fullest extent under applicable law. All other trademarks used in this prospectus are the property of their respective owners, whether they appear with or without a ® or ™ symbol.

## PROSPECTUS SUMMARY

*The following is a summary of this prospectus and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.*

**The Corporation**

The Corporation is a special purpose acquisition corporation incorporated under the laws of the Province of British Columbia for the purpose of effecting, directly or indirectly, an acquisition of one or more businesses or assets by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization or any other similar business combination involving the Corporation within a specified period of time that will qualify as its “qualifying acquisition”. The Corporation received $100 million of proceeds from its IPO, which was completed on March 1, 2021. The total proceeds of $100 million were placed in an escrow account with the Escrow Agent immediately following the IPO and the proceeds remaining in the escrow account after giving effect to the Extension will be released upon consummation of the Business Combination in accordance with the terms and conditions of the Escrow Agreement.

**Pyure**

Overview

We are a U.S.-based air purification technology company that manufactures and provides innovative solutions that purify and improve IAQ. We provide IAQ solutions that improve health and wellness and deliver economic value to our customers. We improve health and wellness by lowering the levels of volatile pollutants, reducing the presence of pathogens and lowering their risk of transmission. We deliver economic value to customers by reducing energy consumption, generating cost savings, increasing revenues and extending the life of capital equipment.

Our proprietary technology replicates the natural cleansing action of the sun, ensuring safe and effective air purification indoors. Our products are proven to reduce viruses, bacteria and mold in both air and on surfaces, and reduce chemical pollutants and odors in the air. Patents and trade secrets protect our technology.

We believe that we deliver dynamic air purification that is best in class, and that our technology is more effective than passive air purification systems (filtration). The major limitation of passive air purification technologies is that they only purify the air inside the air filtration unit. Air with contaminants enters the air purification unit, and the filtration used removes pollutants and ejects cleaner air. The cleaner air goes back into a dirty space, effectively diluting the concentration of contaminants, as opposed to cleaning the entire space. Passive air purification systems also do not sanitize surfaces. Pyure technology, on the other hand, cleans dirty air flowing through our device and diffuses natural cleansers along with cleaner air back into the space, purifying the air in the space and cleaning the surfaces that such treated air comes into contact with. See “*The Business Combination – Competition*”.

We do not compete in the consumer and small portable air purifier market. Our strengths lie in our ability to scale our technology and deliver cost effective air purification to entire buildings. Our products are rated to treat thousands to hundreds of thousands of square feet and are designed to easily integrate into existing HVAC systems. Our solutions complement existing HVAC equipment, do not hinder their performance or shorten equipment life, and can help generate energy savings by providing dynamic air purification. Our devices do not remove fine airborne particulates, but can be used in conjunction with particulate filters in HVAC systems. Our central air purification, delivered through forced air HVAC systems, is less costly on a square foot basis than treating a building with multiple, stand-alone units.

Our solutions can be added to any existing building with a forced air HVAC system, so we believe that our potential market size is much larger than the $12.3 billion global market for new construction and replacement equipment. Our solutions can legitimately target millions of existing buildings erected over the past 60 years that lack adequate air quality or face an elevated risk of pathogen transmission. We believe our disruptive air purification technology can demonstrate favorable outcomes and deliver economic value that will drive demand for our solutions.

Over the past two years we have fundamentally reshaped our company as we sought to leverage growing awareness of IAQ and its role in human health and wellness. Our recent accomplishments include:

- Rebranding and repositioning the company from odor mitigation to dynamic protection.
- Securing blue chip customers such as Microsoft, Molson Coors, Churchill Downs, ATCO and CAE, generating compelling case studies and securing endorsements.
- Establishing channel partnerships with several market leaders including Steris, Envoy Solutions, CPG Beyond, Aramsco and ServiceMaster.
- Signing on several large HVAC players to distribute our products, including Building Controls & Solutions (“**BC&S**”), Building Controls Group, Climatec, Control Stop and ProKontrol.
- Strengthening our management team.
- Redesigning several products and incorporating wireless connectivity and intelligence that enables remote monitoring and control.
- Developing a cloud-based platform that enables data capture, air quality monitoring, air purification control and integration with building management and HVAC systems.
- Developing mobile and web browser applications for easy access to the platform and product lifecycle management from commissioning to operation to maintenance.
- Partnering with Rockwell Automation and PTC to strengthen our IAQ platform, cybersecurity controls and building management and HVAC integration capabilities.
- Strengthening our backend systems including quality, enterprise resource planning, warehouse management and assembly work to enable our operations to ramp up faster.

The recent pandemic is no longer driving demand, but we believe that the mass education it enabled is transforming the global air purification market and creating new needs, such as:

- Healthier environments for people who work, live, learn and play indoors.
- Better experiences for occupants, including customers, guests or employees.
- Air quality that can be monitored and tracked - turning the invisible into visible.
- Solutions that leverage existing infrastructure and are easy to install and maintain.
- Solutions that generate economic value and a return on investment (increased revenues and/or decreased operating costs and capital expenditures).
- Solutions that help meet ESG goals.

We believe that we are uniquely positioned to satisfy these unmet needs. When we consider our recent accomplishments, the superior, dynamic performance of our technology and the size of our market opportunity, we believe we are poised for tremendous growth.

In the coming year we will complement our growing equipment sales with value added air quality services. We plan to shift our business model from equipment manufacturing to delivering IAQ as a service. We plan to offer our customers subscriptions that give them access to air quality and system performance monitoring, trending and analytics, diagnostics and predictive maintenance, with the ability to automatically order replacement parts when needed. This will increase the reorder rate of our consumable UV lamps, driving up our recurring revenues. It will also introduce a second stream of recurring revenues through monthly subscriptions. We forecast that in five years, these recurring revenue streams will represent approximately half of our total turnover. Longer term, we intend to apply artificial intelligence to our growing database of air quality data, so that we can predict and anticipate trends, better influence positive air quality outcomes and provide air quality advisory services.

History

HGI was established in 2007 by its founder Guy Morneault. Mr. Morneault had developed the proprietary hydroxyl technology in Calgary, Alberta in the 1990s, produced prototype air purification devices and sold commercial air purifiers in Canada. After several years of further product development and technology improvement, Mr. Morneault decided to establish a new company with manufacturing capability in Florida. Mr. Morneault relocated with a few key employees to Boynton Beach, established HGI and began to manufacture and sell hydroxyl generating devices in the U.S. under the Odorox® trademark.

Over the next several years, HGI focused on the industrial and odor abatement markets. During this time, HGI recruited additional engineering and scientific talent, including Mark Mino and Dr. Connie Araps, and developed larger units that had sensor driven controls and were able to treat large spaces. In 2014, HGI registered its MDU/Rx™ portable unit with the FDA as a class II medical device, leveraging significant scientific evidence that demonstrated the devices ability to reduce viruses, bacteria and mold. Despite this medical application and market authorization to make airborne pathogen reduction claims in healthcare facilities, HGI continued to focus on odor abatement in industrial, waste, remediation and agricultural applications, along with mitigating cigarette smoke on cruise ships.

In 2016 and 2017, HGI attempted to enter the consumer market with a small portable unit branded the MySpace® air purifier. HGI was not successful in penetrating the consumer market due to a lack of business to consumer (B2C) know-how, quality problems that resulted from the off-shore contract manufacture of the products, and a high cost point that required a selling price that was not compatible with the consumer channel. This failed launch led to financial difficulties and by early 2019, HGI was seeking additional financing from new investors. HGI approached Rio Investment Partners, a venture capital group led by Aki Georgacacos and Jean-Francois Huc. Rio and the HGI's board of directors reached an agreement in the fall of 2019 whereby Rio led a bridge round of financing, defined a new strategic plan, and made several management and board changes with Mr. Georgacacos joining the HGI board and Mr. Huc assuming the role of Chief Executive Officer full time. Rio also committed to raising more capital following the planned restructuring, which included new product development, a name change, new positioning and messaging.

On October 16, 2020, HGI secured additional funding from new investors. These new investors required that a new, Delaware registered legal entity be created and that all assets, contracts and liabilities associated with the Business be transferred to the new legal entity named "The Pyure Company Inc.". An assignment and assumption agreement between HGI and Pyure was signed and Pyure issued a large number of shares to HGI in exchange for the asset assignment. The shareholders of HGI became indirect shareholders in Pyure through their holding in HGI. All new investors purchased shares in Pyure, and a unanimous shareholders agreement was executed by all Pyure shareholders, including HGI, which held over 80% of Pyure's then outstanding shares. As a result of this transaction, HGI became a holding company with its only asset being its ownership interest in Pyure. Pyure became the operating company and the air purification business was rebranded Pyure Dynamic Protection®.

Our Industry

The global air purifier market was $12.26 billion in 2021 and is projected to grow at a CAGR of 8.1% between 2022 and 2030, reaching a total market size of approximately $26 billion in 2030.[1] The market is segmented along two lines: (1) the type of building (commercial, residential, industrial), and (2) existing building equipment replacement/upgrades versus new construction.

Our focus is on existing buildings with forced HVAC, commonly referred to as HVAC systems. HVAC systems are designed to ensure comfort through the control of temperature and humidity, and deliver acceptable air quality through

[1] Based on an Air Purifier Market Size, Share & Trends Analysis Report released by Grandview Research.

fresh air ventilation and filtration. They are not effective at removing volatile chemical pollutants or microorganisms. Given the limitations of existing ventilation and filtration solutions in managing IAQ, we believe the addressable market for our air purification solutions are most buildings erected over the past 60 years with forced air systems, and any new construction underway or planned. We believe that the disruptive nature of our technology therefore represents a much larger opportunity than the current air purifier market.

We do not compete in the consumer air purifier market, which has a vast number of portable devices competing to treat small spaces (100 to 1,000 square feet). We believe that this market is saturated and poorly differentiated, with many competitors making similar claims. We estimate that the capital cost per square foot with portable devices treating individual rooms is more than two times higher than centralized air purification delivered through an HVAC system. There are important economies of scale when treating a building through the HVAC system, rather than treating individual rooms with portable units. The bigger the building, the more significant the savings for an HVAC integrated, centralized air purification solution.

Historically, IAQ has been dominated by “clean comfort”, HVAC systems that controlled temperature and humidity and captured various airborne pollutants such as dust, particulate matter, pollen, other allergens and microorganisms via filtration. The use of filters and ventilation comes with important compromises that limit their overall effectiveness in improving IAQ.

Filtration efficiency is a function of the density of the filtration material, where the denser the material, the smaller the particles it will trap and remove from the air flowing through the filter. An important trade-off with filtration is airflow resistance. The denser the filter, the more restrictive the air flow, which places strain on existing air handling equipment or requires equipment upgrades, and leads to higher energy consumption to maintain the same air flow. Another trade-off is ongoing maintenance, where the denser the fiber, the more particles it captures and the more frequently it needs to be changed. If the filter goes unchanged and becomes saturated with debris, it can become a source of airborne pollutant emissions.

Ventilation is used to bring fresh air into a building and remove accumulated carbon dioxide, volatile organic compounds (“**VOCs**”) and microorganisms. Ventilation needs to deliver a flow rate that ensures adequate air exchange within a building. Ventilation dilutes down pollutants and enables more air to pass through filters in the HVAC system, but does not eliminate contaminants and also comes with trade-offs. We believe that there is a significant energy cost associated with bringing fresh air indoors, as it needs to be cooled if the outdoor temperature is high, and it needs to be warmed if the outdoor temperature is cold. It is also more energy intensive to increase the rate at which forced air flows through an HVAC system. Once a building has been designed for peak heating or cooling, it becomes difficult to increase the rate of fresh air intake because the HVAC system may not have the heating and cooling capacity required in peak periods. It also creates more strain on the HVAC system and shortens equipment life.

In view of these tradeoffs, many buildings have historically used lower density filters to reduce energy consumption, the size of the air handlers needed, operating and maintenance costs. Lower grade filters remove dust, particulate matter and allergens, but have little effect on VOCs, airborne bacteria or viruses. Buildings have been designed to meet minimum ventilation standards to reduce energy consumption and the size of equipment needed. The consequence of these compromises is sub-optimized IAQ.

There is a growing body of scientific evidence that “sick building syndrome” and poor IAQ have a detrimental impact on occupant health and cognitive function.[2] The recent pandemic shed further light on the role that HVAC systems and IAQ can play in viral and bacterial transmission. The COVID-19 outbreak raised general awareness about air quality, transmission risk and the insufficient air quality that exists in many buildings. During the pandemic, the CDC

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[2] Mudarri D. Research, policies and program options for improving indoor environmental quality. United States Environmental Protection Agency, Sept, 2019. www.epa.gov/research.

Morawska L, et al. A paradigm shift to combat indoor respiratory infection. Science 372, 689-91 (2021).

Cedeno JG, et al. Associations between acute exposures to PM2.5 and carbon dioxide indoors and cognitive function in office workers: a multicountry longitudinal prospective observational study. Environ. Res. Lett. 16 (2021).

Farmer D.K., et al. Overview of HOMEChem: House Observations of Microbial and Environmental Chemistry. Environ. Sci.: Processes Impacts, 2019, 21, 1280.

and other health agencies recommended ventilation and filtration be increased where possible, despite their limitations and trade-offs.

As we emerge from the pandemic, building owners, managers, tenants and patrons have several well defined needs with respect to air purification:

- Healthier environments for people who work, live, learn and play indoors.
- Better occupant experiences, be it patrons, customers, guests or employees.
- Air quality that can be monitored and tracked, turning the invisible into visible.
- Solutions that leverage existing infrastructure and are easy to install & maintain.
- Solutions that generate economic value and a return on investment (increased revenues and/or decreased operating costs and capital expenditures).
- Solutions that help meet ESG goals.

These unmet needs represent a tremendous opportunity to retrofit the millions of existing buildings that have forced air systems and provide solutions for new construction. The market is seeking air purification solutions that can be added to existing HVAC systems to improve IAQ, without negatively impacting existing equipment or energy consumption.

Our Solution

Our proprietary air purification technology replicates the natural cleaning action of the sun. The earth's atmosphere is cleansed by the action of hydroxyl radicals, which reduce airborne pollutants such as VOCs including odor causing compounds, and reduce viruses, bacteria and mold. Hydroxyl radicals exist naturally outdoors in concentrations that are safe for humans, animals and plants, and effective in terms of sanitization. Our air purification equipment produces hydroxyl radicals in the same concentrations found outdoors in nature, ensuring that Pyure solutions are both safe and effective.

Our technology delivers dynamic air purification that is more effective than passive air purification systems (filtration). The major limitation of passive air purification technologies is that they only purify the air inside the air filtration unit. Air with contaminants enters the air purification unit, and the filtration used removes pollutants and ejects cleaner air. The cleaner air goes back into a dirty space, effectively diluting the concentration of contaminants, as opposed to cleaning the entire space. Passive air purification systems also do not sanitize surfaces. Pyure technology, on the other hand, cleans dirty air flowing through our device and diffuses natural cleansers along with cleaner air back into the space, purifying the air in the space and cleaning the surfaces that such treated air comes into contact with. See "*The Business Combination-Competition*".

We have generated extensive scientific data, both in controlled studies and in real-world testing, demonstrating our safety and efficacy in purifying air and cleaning surfaces. Pyure products reduce VOCs, reduce odors, cigarette smoke and other pollutants, and reduce bacteria, viruses and mold in air and on surfaces, including SARS-CoV-2 and other viruses.

We have a range of equipment that can be easily incorporated into HVAC systems and readily serviced. Our devices do not restrict air flow in any way and do not require upgrades to existing HVAC equipment. There is no incremental wear and tear on HVAC equipment resulting from the installation of our equipment. Pyure products include small units that can be inserted into ductwork and larger units that are coupled to air handling units and can treat 75,000 to 450,000 square feet each. Larger spaces can be treated effectively by installing multiple Pyure units.

Pyure also manufactures a line of heavy-duty portable units for the restoration (fire, flood) and industrial markets, where a robust design and temporary, portable use are key requirements. Pyure has a portable device registered with the FDA as a Class II medical device that is ideal for treating smaller spaces in the healthcare setting (130 to 500 $ft^2$), where HVAC integration may not be feasible or desirable. Pyure also produces small portable units for instances where there is no HVAC system or the HVAC design does not cover all rooms within the building.

Our HVAC integrated systems are deployed with sensors that monitor the levels of our natural cleansers in real time. This data is fed to our proprietary control logic, which uses the sensor data to continuously adjust the output of our air purifiers, thereby ensuring optimal efficacy as the demand for purification varies over time.

We have developed an IAQ monitoring and management platform that can capture sensor data and enable customers and building occupants to view indoor and outdoor air quality information through a simple to use yet powerful user interface. Our cloud-based platform enables users to monitor air quality trends over time, commission, control and proactively diagnose Pyure devices. Our cloud-based platform will be accessible through a monthly subscription and we plan to launch these services in early 2023.

In summary, our air purification solutions deliver:

- Technology that replicates the natural cleansing action of the sun.
- Dynamic air purification that treats all air and surfaces in an indoor space.
- Proven ability to reduce pollutants in air and pathogens in air and on surfaces.
- Scalable solutions that treat any size building through centralized HVAC deployment.
- Sensor driven control that ensures optimal purification of the indoor environment.
- A platform enabling cloud-based data collection, monitoring and value added services.

Our Vision and Strategy

Our vision is to enable the world's transformation to healthier built spaces, by providing dynamic solutions that improve and protect indoor air quality – so businesses can prosper and people can thrive.

Our mission is to advance and utilize dynamic technologies to deliver products and services that empower our customers to see, manage, and protect against air pollutants and harmful pathogens in their buildings. Our values are accessible innovation, intelligent protection and healthy success.

Accessible Innovation: Everyone should have access to the best indoor air quality. We are committed to pioneering technology that is not only safe and proven to work – but also truly accessible. Our success lies in simplifying complex science to create useful, intuitive solutions that improve people's well-being and help businesses prosper.

Intelligent Protection: Our expertise lies in dynamic protection. Making the invisible visible is core to our business. By continuing to develop intelligent tools that make it easier to identify, track and manage air quality in built environments – we can empower our customers to create healthier, more productive spaces.

Healthy Success: Our focus is on developing successful relationships with our customers, built on the long-term effectiveness and quality of our solutions, and measured on the positive human, environmental and economic impact they provide.

We are pursuing six strategies to realize our vision and mission:

- Deliver HVAC Integrated Solutions.
- Deliver IAQ services.
- Sell Directly to Customers in Selected Markets.

- Leverage Partners in Channels Requiring Expertise & Point of Sale Services.
- Deploy Pilot Projects that Demonstrate Value and Generate Endorsements.
- Leverage Geographic Expansion to Accelerate Growth.

Our Strengths

Our air purification solutions benefit from a number of competitive strengths, in addition to our committed and experienced management team:

- A range of products that can cost effectively treat any size building.
- Controlled solutions that monitor air quality and adjust air purification levels.
- Extensive evidence of efficacy and safety.
- Blue chip customers.
- Channel partners who are leaders in their markets.
- A cloud-based platform enabling remote monitoring and control of our products.
- Strong margins and recurring revenue streams.
- Robust internal systems and processes that will help scale our operations rapidly.

**Board of Directors**

The Board will be comprised of:

| Name and Province/State and Country of Residence | Present Principal Occupation |
|---|---|
| Ian McAuley<br>*Toronto, Canada* | • President and Chief Executive Officer of the Corporation |
| Mahyar Khosravi<br>*Calgary, Canada* | • Board Member and consultant of Pyure |
| John Andrew<br>*Kingston, Canada* | • Board Member of the Corporation |
| Tracy Sherren[(1)]<br>*Hammonds Plains, Canada* | • President of Canadian Commercial<br>• Chief Financial Officer of True North Commercial REIT<br>• Trustee of True North Commercial REIT |
| Cody Church[(1)]<br>*Calgary, Canada* | • Chief Executive Officer of Clear North Capital |
| Aki Georgacacos[(1)]<br>*Calgary, Canada* | • Co-founder and Managing Director of Rio Investment Partners<br>• Chief Executive Officer of Creations Foods Inc.<br>• Board Member and advisor of Pyure |
| Lew Lawrick<br>*Toronto, Canada* | • President and Chief Executive Officer of Magna Terra Minerals Inc. |

| Name and Province/State and Country of Residence | Present Principal Occupation |
|---|---|
| | • Managing Director of Thorsen-Fordyce Merchant Capital Inc. |

Notes:
(1) Proposed member of the Audit Committee (as defined below).

**Risk Factors**

An investment in the securities of New Pyure involves certain risks. When evaluating New Pyure and its business, investors should carefully review the information set out in this prospectus.

The risks and uncertainties described herein are not the only ones New Pyure faces. Additional risks and uncertainties, including those that New Pyure is unaware of or that are currently deemed immaterial, may also adversely affect New Pyure and its business.

See "*Caution Regarding Forward-Looking Statements*" and "*Risk* Factors".

## Summary Historical Financial Information

The following sets forth a summary of HGI's selected historical consolidated financial data, as of the dates and for the periods indicated below. HGI is currently a non-operating legal entity, whose only asset is its ownership interest in Pyure. Given that the business of Pyure was operated by HGI prior to October 16, 2020, unless the context otherwise permits, indicates or requires: all references to financial results of HGI and/or Pyure in this prospectus are to the consolidated results of HGI and as such, are reflective of the results of Pyure.

The information herein should be read in conjunction with the HGI Financial Statements included in Appendix C of this prospectus. The historical financial information for the years ended December 31, 2021, 2020 and 2019 and for the three and six months ended June 30, 2022 and 2021 summarized below is derived from the HGI Financial Statements which were prepared in accordance with IFRS. Historical financial and operating information may not be indicative of future performance, and certain financial information presented below includes non-IFRS financial measures that Pyure believes to be important in evaluating the underlying operating performance of the business and to better compare results from operations on a relative basis from period to period. See "

*Non-IFRS* Measures", "*Caution Regarding Forward-Looking Statements*" and "*Management's Discussion and Analysis of* HGI".

| | **The three months ended** | | **The six months ended** | | **For the twelve months ended,** | | |
|---|---|---|---|---|---|---|---|
| | **June 30, 2022** | **June 30, 2021** | **June 30, 2022** | **June 30, 2021** | **December 31, 2021** | **December 31, 2020** | **December 31, 2019** |
| Revenue | 3,447,906 | 2,367,639 | 7,243,357 | 7,965,494 | 10,793,132 | 10,031,137 | 4,397,356 |
| Cost of revenue | 931,559 | 1,877,619 | 1,930,606 | 4,680,390 | 5,215,463 | 4,468,638 | 2,180,284 |
| Gross Profit | 2,516,347 | 490,020 | 5,312,751 | 3,285,104 | 5,577,669 | 5,562,499 | 2,217,072 |
| **Operating expenses** | | | | | | | |
| Sales and marketing | 916,749 | 609,513 | 1,591,877 | 958,575 | 2,467,840 | 672,189 | 456,707 |
| Research and development | 706,405 | 598,381 | 1,114,502 | 1,242,765 | 1,818,331 | 581,429 | 85,052 |
| General and administrative | 1,229,466 | 1,973,854 | 2,324,977 | 4,260,941 | 6,429,342 | 3,135,470 | 2,597,516 |
| | 2,852,620 | 3,181,748 | 5,031,356 | 6,462,281 | 10,715,513 | 4,389,088 | 3,139,275 |
| Operating (loss) income | (336,273) | (2,691,728) | 281,395 | (3,177,177) | (5,137,844) | 1,173,411 | (922,203) |
| Foreign exchange gain | 1,546 | 868 | 8,921 | 3,042 | 5,095 | 3,990 | 6,735 |
| Finance expense, net | 236,570 | 158,088 | 515,180 | 315,328 | 875,857 | 609,139 | 509,224 |
| Other loss (income) | 2,763 | (6,454) | 2,244 | (6,454) | (232,830) | (13,118) | (146,377) |
| **(Loss) income before income taxes** | **(577,152)** | **(2,844,230)** | **(244,950)** | **(3,489,093)** | **(5,785,966)** | **573,400** | **(1,291,785)** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Income tax expense | — | — | — | — | — | — | — |
| **Net (loss) income and comprehensive (loss) income** | **(577,152)** | **(2,844,230)** | **(244,950)** | **(3,489,093)** | **(5,785,966)** | **573,400** | **(1,291,785)** |
| **Net (loss) income attributable to:** | | | | | | | |
| Equity owners of the Company | (420,182) | (2,144,761) | (165,573) | (2,662,554) | (4,419,867) | 646,682 | (1,291,785) |
| Non-controlling interests | (156,970) | (699,469) | (79,377) | (826,539) | (1,366,099) | (73,282) | — |
| | (577,152) | (2,844,230) | (244,950) | (3,489,093) | (5,785,966) | 573,400 | (1,291,785) |
| **(Loss) income per share – basic and diluted** | **(0.02)** | **(0.08)** | **(0.01)** | **(0.10)** | **(0.13)** | **0.02** | **(0.04)** |
| **Weighted average number of common shares outstanding – basic** | **35,992,677** | **33,633,853** | **35,992,677** | **33,633,853** | **34,812,563** | **33,633,853** | **33,633,853** |
| **Weighted average number of common shares outstanding – diluted** | **35,992,677** | **33,633,853** | **35,992,677** | **33,633,853** | **34,812,563** | **36,932,945** | **33,633,853** |

"Adjusted EBITDA", and "EBITDA Margin" are non-IFRS measures. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. See "*Management's Discussion and Analysis of* HGI" and "*Non-IFRS* Measures".

## CORPORATE STRUCTURE

The Corporation was incorporated under the BCBCA on November 16, 2020. Its head office is located at Brookfield Place, 161 Bay Street Suite 2420, Toronto, ON, M5J 2S1 and its registered office is located at 1600 – 925 West Georgia Street, Vancouver, BC V6C 3L2. On February 25, 2021, the Corporation amended its Articles to increase the authorized capital to create an unlimited number of Class A Restricted Voting Shares, an unlimited number of Common Shares and an unlimited number of Proportionate Voting Shares.

The following organization chart indicates the intercorporate relationships of the Corporation and its material subsidiaries, together with the jurisdiction of formation, incorporation or continuance of each entity, immediately following the Closing:

**Pyure Enterprises Inc.**
**Jurisdiction:** British Columbia, Canada

100%

**The Pyure Company Inc.**
**Jurisdiction:** Delaware, USA

## THE BUSINESS OF THE CORPORATION

The Corporation was organized for the purpose of effecting, directly or indirectly, an acquisition of one or more businesses or assets by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization or any other similar business combination involving the Corporation that will qualify as its "qualifying acquisition". The Corporation received $100 million of proceeds from its IPO, which was completed on March 1, 2021 after giving effect to the Extension.

The Corporation's management team is led by its Chief Executive Officer, Ian McAuley, its Executive Chairman, Tom Vukota, and its Chief Financial Officer, Tom Wenner. Mr. McAuley's 30-year career includes senior leadership and board of director roles with both privately-held and publicly-traded companies incorporating over $2 billion in transaction and operational experience in both Canada and the United States. Mr. Vukota possesses 25 years of institutional real estate investment and asset management experience, as well as extensive acquisition, disposition, development, and management experience. Mr. Wenner brings over 20 years of experience including having been involved in over 175 property acquisitions and dispositions and having raised financing in excess of $1.2 billion through initial public offerings, public offerings, private placements, bank credit facilities and property mortgages. The Corporation's directors consist of Ian McAuley, Tom Vukota, Tracy Sherren, Charles Suddaby and Dr. John Andrew.

## THE BUSINESS OF PYURE

### Overview

Pyure is a U.S.-based air purification technology company that manufactures and provides innovative solutions that purify and improve IAQ. We provide IAQ solutions that improve health and wellness, and deliver economic value to our customers. We improve health and wellness by lowering the levels of volatile pollutants, reducing the presence of pathogens and lowering their risk of transmission. We deliver economic value to customers by reducing energy consumption, generating cost savings, increasing revenues, and extending the life of capital equipment.

Our proprietary technology replicates the natural cleansing action of the sun, ensuring safe and effective air purification indoors. Our products are proven to reduce viruses, bacteria, and mold in both air and surfaces, and reduce chemical pollutants and odors in the air. Patents and trade secrets protect our technology.

We believe that we deliver dynamic air purification that is best in class, and that our technology is more effective than passive air purification systems (filtration). The major limitation of passive air purification technologies is that they only purify the air inside the air filtration unit. Air with contaminants enters the air purification unit, and the filtration used removes pollutants and ejects cleaner air. The cleaner air goes back into a dirty space, effectively diluting the concentration of contaminants, as opposed to cleaning the entire space. Passive air purification systems also do not sanitize surfaces. Pyure technology, on the other hand, cleans dirty air flowing through our device and diffuses natural cleansers along with cleaner air back into the space, purifying the air in the space and cleaning the surfaces that such treated air comes into contact with. See "- *Competition*".

We do not compete in the consumer and small portable air purifier market. Our strengths lie in our ability to scale our technology and deliver cost-effective air purification to entire buildings. Our products are rated to treat thousands to hundreds of thousands of square feet and are designed to easily integrate into existing heat, ventilation, and air conditioning ("**HVAC**") systems. Our solutions complement existing HVAC equipment, do not hinder their performance or shorten equipment life, and can help generate energy savings by providing dynamic air purification. Our devices do not remove fine airborne particulates, but can be used in conjunction with particulate filters in HVAC systems. Our central air purification, delivered through forced air HVAC systems, is less costly on a square foot basis than treating a building with multiple stand-alone units.

Our solutions can be added to any existing building with a forced air HVAC system, so we believe that our potential market size is much larger than the $12.3 billion global market for new construction and replacement equipment. Our solutions can legitimately target millions of existing buildings erected over the past 60 years that lack adequate air quality or face an elevated risk of pathogen transmission. We believe our disruptive air purification technology can demonstrate favourable outcomes and deliver economic value that will drive demand for our solutions.

Over the past two years, we have fundamentally reshaped our company as we sought to leverage growing awareness of IAQ and its role in human health and wellness. Our recent accomplishments include:

- Rebranding and repositioning the company from odor mitigation to dynamic protection.
- Securing blue chip customers such as Microsoft, Molson Coors, Churchill Downs, ATCO and CAE, generating compelling case studies and securing endorsements.
- Establishing channel partnerships with several market leaders, including Steris, Envoy Solutions, CPG Beyond, Aramsco and ServiceMaster.
- Signing on several large HVAC players to distribute our products, including Building Controls & Solutions ("**BC&S**"), Building Controls Group, Climatec, Control Stop and ProKontrol.
- Strengthening our management team.
- Redesigning several products and incorporating wireless connectivity and intelligence that enables remote monitoring and control.
- Developing a cloud-based platform that enables data capture, air quality monitoring, air purification control and integration with building management and HVAC systems.
- Developing mobile and web browser applications for easy access to the platform and product lifecycle management from commissioning to operation to maintenance.
- Partnering with Rockwell Automation and PTC to strengthen our IAQ platform, cybersecurity controls and building management and HVAC integration capabilities.

- Strengthening our backend systems including quality, enterprise resource planning, warehouse management and assembly work to enable our operations to ramp up faster.

The recent pandemic is no longer driving demand, but we believe that the mass education it enabled is transforming the global air purification market and creating new needs, such as:

- Healthier environments for people who work, live, learn and play indoors.

- Better experiences for occupants, be they customers, guests or employees.

- Air quality that can be monitored and tracked - turning the invisible into visible.

- Solutions that leverage existing infrastructure and are easy to install and maintain.

- Solutions that generate economic value and a return on investment (increased revenues and/or decreased operating costs and capital expenditures).

- Solutions that help meet ESG goals.

We believe that we are uniquely positioned to satisfy these needs. When we consider our recent accomplishments, the superior, dynamic performance of our technology and the size of our market opportunity, we believe we are poised for tremendous growth.

In the coming year, we will complement our growing equipment sales with value-added air quality services. We plan to shift our business model from equipment manufacturing to delivering IAQ as a service. We plan to offer our customers subscriptions that give them access to air quality and system performance monitoring, trending and analytics, diagnostics and predictive maintenance, with the ability to automatically order replacement parts when needed. This will increase the reorder rate of our consumable UV lamps, driving up our recurring revenues. It will also introduce a second stream of recurring revenues through monthly subscriptions. We forecast that in five years, these recurring revenue streams will represent approximately half of our total turnover. Longer term, we intend to apply artificial intelligence to our growing database of air quality data, so that we can predict and anticipate trends, better influence positive air quality outcomes and provide air quality advisory services.

**History**

HGI was established in 2007 by its founder Guy Morneault. Mr. Morneault had developed the proprietary hydroxyl technology in Calgary, Alberta in the 1990s, produced prototype air purification devices and sold commercial air purifiers in Canada. After several years of further product development and technology improvement, Mr. Morneault decided to establish a new company with manufacturing capability in Florida. Mr. Morneault relocated with a few key employees to Boynton Beach, established HGI and began to manufacture and sell hydroxyl generating devices in the U.S. under the Odorox® trademark.

Over the next several years, HGI focused on the industrial and odor abatement markets. During this time, HGI recruited additional engineering and scientific talent, including Mark Mino and Dr. Connie Araps, and developed larger units that had sensor driven controls and were able to treat large spaces. In 2014, HGI registered its MDU/Rx™ portable unit with the FDA as a class II medical device, leveraging significant scientific evidence that demonstrated the devices ability to reduce viruses, bacteria and mold. Despite this medical application and market authorization to make airborne pathogen reduction claims in healthcare facilities, HGI continued to focus on odor abatement in industrial, waste, remediation and agricultural applications, along with mitigating cigarette smoke on cruise ships.

In 2016 and 2017, HGI attempted to enter the consumer market with a small portable unit branded the MySpace® air purifier. HGI was not successful in penetrating the consumer market due to a lack of business to consumer (B2C) know-how, quality problems that resulted from the off-shore contract manufacture of the products, and a high cost point that required a selling price that was not compatible with the consumer channel. This failed launch led to financial difficulties and by early 2019, HGI was seeking additional financing from new investors. HGI approached Rio Investment Partners, a venture capital group led by Aki Georgacacos and Jean-Francois Huc. Rio and the HGI's board of directors reached an agreement in the fall of 2019 whereby Rio led a bridge round of financing, defined a new strategic plan, and made several management and board changes, with Mr. Georgacacos joining the HGI board and Mr. Huc assuming the role of Chief Executive Officer full time. Rio also committed to raising more capital following the planned restructuring, which included new product development, a name change, new positioning and messaging.

On October 16, 2020, HGI secured additional funding from new investors. These new investors required that a new, Delaware registered legal entity be created and that all assets, contracts and liabilities of HGI be transferred to the new legal entity named “The Pyure Company Inc”. An assignment and assumption agreement between HGI and Pyure was signed and Pyure issued a large number of shares to HGI in exchange for the asset assignment. The shareholders of HGI became indirect shareholders in Pyure through their holding in HGI. All new investors purchased shares in Pyure, and a unanimous shareholders agreement was executed by all Pyure shareholders, including HGI, which held over 80% of Pyure’s then outstanding shares. As a result of this transaction, HGI became a holding company with its only asset being its ownership interest in Pyure. Pyure became the operating company and the air purification business was rebranded Pyure Dynamic Protection®.

**Our Industry**

The global air purifier market was $12.26 billion in 2021 and is projected to grow at a CAGR of 8.1% between 2022 and 2030, reaching a total market size of approximately $26 billion in 2030.[3] The market is segmented along two lines: (1) the type of building (commercial, residential, industrial), and (2) existing building equipment replacement/upgrades versus new construction.

Our focus is on existing buildings with forced air systems delivering HVAC, commonly referred to as HVAC systems. HVAC systems are designed to ensure comfort through the control of temperature and humidity, and deliver acceptable air quality through fresh air ventilation and filtration. They are not effective at removing volatile chemical pollutants or microorganisms. Given the limitations of existing ventilation and filtration solutions in managing IAQ, we believe the addressable market for our air purification solutions are most buildings erected over the past 60 years with forced air systems, and any new construction underway or planned. We believe that the disruptive nature of our technology, therefore, represents a much larger opportunity than the current air purifier market.

We do not compete in the consumer air purifier market, which has a vast number of portable devices competing to treat small spaces (100 to 1,000 square feet). We believe that this market is saturated and poorly differentiated, with many competitors making similar claims. We estimate that the capital cost per square foot with portable devices treating individual rooms is more than two times higher than centralized air purification delivered through an HVAC system. There are important economies of scale when treating a building through the HVAC system, rather than treating individual rooms with portable units. The bigger the building, the more significant the savings for an HVAC integrated, centralized air purification solution.

Historically, IAQ has been dominated by “clean comfort”, HVAC systems that controlled temperature and humidity and captured various airborne pollutants such as dust, particulate matter, pollen, other allergens and microorganisms via filtration. The use of filters and ventilation come with important compromises that limit their overall effectiveness in improving IAQ.

Filtration efficiency is a function of the density of the filtration material, where the denser the material, the smaller the particles it will trap and remove from the air flowing through the filter. An important trade-off with filtration is air flow resistance. The denser the filter, the more restrictive the air flow, which places strain on existing air handling equipment or requires equipment upgrades, and leads to higher energy consumption to maintain the same air flow. Another trade-off is ongoing maintenance, where the denser the fiber, the more particles it captures, and the more frequently it needs to be changed. If the filter goes unchanged and becomes saturated with debris, it can become a source of airborne pollutant emissions.

Ventilation is used to bring fresh air into a building and remove accumulated carbon dioxide, volatile organic compounds (“**VOCs**”) and microorganisms. Ventilation needs to deliver a flow rate that ensures adequate air exchange

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[3] Based on an Air Purifier Market Size, Share & Trends Analysis Report released by Grandview Research.

within a building. Ventilation dilutes down pollutants and enables more air to pass through filters in the HVAC system, but does not eliminate contaminants and also comes with trade-offs. We believe that there is a significant energy cost associated with bringing fresh air indoors, as it needs to be cooled if the outdoor temperature is high, and it needs to be warmed if the outdoor temperature is cold. It is also more energy intensive to increase the rate at which forced air flows through an HVAC system. Once a building has been designed for peak heating or cooling, it becomes difficult to increase the rate of fresh air intake because the HVAC system may not have the heating and cooling capacity required in peak periods. It also creates more strain on the HVAC system and shortens equipment life.

In view of these trade-offs, many buildings have historically used lower density filters to reduce energy consumption, the size of the air handlers needed, and operating and maintenance costs. Lower grade filters remove dust, particulate matter and allergens, but have little effect on VOCs, airborne bacteria or viruses. Buildings have been designed to meet minimum ventilation standards to reduce energy consumption and the size of equipment needed. The consequence of these compromises is sub-optimized IAQ.

There is a growing body of scientific evidence that "sick building syndrome" and poor IAQ have a detrimental impact on occupant health and cognitive function.[4] The recent pandemic shed further light on the role that HVAC systems and IAQ can play in viral and bacterial transmission. The COVID-19 outbreak raised general awareness about air quality, transmission risk and the insufficient air quality that exists in many buildings. During the pandemic, the US Centers for Disease Control ("**CDC**") and other health agencies recommended ventilation and filtration be increased where possible, despite their limitations and trade-offs.

As we emerge from the pandemic, we believe that building owners, managers, tenants and patrons have several well-defined needs with respect to air purification:

- Healthier environments for people who work, live, learn and play indoors.
- Better occupant experiences, be it patrons, customers, guests or employees.
- Air quality that can be monitored and tracked, turning the invisible into visible.
- Solutions that leverage existing infrastructure and are easy to install and maintain.
- Solutions that generate economic value and a return on investment (increased revenues and/or decreased operating costs and capital expenditures).
- Solutions that help meet "ESG" goals.

These unmet needs represent a tremendous opportunity to retrofit the millions of existing buildings that have forced air systems and provide solutions for new construction. The market is seeking air purification solutions that can be added to existing HVAC systems to improve IAQ, without negatively impacting existing equipment or energy consumption.

**Our Solution**

Our proprietary air purification technology replicates the natural cleaning action of the sun. The earth's atmosphere is cleansed by the action of hydroxyl radicals, which reduce airborne pollutants such as VOCs and odor causing

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[4] Mudarri D. Research, policies and program options for improving indoor environmental quality. United States Environmental Protection Agency, Sept, 2019. www.epa.gov/research.

Morawska L, et al. A paradigm shift to combat indoor respiratory infection. Science 372, 689-91 (2021).

Cedeno JG, et al. Associations between acute exposures to PM2.5 and carbon dioxide indoors and cognitive function in office workers: a multicountry longitudinal prospective observational study. Environ. Res. Lett. 16 (2021).

Farmer D.K., et al. Overview of HOMEChem: House Observations of Microbial and Environmental Chemistry. Environ. Sci.: Processes Impacts, 2019, 21, 1280.

compounds, and reduce viruses, bacteria and mold. Hydroxyl radicals exist naturally outdoors in concentrations that are safe for humans, animals and plants, and effective in terms of sanitization. Our air purification equipment produces hydroxyl radicals in the same concentrations found outdoors in nature, ensuring that Pyure solutions are both safe and effective.

Our technology delivers dynamic air purification that is more effective than passive air purification systems (filtration). The major limitation of passive air purification technologies is that they only purify the air inside the air filtration unit. Air with contaminants enters the air purification unit, and the filtration used removes pollutants and ejects cleaner air. The cleaner air goes back into a dirty space, effectively diluting the concentration of contaminants, as opposed to cleaning the entire space. Passive air purification systems also do not sanitize surfaces. Pyure technology, on the other hand, cleans dirty air flowing through our device and diffuses natural cleansers along with cleaner air back into the space, purifying the air in the space and cleaning the surfaces that such treated air comes into contact with. See "*Competition*".

We have generated extensive scientific data, both in controlled studies and in real-world testing, demonstrating our safety and efficacy in purifying air and cleaning surfaces.[5] Pyure products reduce VOCs, reduce odors, cigarette smoke and other pollutants, and reduce bacteria, viruses and mold in air and on surfaces, including SARS-CoV-2 and other viruses.

We have a range of equipment that can be easily incorporated into HVAC systems and readily serviced. Our devices do not restrict air flow in any way and do not require upgrades to existing HVAC equipment. There is no incremental wear and tear on HVAC equipment resulting from the installation of our equipment. Pyure products include small units that can be inserted into ductwork and larger units that are coupled to air handling units and can treat 75,000 to 450,000 square feet each. Larger spaces can be treated effectively by installing multiple Pyure units.

Pyure also manufactures a line of heavy-duty portable units for the restoration (fire, flood) and industrial markets, where a robust design and temporary, portable use are key requirements. Pyure has a portable device registered with the FDA as a Class II medical device that is ideal for treating smaller spaces in the healthcare setting (130 to 500 $ft^2$), where HVAC integration may not be feasible or desirable. Pyure also produces small portable units for instances where there is no HVAC system or the HVAC design does not cover all rooms within the building.

Our HVAC integrated systems are deployed with sensors that monitor the levels of our natural cleansers in real time. This data is fed to our proprietary control logic, which uses the sensor data to continuously adjust the output of our air purifiers, thereby ensuring optimal efficacy as the demand for purification varies over time.

We have developed an IAQ monitoring and management platform that can capture sensor data and enable customers and building occupants to view indoor and outdoor air quality information through a simple to use yet powerful user interface. Our cloud-based platform enables users to monitor air quality trends over time, commission, control and proactively diagnose Pyure devices. Our cloud-based platform will be accessible through a monthly subscription and we plan to launch these services in early 2023.

In summary, our air purification solutions deliver:

- Technology that replicates the natural cleansing action of the sun.
- Dynamic air purification that treats all air and surfaces in an indoor space.
- Proven ability to reduce pollutants in air and pathogens in air and on surfaces.
- Scalable solutions that treat any size building through centralized HVAC deployment.

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[5] https://www.pyure.com

- Sensor driven control that ensures optimal purification of the indoor environment.

- A platform enabling cloud-based data collection, monitoring and value added services.

**Our Vision and Strategy**

Our vision is to enable the world's transformation to healthier built spaces, by providing dynamic solutions that improve and protect indoor air quality – so businesses can prosper and people can thrive.

Our mission is to advance and utilize dynamic technologies to deliver products and services that empower our customers to see, manage, and protect against air pollutants and harmful pathogens in their buildings. Our values are accessible innovation, intelligent protection and healthy success.

Accessible Innovation: Everyone should have access to the best indoor air quality. We're committed to pioneering technology that's not only safe and proven to work – but also truly accessible. Our success lies in simplifying complex science to create useful, intuitive solutions that improve people's well-being and help businesses prosper.

Intelligent Protection: Our expertise lies in dynamic protection. Making the invisible visible is core to our business. By continuing to develop intelligent tools that make it easier to identify, track and manage air quality in built environments – we can empower our customers to create healthier, more productive spaces.

Healthy Success: Our focus is on developing successful relationships with our customers, built on the long-term effectiveness and quality of our solutions, and measured on the positive human, environmental and economic impact they provide.

We are pursuing six strategies to realize our vision and mission.

*Deliver HVAC Integrated Solutions*

Our technology readily treats large spaces and entire buildings, thanks to the size and performance of our products. We offer solutions that can be easily incorporated into HVAC systems to treat entire buildings of any size, be they commercial, industrial or residential. Our solutions deliver economies of scale that cannot be matched by portable and stand-alone air purifiers, and do not have a detrimental effect on HVAC equipment life or energy consumption.

*Deliver IAQ Services*

We are shifting from an equipment manufacturer to a company offering a cloud-based platform that delivers value added data and services to end users through subscriptions. We have built a connected, intelligent platform that incorporates sensors, local and cloud-based controls, data capture and the conversion of data into actionable intelligence. Over the coming 18 months, we plan to expand our offering to include advisory services that provide air quality and energy assessments, specify flexible solution architectures including third party hardware and software, and demonstrate improved air quality and energy savings.

*Sell Directly to Customers in Selected Markets*

We employ a dedicated sales force that sells directly to customers in market segments where Pyure has demonstrated a strong value proposition: healthcare, senior living, hospitality, food and beverage, commercial real estate and industrial applications. We also target influencers who specify HVAC solutions, such as engineering and architectural firms. We plan to expand our North American sales team with experienced salespeople possessing strong relationships and a deep understanding of how purchasing decisions are made in our target markets.

*Leverage Partners in Channels Requiring Expertise and Point of Sale Services*

We work with distributors and resellers in market segments where the end users require domain expertise, engineering and mechanical design know-how, installation capabilities or after sales and maintenance services. These markets include the commercial and residential HVAC channel, the janitorial and sanitation channel, data and IT management facilities, hospital operating rooms, the maritime channel (cruise ships and yachts) and the restoration market. We seek to expand these channel partnerships and leverage our partners' reputations, relationships and market knowledge to accelerate sales through these channels.

*Deploy Pilot Projects that Demonstrate Value and Generate Endorsements*

We work with selected end users in applications where there is the potential to show clear, valuable outcomes. We partner with building owners and operators in each target application and install our solutions at little or no cost, in exchange for data sharing, a case study and eventual endorsement from the end user. We target hospital operating rooms (fewer surgical site infections), senior living facilities (fewer cases of viral transmission and reduced odors), casinos and gaming facilities (reduced cigarette smoke and odors), food processing facilities (fewer hot spots), sensitive IT infrastructure (fewer sick days) and vertical indoor farming (improved yields).

*Leverage Geographic Expansion to Accelerate Growth*

We plan to expand our business to Europe, Latin and South America, India, Middle East and Asia-Pacific (Taiwan, Australia, Japan and Southeast Asia). We will expand our marketing and sales presence in these regions and set up manufacturing that includes regional sourcing of non-strategic parts, product assembly and finished goods inventory. Strategic components will continue to be sourced and managed from the U.S. and sent to these regions for final assembly. We are watching the macro-economic environment in Europe and we plan to enter the market when inflation and energy prices stabilize and there is better visibility on the conflict in Ukraine.

**Our Strengths**

Our air purification solutions benefit from a number of competitive strengths:

*A range of products that can cost effectively treat any size building*

Our equipment offering includes a range of induct units that can treat 300 to 4,500 square feet, and a line of larger units that are connected directly into the HVAC systems of buildings and can treat 75,000 to 450,000 square feet each. Our HVAC integrated solutions are far more cost effective than deploying portable or small induct units when treating large indoor spaces.

*Controlled solutions that monitor air quality and adjust air purification levels*

Our HVAC integrated solutions include air quality sensors and proprietary controllers. Our controllers capture data from the air quality sensors, process the information and provide instructions to our air purification units, ensuring that the output is optimized. As the quality of the air changes, our units adjust their output. Data is collected and trends plotted over time. The information can be viewed on the control panels or remotely via computer access.

*Extensive evidence of efficacy and safety*

Our products have been tested in numerous independent labs over the past 10 years. Several controlled studies have confirmed our technology's ability to significantly reduce bacteria, virus and mold in air and on surfaces. Controlled air quality studies have confirmed our technology's ability to reduce VOCs[6] and numerous studies in the field have confirmed the powerful odor mitigating effect of our units. A 13 week toxicity study validated the safety of our technology and our products have been sold in the U.S. for over 15 years. Our products have been deployed in numerous applications without incident, including schools, cruise ships, hotels, manufacturing facilities and commercial buildings. The reduction of viruses, bacteria and mold, both in air and surfaces, has been confirmed in casinos, manufacturing and other applications and documented in case studies, as has the reduction of VOCs and other airborne chemicals such as nicotine and hydrogen sulphide. One of our portable units (Pyure MDU/Rx™) is registered

[6] https://www.pyure.com

with the FDA as a class II medical device and is also registered as a class I medical device in Europe via an Italian registration.

*Blue chip customers*

In the past two years we have sold air purification solutions to a number of leading companies including Microsoft, Churchill Downs, Molson Coors, ATCO, Carnival Cruise Lines, Extended Stay Hotels, Wymara Resorts, Sands Aviation, CAE and several school boards.

*Leading channel partners*

We have signed distribution agreements with a number of channel partners, including Steris for hospital operating rooms, Envoy Solutions for the janitorial and sanitation market, CPG Beyond for the data and IT management facilities, Aramsco and ServiceMaster in the restoration market, Vikand Solutions in the maritime market, and several regional distributors focused on the commercial and residential HVAC channel, including BC&S, Building Controls Group, Climatec, Control Stop and ProKontrol.

*A cloud-based platform enabling remote monitoring and control of our products*

We have developed an open-architecture, cloud-based IAQ platform that enables installers, facilities managers and building occupants to visualize indoor and outdoor air quality parameters and trends. The platform allows for monitoring, diagnostics and predictive maintenance of our solutions and integrated HVAC infrastructure. It enables end users to monitor Pyure equipment, receive service alerts and open service tickets, receive reminders when it is time to replace the proprietary UV lamps and place orders. The dashboard can be viewed through our mobile application (phone or tablet) or through our web browser application. The platform is operational and being beta tested with certain customers and installers, and will be launched in early 2023. We are also migrating our controlled solutions to this platform, so that our controller hardware can be substituted with cloud-based control. This will simplify installation and reduce the cost of our solutions, when end users allow direct web connections.

We have partnered with Rockwell Automation and PTC to provide a more robust architecture that has the safety and communication protocols needed for our most demanding customers, and enables our platform to connect to third-party building management and HVAC control systems. Rockwell Automation and PTC are also providing us with an augmented reality platform that will enhance our customer support and partner enablement programs.

*Strong margins and recurring revenue streams*

Our integrated HVAC solutions, including our hardware, software and recurring revenues, will generate blended gross margins of 65% long term. Our unique offering delivers significant value to customers and a very competitive cost on a price per square foot basis. This allows us to generate strong gross margins and deliver value to customers. Once installed, the proprietary UV lamps inside our devices need to be replaced annually. Each installation generates a recurring revenue stream through the sale of replacement UV lamps. Through our cloud-based platform, customers will be offered access to our air quality monitoring dashboard and services via a monthly subscription. This will generate an additional recurring revenue stream. We project that in five years, our recurring revenues will represent approximately 40% of total sales.

*Robust internal systems and processes that will help scale our operations rapidly*

Over the past two years we have developed a robust quality management system that includes an electronic system for managing documents, change orders, management approvals and personnel training. We are in the final stages of ISO 9001 and ISO 13485 (medical device) certification and expect to obtain both in fourth quarter of 2022. We have implemented Oracle NetSuite ERP, including a warehouse management system, to ensure our accounting, procurement, production and inventory management are integrated, efficient and rapidly scalable as our sales grow. We have implemented electronic workstations that provide visual assembly instructions and built in controls, enabling us to generate comprehensive batch records and track the productivity of each workstation. This system can be readily deployed at third party contract manufacturers in the event we need more capacity. Our system requires very little training (sequential, visual assembly instructions are shown on the screen) and helps ensure a high first pass yield.

## Our Products and Services

We produce and sell a broad range of air purification devices that can meet the needs of any building or setting. These include stand alone induct units that are ideal for smaller spaces (under 10,000 square feet) where a forced air system exists but no control and monitoring is needed. For larger spaces (from 10,000 to millions of square feet), we offer controlled solutions that are integrated into HVAC systems. These solutions consist of various sizes of air purification equipment, along with sensors and controllers. The equipment is sized and placed to optimally purify the air in larger spaces. We have a dedicated team of engineers that review HVAC plans and building floor plans and specify the Pyure equipment and layout required.

### Induct Units (Pyure IDU$^{TM}$)

Our induct units are easily inserted into ductwork and do not have built-in controls, and they are not wired to a central controller. Our units can treat between 300 and 3,000 square feet each. These units have two proprietary UV lamps inside.

We have developed a new generation of induct devices that have a more modern design and wireless communication capabilities, including WIFI and bluetooth. Each unit has a single UV optic and we offer installation kits that facilitate twin unit installation. This configuration gives end users greater flexibility to install an even or odd number of UV lamps. This new generation of induct device also has a microprocessor that enables monitoring and control via our cloud-based platform. This will enable air quality sensors to be deployed locally and data to be captured in the Pyure cloud, and then used to control the output of these wireless induct units. These new devices will launch in early 2023 and are trademarked Pyure ProStream$^{TM}$.

*Controlled Solutions*

Our current generation of controlled solutions are hardwired to ensure reliable connections (no interference), avoid the need to access the end-users network (cybersecurity), and provide a robust solution in industrial settings. The sensors are hard wired to the controllers, which are then hard wired to the Pyure air purifier equipment. Performance data and air quality trends are captured locally and can be viewed on the controller's screen, or by accessing the system remotely via computer. There are four sizes of equipment typically deployed.


Our smallest unit with controls (Pyure IDI$^{TM}$ device) is inserted into a duct and contains three UV lamps. A single unit can treat up to 4,500 square feet. These units are supplied with a separate, multi-channel controller that includes a programmable logic controller (PLC), a user interface and other hardware, along with Pyure's proprietary software and control logic. These units are hard wired to the controller, which receives and processes data from the sensors and has the ability to turn individual UV lamps on and off and cycle the lamps for even use over time.

Our HVAC integrated units are designed to treat larger areas or environments that are dirtier and require greater air purification power, such as industrial applications. They are typically inserted into the main trunk of an air handling unit, either with a bypass or via direct insertion. In some industrial settings and large open spaces, these units can be equipped with powerful blowers and exhaust directly into the space, without using an HVAC system for distribution. We produce three sizes of units.

The Pyure MVP-14$^{TM}$ unit can treat up to 75,000 square feet. It has a total of 14 UV lamps inside. The unit is supplied with a separate controller and sensors. It is hard wired to the Pyure controller, which can control up to five MVP-14$^{TM}$

units in a given building. The unit weighs 140 pounds and its dimensions are approximately four feet by three feet by two feet.


The Pyure MVP-24™ system can treat up to 200,000 square feet. It has a total of 24 UV lamps. The system is supplied with an integrated controller and remote sensors are wired directly to it. A reinforced shell allows the unit to sit outside or on rooftops and endure extreme weather. The unit weighs 525 pounds and its dimensions are approximately six feet by three feet by three feet.



The Pyure MVP-48™ system can treat up to 450,000 square feet. It has a total of 48 UV lamps. The system is supplied with an integrated controller and remote sensors are wired directly to the unit. The unit weighs 673 pounds and its dimensions are approximately four feet by three feet by seven feet.



**Other Products**

We produce a portable device, trademarked Pyure MDU/Rx™, that we sell to the healthcare market. The unit is registered with the FDA as a class II medical device. It is indicated for the reduction of certain airborne bacteria and viruses, including SARS-CoV-2. This unit is ideal for treating smaller spaces in the healthcare setting (130 to 500 $ft^2$), where HVAC integration may not be feasible or desirable, such as intensive care units, other acute care, emergency rooms, isolation rooms, and the offices and waiting areas of physicians, dentists and other healthcare professionals. The MDU/Rx™ unit is also registered as a class I medical device in Europe.


We have developed a ceiling mounted unit, trademarked Pyure Profile™, that can treat up to 1,200 square feet. This unit can be inserted into a two by two (2x2) ceiling tile and replace an existing end-of-duct diffuser. This unit benefits from the forced air system in the existing ductwork and does not require a fan. The unit has an optional box mounting system in the event a suspended ceiling does not exist. This version is mounted inside a box fastened to the ceiling and it has a fan to provide ventilation. Both versions of the unit include the same wireless communication capabilities and remote monitoring and control as the Pyure ProStream™ induct unit, allowing them to be connected to the Pyure cloud-based platform. The Pyure Profile™ unit is scheduled for launch in early 2023.

We have a line of heavy duty portable devices that are designed especially for the restoration and industrial markets and branded Odorox®. These devices are built with a heavy sheet metal shell, have analog switches and are ideal for temporary use after a fire, water damage or other events requiring remediation. These units are well suited for heavy traffic areas where incidental contact is likely. Our products include: (i) the Odorox® Slimline™ unit, a single optic portable unit that can treat 215 to 900 square feet; (ii) the Odorox® Boss™ unit, a two optic unit that can treat 1,500 to 2,500 square feet; (iii) the Odorox® Boss XL3™ unit, a three optic unit that can treat 1,700 to 3,250 square feet and requires an external air blower; and (iv) the Odorox® HRC06™ unit, a six optic wall mounted unit that can treat 3,400 to 6,500 square feet.



We have designed new portable devices that include the wireless communication capabilities and remote monitoring and control found in our Pyure ProStream™ and Pyure Profile™ devices, enabling them to connect to our cloud-based platform. The Pyure Mini™ 25 portable unit can treat 80 to 250 square feet, the Pyure Mini™ 50 portable unit can treat 250 to 500 square feet and the Pyure Flex™ unit (floor or wall mounted) can treat 300 to 1,000 square feet.


These devices provide treatment options in instances where an HVAC system does not cover all rooms and a portable unit is needed. These units will be launched in early 2023, but we do not intend to compete in the crowded portable air purifier market with these units.

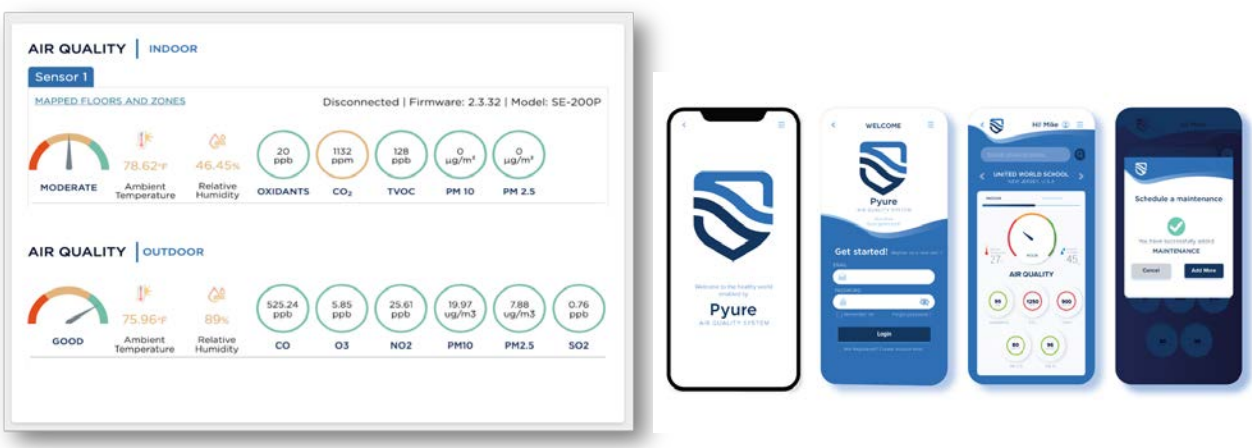
*Cloud-Based Platform*

Our open-architecture, cloud-based IAQ platform, trademarked Pyure Insite™, enables us to provide a holistic view of indoor and outdoor air quality, capture and analyze air quality data and trends, monitor and control the performance of our products using digital twins, and provide predictive maintenance capabilities to our customers and partners. We have launched this platform and are beta testing it with selected customers and partners. The platform will be officially launched in early 2023, in parallel to the launch of our new line of connected devices.

The Pyure Insite™ platform will enable us to generate a number of service creation opportunities for our partners and value added services for customers through a subscription model. These services include real time air quality parameters and trends over time, inside the building and outside in proximity to the building. The platform will also provide real-time and predictive system alerts. Customers will be able to open and track service tickets via the platform, and reorder UV lamps and sensors when they have reached their end of life.

The open-architecture of the Pyure Insite™ platform will eventually enable integration with existing HVAC systems and building management platforms, so that our platform can utilize our customers' infrastructure such as occupancy sensors, zone and damper controls, and fresh air intake valves to optimize energy efficiency and reduce costs.

The Pyure Insite™ platform can be accessed via a Pyure mobile application or via a web browser. As our air quality database grows, advanced analytics and artificial intelligence will be used to anticipate air quality problems and adjust the output of Pyure devices to effectively address them. Pyure will eventually use this data to offer additional services, including air quality and energy efficiency advisory services.




**Our Markets**

We focus on the owners, managers and occupants of buildings with HVAC systems. We target all building types: any indoor space where people work, live, learn or play. Given the limitations of ventilation and filtration solutions in managing IAQ, we believe the addressable market for our air purification solutions are most buildings erected over the past 60 years with forced air systems, and all new building construction underway or planned. Most of these buildings will benefit from adding our solutions to their existing HVAC equipment, without negatively impacting the performance, energy consumption or expected life of their equipment.

Targeting buildings with HVAC systems plays to our strengths. We can treat any size of building and we estimate that our HVAC integrated solutions can deliver effective air purification at less than half the cost per square foot of competitors deploying portable, stand alone units. Our cloud-based platform also brings visibility to IAQ and how our air purification equipment is performing, something most competitors cannot provide. We do not compete in the consumer air purifier market because it is saturated and poorly differentiated, with many competitors making similar claims. Our focus is on business to business (B2B) sales.

While the market is vast and covers most existing buildings, we have limited resources and therefore need to focus on markets where we can offer the greatest value. Our initial focus is on the following six markets, which we are pursuing directly and through distribution partners:

*Healthcare*

Healthcare facilities including hospitals, day surgery centers, physician offices and dental clinics face ongoing challenges, from viral outbreaks to frequent bacterial infections including those that are antibiotic-resistant. Some facilities also face mold contamination. Surface cleaning methods are effective for a period of time, but recontamination occurs. The cleaning products used in healthcare facilities often introduce pollutants into the air that can aggravate health problems for patients with respiratory problems.

We believe that our proven ability to reduce viruses, bacteria and mold, both in the air and on surfaces, can lead to a reduction in the number of hospital acquired infections. We are working with several hospitals to demonstrate that our solution, when coupled with Steris' CleanSuite™ laminar air flow system in operating rooms, can reduce the number of surgical site infections over time. If our ongoing studies confirm this outcome, the combined Pyure and Steris solution for operating rooms will represent significant savings for hospitals and could quickly become a standard of care for the 220,000 operating rooms in the U.S. Once we have demonstrated a reduction in surgical site infections, we believe we can leverage the data and sell our solutions to the over 6,000 hospitals in the U.S. to help reduce the number of hospital acquired infections.

*Long-Term Care*

The elderly are at higher risk of infections and senior living facilities often harbor and propagate infections more rapidly to both residents and staff. During outbreaks, family and friends are often restricted from visiting seniors, further isolating them. Senior living centers have a number of pathogens that are present in the air and on surfaces. In long-term care facilities, residents frequently have open wounds resulting from diabetes, skin tears, and medical procedures. Infection rates are higher because bacteria and viruses are readily transmitted by contact and infected air. Long-term care facilities can also be plagued with odors that impact the quality of life of residents, staff, and visitors. Air quality is adversely affected by cleaning agents and minor procedures.

We believe that our proven ability to reduce viruses, bacteria and mold, both in the air and on surfaces, can lead to a reduction in the number of viral and bacterial infections. We are working with a large chain of senior living facilities to demonstrate that our solution can reduce the number of cases of influenza, COVID-19 and other facility acquired infections over time. We will also assess the impact of our solution on odors and IAQ compared to nearby facilities that do not have our solution installed. If the current study confirms this outcome, our solution will be deployed in the other 150 facilities managed by our partner, and we will have a strong case study to promote our solutions to the 65,000 long term care facilities in the U.S.

*Hospitality*

The hospitality sector faces unique challenges as it welcomes guests post pandemic. Offering a sanitized environment that mitigates the risk of pathogen risk is essential for cruise lines, hotels, casinos, air travel, resorts and sporting events. The close proximity of guests and the extended nature of some stays require continuous sanitization that can be delivered safely in the presence of guests, to ensure ongoing protection. Post-pandemic, the hospitality sector is seeking to improve the guest experience for its patrons and employees by ridding the air of pollutants such as cigarette smoke, unwanted odors and other VOCs emitted by off-gassing materials and cleaning agents.

Churchill Downs had an independent testing firm undertake extensive sampling of a large casino, prior to installing Pyure. They assessed the viral, bacterial and mold levels in air and on a number of surfaces, along with nicotine concentrations. The Pyure system was then turned on, patrons were allowed to smoke and after several weeks the testing firm repeated all sampling. The results revealed that Pyure significantly reduced microbial levels in air and on surfaces, there was no detectable nicotine in air or on surfaces, despite guests smoking, and there was little in the way of cigarette smoke in the casino or residual cigarette odors on employee clothes. Churchill Downs strongly endorsed

Pyure in a testimonial video, which we have begun to leverage as a case study for the broader hospitality industry. We have other case studies demonstrating the effectiveness of our solutions in hotels, cruise ships and yachts.

*Commercial Real Estate*

The commercial sector faces a persistent problem of poor IAQ due to viruses and bacteria, mold, VOCs and other pollutants in the air. There is also the near-term challenge of managing workplace safety as employees return to work post-pandemic. Offices, retail chains, building property managers and other commercial spaces are seeking solutions that can reduce the risk of viral and bacterial transmission, improve overall air quality and wellness for occupants, and improve occupant comfort with “fresher air” that can provide peace of mind. Enhancing overall comfort requires the elimination of unwanted odors that result from high traffic or density, or mold that can appear in older buildings and those located in hot, humid climates.

We believe that our proven ability to reduce viruses, bacteria and mold, both in the air and on surfaces, can reassure the owners and occupants of commercial spaces that Pyure improves IAQ and reduces the risk of pathogen transmission. We will leverage our outcomes in the healthcare and assisted living sectors to demonstrate value in commercial real estate. This value will be reinforced with our dashboard displaying indoor and outdoor air quality. Our proven ability to reduce odors and make indoor spaces fresher smelling enhances the experience for building occupants and provides further evidence that Pyure is cleaning the air.

*Food and Agriculture*

Livestock production faces odor issues for both staff and surrounding communities. They also frequently have pest issues that require expensive pesticides, and bacterial and viral infection issues that can affect the health of livestock. Antibiotics and comprehensive cleaning are expensive and can provide only a nominal improvement to animal health. Chemical masking agents sprayed outside of these facilities have little effect on the odors employees face inside and limited effectiveness for neighboring communities. Vertical farming can face mold, bacteria and fungus contamination and premature ripening that impact yield and the quality of produce.

Food and beverage processing facilities are vulnerable to “hotspots” of microbial contamination as well as films/molds that can impact food safety. These can lead to expensive and costly cleaning protocols and more frequent line shutdowns, which impact profitability. Food transportation and storage faces accelerated ripening and spoilage due to outgassing of ethylene and other VOCs that negatively impact fresh produce.

We have generated a number of successful case studies that demonstrate the value of our technology in food and agriculture.[7] A poultry plant saw a dramatic reduction in odors, allowing it to expand its operating permit. It also saw a significant reduction in pests, bacteria and mold inside the facility. Several food and beverage processing facilities saw significant reductions in the frequency and intensity of line shutdowns for cleaning. Bacterial levels were rapidly reduced, leading to a 65% reduction in cleaning chemical consumption and associated water use. They also saw a reduction in the number of microbial hot spots around drains and other high risk areas. A fresh fruit and vegetable distribution center installed Pyure devices and saw an important reduction in ethylene levels, leading to a slowing of the ripening process and extended shelf life for produce stored in the facility. We are testing our equipment in a vertical (indoor) farming operation to assess Pyure’s impact on contamination and yield. If results are in line with previous testing, it will accelerate our entry into this rapidly growing market.

*Industrial Sector*

Janitorial, restoration and remediation services are in constant need of effective air and surface sanitization. These market segments require solutions that can be safely operated around remediation workers and can quickly eliminate strong odors such as smoke, VOCs and other fumes that impact occupational health and safety. Sectors like wastewater treatment and solid waste management (composting, recycling and transformation) are in need of more effective odor control to eliminate the offsite fugitive odors that impact surrounding communities and result in fines and the risk of

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[7] Pyure Dynamic Protection® Case Studies. https://www.pyure.com.

losing operating permits. They can also have problems with hydrogen sulfide and other sulfide-based compounds, which further contribute to odors.

We have numerous case studies showing our ability to rapidly eliminate smoke odor following a fire, and to mitigate odors following floods and water damage. Our Odorox® equipment is widely used in the remediation market. We also have case studies in waste water treatment, where our technology has been able to significantly reduce odors and hydrogen sulfide levels, and in solid waste management, where we reduce odors, hydrogen sulfide and ammonia levels.

**Our Channels to Market**

Our main market strategy in North America consists of three distinct channels: (i) direct sales to strategic customers; (ii) partnerships with companies that have strong reputations, business relationships and reach into specific markets segments; and (iii) a network of distributors and resellers that supply and service the commercial, industrial and residential HVAC market.

We are pursuing direct sales to large companies that own or manage multiple buildings and have their own installation and maintenance capabilities, or source these capabilities from preferred vendors. Our approach with these customers is to demonstrate value with an initial installation, which we design and commission, and then provide them and/or their vendors with the instructions and support needed to undertake subsequent deployment and servicing alone. We focus on designing custom solutions and ensuring that the equipment specified for each building / location delivers optimal performance and value to the customer.

We have a dedicated team that sells to these direct accounts. Our salespeople possess experience and relationships in one or more of our target markets: healthcare, senior living, hospitality, food and beverage processing and commercial real estate. These salespeople have experience managing national accounts within these markets and they understand the procurement processes. Our salespeople offer discounted pilot projects to customers that have the potential to deploy our technology in multiple facilities, and focus on customers who have the ability to measure outcomes and the willingness to commit to our technology and endorse our solutions if the pilot projects are a success. We provide engineering support to ensure the initial design and equipment specifications are optimized, and we provide technical and after sales service support once a solution has been deployed and commissioned.

We have elected to establish partnerships in certain verticals, where we can leverage the reputations, strong presence and business relationships of market leaders to accelerate entry:

- Steris is a leading global provider of products and services that support patient care with an emphasis on infection prevention. Steris has global access to hospitals through a salesforce of 650 people, and they have begun marketing Pyure’s solution in combination with their CleanSuite® laminar air flow ceiling system for operating rooms.

- Envoy Solutions is part of the FEMSA group and the largest and fastest growing player in the U.S. janitorial and sanitation market. Envoy is selling Pyure products within a marketing initiative that promotes “active” air purification. Envoy has over 800 salespeople and 72 distribution centers across the U.S.

- CPG Beyond is a provider of end-to-end solutions for data and IT management facilities. CPG Beyond is a leader in the North American market, with a strong and growing footprint in Europe and Asia. CPG Beyond recently began marketing Pyure solutions to its customer base that includes some of the world’s leading data and IT management companies.

- Aramsco and ServiceMaster are leaders in the U.S. restoration and remediation market. They have sold our Odorox® product line for several years via one of our distributors and we recently contracted with them directly to distribute our products in the U.S.

- Vikand Solutions is a leading expert in global medical operations and public health solutions for the maritime industry. They provide medical management services, telemedicine services, biomedical services and public health solutions that include marketing Pyure's dynamic air purification solutions to the maritime industry.

In the HVAC channel (light commercial, industrial and residential), we work with distributors and resellers that offer domain expertise, engineering and mechanical design know-how, installation capabilities and after sales and maintenance services. We have signed on distributors such as Climatec, who are fully integrated and can do everything from design to installation and after sales service. We have also signed on several large controls companies who focus on designing solutions and selling equipment to local HVAC installation companies, who then resell and install the solution to end users. Our distributors in the controls channel include BC&S, Building Controls Group, Control Stop and ProKontrol.

As we expand into other geographies, we may elect to partner with regional or international players having a strong regional presence, including sales and marketing, product assembly, strategic sourcing and supply chain management, either through joint ventures or distribution agreements. We may also consider private labelling outside North America, if we can partner with companies possessing powerful brands and strong reputations in the HVAC industry. In these instances, the products we produce will be co-branded with our Powered by Pyure Technology® trademark to clearly identify our technology.

**Our Technology**

At the core of our air purification technology is the generation of hydroxyl radicals. Hydroxyl radicals are mother nature's cleaning agents. They exist naturally outdoors, quickly removing pollutants from the air while being safe for humans, animals and plants. Hydroxyl production requires sunlight, so they are not produced naturally indoors. Our technology mimics the action of the sun and produces hydroxyl radicals indoors in the same concentrations found outdoors, thereby bringing the natural air purifying power of the sun indoors.

*Hydroxyls: Nature's Cleanser*

Atmospheric hydroxyl radicals are continuously produced in our troposphere by the action of the sun's ultraviolet energy. There are on average three to 10 million hydroxyls in each cubic centimeter of ambient outdoor air during sunny daylight hours. Even at these relatively low concentrations, hydroxyls are the primary environmental agent purifying air. They are powerful, fast acting oxidants and the main driving force behind daytime reactions with hydrocarbons and inorganic gases in the troposphere that purify outdoor air. Hydroxyl radicals neutralize most natural and man-made pollutants including isoprene, methane, benzene, toluene, aromatics, hydrogen sulfide and ammonia. Hydroxyls progressively decompose VOCs to produce carbon dioxide and water.

Atmospheric hydroxyls are also proven to kill bacteria, viruses and mold because they react with the lipids, proteins and other organic compounds that make up the cell membrane and disrupt the structure, leading to rapid cell destruction. Humans, animals and plants have evolved symbiotically with atmospheric hydroxyl radicals over millions of years and have developed outer skin, surfaces and mucosa that are impervious to hydroxyl's oxidative effects. Atmospheric hydroxyls are a critical element of nature's dynamic ability to provide environments that are free of harmful pollutants and pathogens.

*Pyure: Bringing the Power of the Sun Indoors*

Indoor environments do not naturally contain hydroxyl radicals as hydroxyls generated outdoors react too rapidly to diffuse indoors. Typical reaction times for hydroxyls with VOCs are five to 500 milliseconds, depending on VOCs concentrations.

Our technology uses proprietary UV lamps to generate hydroxyl radicals indoors. The UV lamps are designed to generate UV energy that reacts with ambient water vapor and generates hydroxyl radicals through a process known as photolysis. Our proprietary UV lamps and chamber design result in the generation of about three million hydroxyl radicals per $cm^3$, similar to the concentrations found in nature (three to 10 million hydroxyl radicals per $cm^3$). Our hydroxyl production levels were independently measured at the Lovelace Respiratory Research Institute and published in the Journal of the Air & Waste Management Association – a peer reviewed scientific journal, in 2017. By reproducing outdoor hydroxyl concentrations indoors, we ensure that reactions that occur and the by-products formed are similar in type and quantity to those generated outdoors in nature.

Hydroxyl radicals are highly reactive. They react with microorganisms and most VOCs that exist in air. Given the speed of these reactions (milliseconds), most hydroxyl radicals are consumed inside or near the exhaust point of our devices. When reacting with VOCs, hydroxyls abstract hydrogen atoms, regenerate water molecules and create organic radicals. These radicals in turn react with oxygen to produce organic peroxy and oxy radicals, which are also powerful, naturally occurring sanitizing agents. This chemistry occurs naturally outdoors and Pyure recreates this chemistry indoors. These natural oxidants are also free radicals and their mechanism of action is identical to hydroxyl radicals, with two exceptions: they are not as reactive as hydroxyls and therefore more stable than hydroxyls.

Thanks to this greater stability, these natural oxidants have a longer lifetime than hydroxyls. These natural oxidants initiate chain reactions by reacting with successive VOCs, extending their average life to 12 to 15 minutes before radical recombination terminates them. This gives the natural oxidants time to diffuse out of Pyure devices and throughout a treated space and clean air and surfaces. With Pyure technology, hydroxyls provide the primary cleaning effect inside the device, while the natural oxidants provide the primary cleaning effect outside of the device.

These natural oxidants sanitize air and surfaces in the same way hydroxyls do, by abstracting hydrogen atoms. VOCs get progressively broken down by these natural oxidants until they are fully decomposed to $CO_2$ and $H_2O$. These chain reactions with VOCs extend the life and cleaning effect of the initial hydroxyl radical generated inside a Pyure device, the same as in nature, in a process we refer to as the cascade effect.

As VOCs are broken down, low steady-state concentrations of oxidized organic by-products such as alcohols, aldehydes, ketones and acids are formed. These same compounds are formed outdoors in nature. The continuous operation of a Pyure device and the resulting production of hydroxyl radicals and natural oxidants ensures that these by-products are broken down and do not accumulate. The progressive breakdown of VOCs and their oxidation by-products ultimately leads to a reduction in total VOCs, thereby improving air quality. Independent, controlled studies conducted by Columbia Laboratories demonstrated that the total VOCs levels were reduced, and steady state concentrations of oxidation by-products remained well within safe limits, at or near ambient levels, and did not accumulate.

*Pyure Safety*

At our request, the National Institute of Environmental Health Sciences searched the NIH, CDC, and OSHA databases, PubMed and the National Library of Medicine and concluded: "[we] cannot find any hard science or research indicating that hydroxyl radical generation is harmful to human health. That applies to both atmospheric and man-made generation". The conclusion from the NIEHS search was subsequently submitted to the FDA as part of the submission process for registering our MDU/Rx™ unit as a class II medical device.

To further assess and validate safety, we commissioned Comparative Biosciences to conduct a comprehensive toxicology study in accordance with FDA testing protocols and good laboratory practices. The study exposed a statistically significant population of animals to elevated hydroxyl levels for the required 13-week testing period. The animals were continuously exposed to over three times the concentrations of hydroxyl radicals produced by our devices indoors. The study results showed that continuous, prolonged exposure to the outputs of a Pyure device was well tolerated by the test animals. There were no abnormal clinical observations either at the gross or cellular level.

*Pyure Efficacy*

A study conducted by Columbia Analytical Services measured a 40% reduction in total volatile organic compounds ("**TVOC**") while the Pyure device was operated. During the three-hour study, there was no accumulation of carbon monoxide and formaldehyde levels were only marginally higher than background concentrations and stayed well within the range typically seen indoors. Acetaldehyde levels were unchanged and no other aldehydes were detected. A second study conducted by Columbia Analytical Services over 15 hours produced similar results: TVOC were reduced by 59% relative to ambient levels, while formaldehyde and acetaldehyde levels remained near ambient levels and well within safe limits.

Innovative BioAnalysis, a certified laboratory with biosafety level three facilities in California, conducted trials using our Pyure MDU/Rx™ device, assessing its ability to reduce live *SARS-CoV-2* virus in air. The device was shown to significantly and rapidly reduce *SARS-CoV-2* levels, relative to controls.

Aerosol Research and Engineering Laboratories, a certified laboratory located in Kansas and specializing in the study of aerosolized microorganisms, assessed the impact of the Pyure MDU/Rx™ device on selected airborne viruses, bacteria and mold. The device was shown to significantly and rapidly reduce the following pathogens: (i) *MS2*, a simulant for RNA viruses such as SARS; (ii) *Phi-X174*, a simulant for DNA viruses such as smallpox; (iii) *Staphylococcus epidermidis*, a representative Gram-positive bacterium; (iv) *Erwinia herbicola*, a representative Gram-negative bacterium; and (v) *Aspergillus niger*, black mold.

Innovative BioAnalysis also tested the MDU/Rx™ device's ability to reduce live *SARS-CoV-2* virus on a glass surface. The device was shown to significantly and rapidly reduce *SARS-CoV-2* levels, relative to controls. Innovative BioAnalysis also conducted tests to assess the MDU/Rx™ device's ability to reduce other pathogens on glass plates. A number of viruses and bacteria were tested, including *Methicillin-resistant Staphylococcus aureus* (MRSA), *Vancomycin-resistant Enterococcus faecium* (VREF), *Clostridium Difficile*, *Escherichia coli*, *Salmonella enterica* and *Staphylococcus aureus.* The MDU/Rx™ device was found to significantly reduce the levels of these pathogens, relative to controls.

Researchers at the University Vita-Salute San Raffaele, Milan, Italy tested the MDU/Rx™ device against additional strains of virus on glass surfaces. The device was found to significantly reduce the levels of *H1N1 Influenza*, *Adenovirus* (type 5), *Poliovirus* 1 and *Murine Norovirus,* relative to controls.

*Ozone*

The process by which our technology produces hydroxyls is photolysis, whereby UV energy converts water molecules into hydroxyl radicals. This chemical reaction also produces small quantities of ozone. Our equipment has been conceived and designed to minimize ozone production and only trace quantities of ozone are produced by our devices. Several innovations that minimize ozone production have been developed and are protected as trade secrets.

Most importantly, our induct units are certified UL 1598 and comply with CSA 22.2 and the California Air Resources Board requirements for ozone emissions.

Our controlled solutions deploy sensors that continuously measure oxidant levels in the treated space and our controllers ensure that ozone and the natural oxidants produced by our devices always stay within the safe limits established by OSHA and the FDA for continuous exposure.

Our MDU/Rx™ portable device is registered as a class II medical device and complies with the FDA's requirements for ozone emissions.

**Our Intellectual Property**

Our intellectual property portfolio consists of utility patents, design patents, trade secrets, trademarks, trade dress, copyrights and contractual agreements.

*Utility Patents*

We have utility patents that protect the way our UV lamps are used and work. Our first patent family includes a utility patent, U.S. Patent Number US8257649, entitled "*Hydroxyl Generator*" with an estimated expiration date of October 17, 2030. This patent has also been issued in a number of European countries and Hong Kong. The Hydroxyl Generator patent is directed to the relative positioning of UV-lamps. We discovered that superior hydroxyl production is achieved when UV-lamps are positioned in a specific configuration. This granted U.S. patent has been cited 61 times.

This first patent family also includes a first divisional patent, U.S. Patent Number US8765072, entitled "*Hydroxyl Generator*" with an estimated expiration date of April 27, 2029. This granted divisional patent claims additional features to realize the hydroxyl generator, including blowers and baffles to cause moving air to be present in the housing for a given period of time. This granted first divisional patent has been cited 61 times.

The first patent family also includes a continuation of the divisional patent, U.S. Patent Number US 9168323, entitled "*Hydroxyl Generator*" with an estimated expiration date of April 27, 2029. This granted divisional patent claims additional features to realize the hydroxyl generator and provides broader coverage since this patent has no requirement for a time air is moving in the housing. This second granted divisional patent claims a specific overlap of near-infrared regions produced by lamps. This second granted divisional patent has been cited 61 times.

Our second patent family has one granted U.S. patent, U.S. Patent Number US9884135, entitled "*Smart Optic Controller For A Hydroxyl Generator Unit*", with an estimated expiration date of November 22, 2036. This granted patent is directed to control the UV-lamps based on environmental conditions. We discovered that control of the optics based on environmental conditions produces superior hydroxyl production. This granted patent of the second patent family has been cited 16 times.

*Design Patents*

Our first design patent is U.S. Design Patent Number D791298, entitled "*Architect Air Purification*" with an estimated expiration date of July 4, 2032. Our second design patent is U.S. Design Patent Number D815269, entitled "*Personal Air Purification Unit*", with an estimated expiration date of April 10, 2033. Our third design patent is U.S. Design Patent Application Serial Number 29/769,342, filed February 4, 2021, entitled "*Air Purification Unit*". This design patent application has not yet been examined. We have additional design patents that are being filed for new products we have recently developed.

*Trade Secrets*

We strictly guard our trade secrets and know-how relating to our optics, optic design, and optic control. Only a small number of our employees have knowledge of our optic trade secrets, on a must-know basis. To minimize the risk of reverse engineering, the critical optical components and their designs are not explicitly identified as such and are not shared outside of the company. Our larger controlled devices are equipped with controllers with proprietary algorithms that sense and control the UV-lamps, which are essential to the scale-up of our hydroxyl technology.

Our supplier of UV lamps is under an exclusive agreement to supply our UV lamps according to our specifications and to preserve our optics trade secrets. The UV lamp base is a unique design used only by Pyure to prevent field replacement of UV lamps produced by third-parties. Our supplier of the unique UV lamp ceramic bases is under an exclusive supplier agreement with Pyure and a non-disclosure agreement covering our optics trade secrets, and has patent protection on these unique ceramic sockets.

Other trade secrets include how our UV lamps are arranged, the design and construction of the optic chambers and the way in which our UV lamps are controlled. These trade secrets are critical to the operation and unique efficacy/safety profile of our devices. Our critical equipment is manufactured in house and design and assembly details are not shared with third parties.

*Trademarks*

The following are a selection of trademarks issued and pending and that protect our key brands:

- Odorox®
- Powered by Pyure Technology®
- Pyure Dynamic Protection®
- The Pyure shield (design only)
- Shield + Pyure Mini™
- Shield + Pyure Flex®

- Shield + Pyure Pro™
- Shield + Pyure Profile®
- Shield + Pyure ProStream™
- Shield + Pyure Insite™

*Trade Dress*

The following are the assertable trade dress protection for our products:

- Boss™ head assembly (used in several devices) - registered
- Pyure Mini™ device - pending
- Pyure Flex® device - filing upon first commercial shipment
- Pyure Profile® device - filing upon first commercial shipment
- Pyure ProStream™ device - filing upon first commercial shipment

*Copyright*

We have a copyright registration for the printed circuit board used in our Personal Air Purification Unit and a pending copyright registration for the printed circuit boards we have designed and use in our Pyure Mini™, Pyure Flex®, Pyure Pro™, Pyure Profile® and ProStream™ devices.

*Contracts*

We have language in all contracts with distributors, suppliers and end users directed to intellectual property. For example, the software provided with the units is licensed, not sold. The user is prohibited from reverse-engineering the software, whether the software is embedded in a chip or running in a controller. Reverse engineering or otherwise tampering with our products or any of their components or using our trademarks is prohibited.

**Competition**

Competing air purification technologies can be characterised as passive (filtration like effect inside a device) or active (diffusing cleaning agents out of the device to treat a space). The more established air purification technologies such as particle and high efficiency particulate air ("**HEPA**") filters, shielded germicidal UV and activated carbon are passive approaches, while more recently developed air purification technologies such as ionization and photocatalytic oxidation ("**PCO**") are positioned in the market as active air purification approaches. These technologies all have strengths and weaknesses and we believe that none offer the breadth of effectiveness and value that our air purification technology delivers.

*Passive Technologies*

The major limitation of passive technologies is that they only purify air inside the device. Air with contaminants enters the air purifier unit, and some form of filtration or treatment is used to remove the contaminants and expel cleaner air. The cleaner air goes back into a dirty space, effectively diluting the concentration of contaminants, as opposed to cleaning the entire space. Particle and HEPA filters also restrict airflow, and require important trade-offs when they are incorporated into building HVAC systems. Greater energy consumption is needed to offset air flow restrictions, or air flow rates will be reduced. Offsetting airflow restrictions will also create additional wear on equipment and shorten the lifespan or require equipment upgrades.

Filters that trap particles ranging from 0.3 to 10 microns are rated according to their minimum efficiency rating values ("**MERV**"). The higher the MERV rating, the more efficient the filter is at trapping specific types of particles. Filters rated MERV one to seven will trap 20 to 50% of airborne particles in the three to ten micron range. MERV 8-10 will also trap a portion of the particles in the one to three micron range, and MERV 11-16 will also trap an increasing percentage of particles in the 0.3 to 1 micron range. The higher the MERV rating, the greater airflow is restricted, and the more frequently the filter needs to be replaced. At higher MERV ratings, these filters are effective at removing particulate matter, allergens and other small particles, but they have limited ability to trap small microorganisms such as viruses. Particle filters do not remove VOCs, odors or other airborne chemicals.

HEPA filters are required to efficiently remove viruses and particles at or below 0.3 microns. These are the most effective filters, but they also restrict air flow more than the highest rated MERV filters, and often require more frequent replacement. HEPA filters do not kill microorganisms, they simply trap them, so some manufacturers combine germicidal UV to irradiate and kill the microorganisms that get trapped in the filters. The extent of air flow restriction makes it challenging to install HEPA filters in many existing HVAC systems because the air handling units often do not have the power to compensate for the air flow restriction, leading to reduced air flow and shorter equipment life. Like particulate filters, HEPA filters do not remove VOCs, odors or other airborne chemicals, and they have no ability to reduce virus/bacteria/mold levels on surfaces.

Germicidal ultraviolet light ("**UV-C**") is another air purification technology that can be used to kill airborne microorganisms. UV-C light in the 254 nm wavelength range has been shown to kill viruses, bacteria and mold within a few seconds of direct, continuous exposure to UV-C radiation. Given that UV light is harmful to humans, it must be shielded, either by being enclosed within an air purification unit, or being inserted into a duct. The effectiveness of UV-C is a function of the time air is in direct contact with the UV light. In smaller standalone devices, this can be achieved by slowing and channeling the flow of air, so that airborne pathogens have a longer residence time in the device and exposure to the UV-C. The trade-off is a reduced flow of air through the device. When inserted into ductwork, the issue is residence time. Air typically flows at higher velocities in an HVAC system than in a small standalone unit, so the time that airborne pathogens are exposed to UV-C light is too short to achieve effective kill rates. This limits the effectiveness of germicidal UV when incorporated into HVAC systems. For this reason, UV-C lights are often placed in the line of sight of filters and coils, to irradiate and kill microorganisms that are trapped or growing on the coils. Shielded UV-C technology has no effect on VOCs, odors or other airborne chemicals, and has no ability to reduce virus/bacteria/mold levels on surfaces.

Activated carbon technology is used to remove chemical pollutants and odors from air. As the carbon becomes progressively saturated with pollutants, the efficacy falls and the carbon filters need to be replaced. This technology is expensive to deploy and the replacement of the carbon is also costly. Activated carbon filters tend to be used in industrial settings where air pollution levels are higher and specific problems must be addressed. Activated carbon has little ability to trap airborne pathogens, nor an ability to reduce pathogen levels on surfaces.

Passive technologies all have limitations and important compromises. They are sometimes combined to reduce these limitations, but this adds to the capital cost and ongoing operating costs. Regardless of how they are combined, they remain passive approaches, and therefore limited to treating the air that flows through them. We believe Pyure technology is well positioned against the combined benefits of these passive technologies. Pyure can be deployed alongside particle filtration (which is already deployed in most HVAC systems), eliminating the need for a high MERV rated or HEPA filter and thereby reducing air flow restrictions, energy consumption and helping to preserve the life of HVAC equipment. Pyure dynamic solutions also reduce pathogen levels throughout a treated space, both in air and on surfaces, and reduce VOCs and other airborne pollutants, including odors.

*Active Technologies*

Active technologies are better positioned than passive technologies because they send cleaning agents out of the device to treat the entire space. What differentiates active technologies are the type and quantity of cleaning agents they produce, and how effectively they reduce pathogens and remove airborne pollutants outside the device.

PCO technologies use catalysts to produce hydroxyl radicals. These devices direct UV light (typically 385 nm) onto a catalyst bed (typically titanium dioxide). This initiates chemical reactions on the catalyst surface. Water vapor in air is converted to hydroxyl radicals, and oxygen is converted into reactive oxygen species. As air passes over the catalyst, VOCs and microorganisms are adsorbed onto the catalyst surface. Upon irradiation the hydroxyl radicals and oxygen species generated by the catalyst react with and decompose the adsorbed pollutants. Some of the oxidants can become airborne and leave the devices, decomposing VOCs and microorganisms in air and on surfaces, but the majority of the oxidants are consumed on or near the catalyst surface. Using this catalytic approach minimizes ozone production, but it also restricts the quantity of hydroxyls produced, because they can only be generated on the catalyst surface. Similarly, the breakdown of VOCs and the production of natural oxidants with longer lifetimes is limited to the catalyst surface, where the hydroxyl radicals exist. This finite production of natural oxidants limits the ability of PCO technology to clean air and surfaces outside the device. PCO devices have been shown to be most effective at lower air speeds, suggesting that their effect is principally on the catalyst surface. Given the limited production of hydroxyls and natural oxidants, PCO devices principally reduce airborne pathogens, VOC and odors inside the device, but more limited active effect outside the device.

There are three principal limitations with PCO devices. First is the cost of the catalyst, the larger the surface area, the more expensive the catalyst is. Second is the degradation of the catalyst over time, a process that can be accelerated by the presence of specific catalyst poisons (including water molecules and carbonized VOCs). This requires regular replacement of the catalyst, in addition to the UV lamp, which increases operating costs. The other consequence of catalyst degradation is the emission over time of fine catalyst particles into the treated space, which could pose a health risk for occupants. Third, because of its reliance on a catalyst, PCO technology is not readily scalable. It is better suited for standalone devices treating smaller spaces than large scale deployment in building HVAC systems.

Pyure technology is able to produce higher concentrations of hydroxyls than PCO, because photolysis uses the entire device chamber to produce hydroxyls, as opposed to a limited catalyst surface. Pyure had an independent lab quantify the levels of hydroxyl radicals produced and confirm they are similar to the levels found in nature, and we subsequently published the data in a peer-reviewed journal. We are not aware of any PCO manufacturer that has measured and published the quantities of hydroxyl radicals produced. Pyure does not rely on any catalysts, is highly scalable, ideal for installation in large scale HVAC systems, and produces significantly greater quantities of hydroxyl radicals and natural oxidants, ensuring dynamic air purification throughout a treated space, not just inside the device.

Ionization technologies use energy to produce positively and negatively charged ions, which are diffused throughout a treated space. These ions have two principal mechanisms of action. First, they impart electrical charges on small particles suspended in air and promote aggregation via the electric charges. As small particles aggregate into larger particles, they become heavier and fall to the ground, or become larger and more readily trapped in filters. This in turn can reduce the need for high MERV rating and HEPA filters. Second, ions promote the production of reactive oxygen species that can in turn breakdown VOCs and odors. According to the manufacturers, these oxidants, and the ions themselves, react with the cell membranes of pathogens, leading to cell wall breakdown and DNA disruption, which in turn leads to pathogen destruction and/or inactivation. This enables ionizer technologies to reduce pathogens in air and on surfaces throughout a treated space. Ionizer technologies are scalable and can be incorporated directly into HVAC systems, and they claim to produce energy savings by reducing the quantity of fresh air that needs to be drawn into a building, and by improving the efficacy of lower grade filters that are less restrictive to airflow.

The efficacy of ionization technologies is driven by the ion concentrations they produce in a treated space. The greater the ion concentrations, the greater the ability to reduce pathogens in air and on surfaces, and the more efficient the removal of VOCs and odors. Some studies showing significant pathogen reduction had ion concentrations in the hundreds of thousands of ions per $cm^3$, whereas ion concentrations in treated spaces are typically less than 10,000 ions per $cm^3$. Some ionization manufacturers claim to restrict the energy intensity of their devices to minimize ozone production, which in turn limits the concentration of ions produced.

We view ionization technologies as our principal competition. These technologies provide active air purification, with an ability to reduce VOCs and pathogens outside the device, and can be scaled to treat large buildings through integration into central HVAC systems. We believe our hydroxyl technology is superior to ionizers because of the concentration of cleaning agents we produce. We are able to generate a thousand times higher concentration of our natural cleaning agents than ionizers typically do. Our technology produces a few million hydroxyl radicals per $cm^3$, whereas ionizers typically produce a few thousand ions per $cm^3$. By generating hydroxyl radical concentrations similar to those found in nature, we believe we deliver more efficient pathogen and VOCs reduction, leading to better IAQ and outcomes.

**Regulatory**

We believe we are in compliance with the U.S. Code of Federal Regulations, Title 21 (“**U.S. Code**”), Parts 800 to 898 that apply to our class II medical device registered with the FDA. We believe we are in compliance with all the U.S. Code’s requirements, including, but not limited to: registration and listing (21 CFR Part 807); labeling (21 CFR Part 801); medical device reporting (reporting of medical device-related adverse events) (21 CFR 803) and good manufacturing practice requirements as set forth in the quality systems regulation (21 CFR Part 820). ISO 13485 certification will provide further comfort that we are in full compliance with the Act’s requirements.

Our Boynton Beach manufacturing facility is registered with the FDA and the Environmental Protection Agency and we update our registration annually.

Our induct devices are certified to the UL 1598 standard and comply with the State of California’s testing, electrical safety, and ozone requirements specified in Title 17, California Code of Regulations, subchapter 8.7 “Indoor Air Cleaning Devices” (air cleaner regulation). These devices are also in compliance with the CSA standard C22.2 No. 187:20, electrostatic air cleaners, Section 7.5.

Our Odorox® line of portable products for the remediation market are certified to the UL 507 standard. These devices are not authorized for sale in California as they are not certified to the UL 867 standard. These units are authorized for sale in the rest of the United States.

All of our devices are certified for electrical safety under the appropriate standards and are CE marked and authorized for sale in Europe.

**Manufacturing**

We manufacture all of our products at our manufacturing facility located in Boynton Beach, Florida. We source parts and subsequently assemble our products and complete quality inspections in-house. We store finished goods on site and at a nearby warehouse.

We have put in place a robust quality management system to ensure that we comply with all regulations in force. We are in the midst of an ISO audit and we believe our Boynton Beach manufacturing facility will be certified 9001:2015 and ISO 13485 (medical devices) in 2022. We also emphasize safety. We are in full compliance with OSHA requirements and we promote workplace safety through corporate objectives, performance tracking and constant engagement with our employees. In July 2022, we celebrated over 1,000 days without a lost time injury.

We have established a number of processes and procedures that aim to achieve high productivity and an engaged, committed workforce, including lean manufacturing and servant leadership. We have a low turnover rate for our production team and we were named the 2021 Manufacturer of the Year (midsize companies) by the South Florida Manufacturers Association.

**Facilities**

Our offices are currently located in Boynton Beach, Florida and our head office will be located in Toronto, Canada after Closing.

Our facility in Boynton Beach consists of 30,278 square feet of office, production and warehouse space, including a dedicated production area for our class II medical device. We lease this space under an agreement that expires on June 30, 2024. We also conduct product development and testing in this location to support new product launches. Our quality, sourcing, supply chain, finance and human resources functions are also located at these offices, along with product assembly. Our sales and marketing staff work remotely and are dispersed around the U.S. and Canada.

We also lease 8,878 square feet of additional warehousing space in nearby Delray, Florida, where we store finished goods inventory. This is a short-term lease that will expire on May 14, 2023, at which time we expect to repatriate remaining inventory to our Boynton Beach facility.

In our head office in Toronto, we occupy 916 square feet of office space through a cost sharing arrangement with VCM Global Asset Management that will end on April 30, 2026. Our Chief Executive Officer and Chief Financial Officer will work from this location.

We believe that our current facilities are suitable and adequate to meet our short term needs. To the extent our needs change as our business grows, we believe additional space and facilities will be available.

**Employees**

As of October 14, 2022, we had 42 full time employees, five full time consultants and five part-time consultants. Of these employees and consultants, 13 were in production, five were in sourcing and supply chain management, three were in quality, 11 were in engineering and R&D, eight were in sales, marketing and product management, and 12 were in finance, human resources and general administration. All but eight are located in the U.S., with seven in Canada and one in India.

We have a diverse workplace and we also employ temporary labour in our production facility in Boynton Beach when needed, to meet short term spikes in the demand for product assembly. None of our employees are represented by a labour union and we have never experienced any employment related work stoppages. We consider our labour relations to be good

Details in respect of our directors and executive officers following Closing are set out in “Directors and Executive Officers”. In addition to those individuals, our senior management team will consist of the following individuals:

| Name | Title |
|---|---|
| Andreas Schnuerer | Vice President of Operations |
| Mark Mino | Vice President of Technology and Research & Development |
| Reda Jennane | Vice President of Finance |
| Dr. Connie Araps | Chief Scientist |
| Patrick Stevens | Senior Vice President of Sales |

**Biographies**

The following are brief biographies of the senior management team of New Pyure, including a description of each individual’s principal occupation.

*Andreas Schnuerer*

Andreas Schnuerer is the Senior Vice President of Operations of Pyure. Mr. Schnuerer joined Pyure in 2020. Prior to that time, Mr. Schnuerer was the VP Operations of Start-ups and turnarounds in the rail, capital equipment, oil & gas and renewable energy segments in the U.S., Mexico, and Canada. In the 1990’s through 2010 Mr. Schnuerer was the Corporate Director of Procurement and Lean Operations for Schaeffler Aerospace, the largest manufacturer of flight critical Super Precision Aerospace bearings. Early in his career, Mr. Schnuerer earned his six Sigma Black Belt through GE Aircraft Engines and honed his Lean Trainer skills at United Technologies, Pratt and Whitney. During his tenure with Schaeffler, Mr. Schnuerer led greenfield start-ups in Canada, India, and China. Mr. Schnuerer was born in Canada, immigrated to the U.S. in 2001 and holds dual citizenships. Andy has a BSc. in Mechanical Engineering from Lakehead University (1988) is a Licensed Professional Engineer and currently sits on the board of the South Florida Manufacturing Association.

*Mark Mino*

Mark Mino serves as Senior Vice President of Technology and R&D of Pyure. Mr. Mino joined HGI, Pyure’s predecessor company, in 2009 as General Manager and held many positions within HGI. He was appointed as a Director in 2012 and was named Chief Technical Officer in 2017. Prior to that time, Mr. Mino was the Operations

Site Manager for Zygo Display Solutions from 2001 to 2009 and prior thereto held positions as an Advisory Lead Electrical and Software Project Engineer and was part of IBM's Corporate Process Control Task Force. Mr. Mino is a senior member of the Institute of Electrical and Electronic Engineers (IEEE) as well as serves on the American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) 185 standards committee. Mr. Mino holds a Master of Science in Electrical and Computer Engineering from Syracuse University, Bachelor of Science in Electrical and Computer Engineering from Clarkson University and is a Licensed Professional Engineer in Florida.

*Reda Jennane*

Reda Jennane serves as Vice President Finance at Pyure since July 2021. Mr. Jennane has over 15 years of financial management experience in manufacturing companies. His prior roles have included Business Unit Cost Accountant at AkzoNobel, Plant Controller at Valeo, FP&A Manager at Sogefi Group and Regional Controller at Interplex Industries. He has worked in the U.S., Spain and France and holds CPA & CMA certifications. Mr. Jennane has extensive experience working with IFRS and U.S. GAAP accounting standards.

*Dr. Connie Araps*

Dr. Connie Araps serves as Chief Scientist and Chairman of the Scientific Advisory Board of Pyure and its predecessor HGI Industries for 12 years. Dr. Araps addresses technical questions from Pyure staff and clients, publishes technical white papers and participates in webinars, conferences and professional meetings on behalf of Pyure.

Dr. Araps has directed and documented extensive microbiology, toxicity and analytical chemical studies in collaboration with industry leading contract research firms to elucidate how Pyure systems safely kill bacteria, viruses and mold on surfaces and in air. She successfully managed the FDA 510(k) registration for the portable MDU/Rx™ product for use in occupied spaces in medical facilities. In collaboration with Dr. David Crosley, a leading physical chemist who has published widely in the area of atmospheric hydroxyl radical chemistry, Dr. Araps co-authored a definitive analytical chemical study based on research done for Pyure at the Lovelace Respiratory Research Institute that validated the Pyure technology chemical mode of action and was published in 2017 in the peer reviewed Journal of the Air & Waste Management Association. Dr, Araps has an extensive background in science and technology management as a business executive, including five years as President and Chief Executive Officer of a $16 M engineering software technology company. She has a B.S.in Chemistry from Rutgers University and a Ph.D. in organic chemistry from Princeton University. As a research scientist and technology executive in the pharmaceutical industry and at IBM for over 20 years, Dr. Araps authored 16 U.S. patents and numerous publications in the areas of biochemistry, material science and photochemistry.

*Patrick Stevens*

Patrick Stevens serves as Senior Vice President of Sales of Pyure. Prior to joining Pyure, Patrick led sales and marketing teams to achieve revenue targets of up to $150 million for organizations ranging from privately held to Fortune 500 companies. During his tenure as Vice President of Sales and Marketing for Hapco Pole Products he leveraged his leadership abilities and extensive sales and marketing background to achieve tremendous growth over an 18-month period. Prior to Hapco, Patrick held senior leadership positions within the HVAC industry that included sales, product management, marketing and finance for manufacturers that included Bristol Compressors, Trane, and Daikin industries. Patrick's primary focus was on "air movement" for air handler and fan coils within the residential and commercial HVAC markets.

## THE BUSINESS COMBINATION

### Overview

On September 22, 2022, the Corporation announced it had entered into a definitive agreement, as amended (the "**Business Combination Agreement**"), with Pyure, HGI, and Merger Sub, pursuant to which the Corporation intends to acquire, through a series of transactions, all of the issued and outstanding shares of Pyure. See "*Transaction Steps of the Business Combination*". Following the Business Combination, the Corporation will continue to operate the business of Pyure, and will rename itself Pyure Enterprises Inc. The Business Combination constitutes the Corporation's "qualifying acquisition" under Part X of the TSX Company Manual. The Business Combination values Pyure at a pre-money valuation of approximately $250 million.

The Corporation expects that expenses relating to the completion of the Business Combination as well as funds required for the ongoing operations of New Pyure will be funded from a combination of cash available to the Corporation from its IPO plus accrued interest less taxes on interest earned, following the redemption of any Class A Restricted Voting Shares that are validly deposited for redemption, if any, and Pyure's cash on hand (including cash proceeds from the Pyure Financing).

The Corporation's currently issued and outstanding Class A Restricted Voting Shares and Warrants are listed for trading on the TSX under the symbols "VMH.U" and "VMH.WT.U", respectively. The closing price of the Class A Restricted Voting Shares and Warrants on the TSX on September 21, 2022, the last trading day before the Business Combination was announced, was $9.75 and $0.12, respectively.

On October 14, 2022, the Corporation called the Special Meeting to vote on a resolution to approve the Extension. In connection with the Extension, the Corporation is providing holders of Class A Restricted Voting Shares, irrespective of whether such holders voted for or against, or did not vote on, the Extension, the opportunity to redeem all or a portion of their Class A Restricted Voting Shares in accordance with their terms, provided that they deposit their shares for redemption prior to the second Business Day before the date of the Special Meeting. It is estimated that all Class A Restricted Voting Shares validly deposited for redemption in connection with the Extension shall be redeemed for $10.03 per Class A Restricted Voting Share.

As the Business Combination constitutes the Corporation's qualifying acquisition, holders of Class A Restricted Voting Shares can (conditional on Closing) elect to redeem all or a portion of their Class A Restricted Voting Shares provided that they deposit their Class A Restricted Voting Shares for redemption prior to the Redemption Election Deadline, which shall be at least 21 days following the date the Corporation's final prospectus is made publicly available and the notice of redemption is mailed to Class A Restricted Shareholders. A Redeeming Shareholder is entitled (conditional on Closing) to receive the Class A Qualifying Acquisition Redemption Price per Class A Restricted Voting Share provided that they deposit their Class A Restricted Voting Shares for redemption prior to the Redemption Election Deadline. This Redemption Amount is anticipated to be $[●] per Class A Restricted Voting Share, assuming a [●], 2023 redemption date.

Subject to obtaining certain approvals and the satisfaction of certain conditions, it is anticipated that the Business Combination will be completed in the first quarter of 2023. The Outside Date for the Business Combination is March 31, 2023 or such other date as Pyure and the Corporation may mutually agree in writing.

In connection with the Business Combination, the Class A Restricted Voting Shares not required to be redeemed will automatically convert into Common Shares on a one-for-one basis, and the Class B Shares will automatically convert into Proportionate Voting Shares on a 100-for-one basis. Proportionate Voting Shares, including fractions thereof, may at any time, subject to the FPI Condition, at the option of the holder, be converted into Common Shares at a ratio of 100 Common Shares per Proportionate Voting Share with fractional Proportionate Voting Shares convertible into Common Shares at the same ratio. Prior to the conversion, each Proportionate Voting Share carries 100 votes per Proportionate Voting Share (compared to one vote per Common Share) and is entitled to dividends and liquidation distributions in an amount equal to 100 times the amount distributed in respect of each Common Share. The Common Shares may at any time, at the option of the holder and with the consent of New Pyure, be converted into Proportionate Voting Shares at a ratio of one Proportionate Voting Share for 100 Common Shares. Other than as set out above, generally the Common Shares and the Proportionate Voting Shares have the same rights, are equal in all respects and are treated by New Pyure as if they were shares of one class only. Unless otherwise stated, this prospectus assumes conversion of all Proportionate Voting Shares into Common Shares. See "*Description of SHARE CAPITAL*".

The closing of the Business Combination is conditional upon, among other things, the conditional approval of the TSX to list the Common Shares on the TSX. The TSX has not yet approved the Business Combination or conditionally approved the listing of the Common Shares, and there can be no assurance that it will. The Corporation has reserved the symbol "PYUR" and "PYUR.WT" for the Common Shares and Warrants, respectively.

Pursuant to the Business Combination Agreement, Pyure agreed to use commercially reasonable efforts to complete a debt or equity financing of at least $15 million prior to Closing (the "**Pyure Financing**"). The funds from the Pyure Financing are expected to be used to fund New Pyure's working capital and general corporate purposes, including funding expanded sales and marketing activities, further development of the product portfolio and cloud-based platform, and increased general and administrative expenses to support expected future growth in sales. The completion of the Pyure Financing is a condition precedent under the Business Combination, which, if waived by the Corporation, will result in less funds being available to New Pyure following Closing.

**Transaction Steps of the Business Combination**

At the Effective Time, the following principal steps, among other things, shall occur:

(a) The First Merger shall be completed in accordance with its terms;

(b) All outstanding Pyure Preferred Shares shall convert into Pyure Common Shares in accordance with their terms;

(c) Eligible Canadian Pyure Shareholders who validly tender their Pyure Shares to the Corporation shall, immediately prior to the Effective Time and in connection with the Second Merger, transfer each of their Pyure Common Shares to the Corporation in exchange for that number of Consideration Shares multiplied by the Exchange Ratio;

(d) The Second Merger shall be completed in accordance with its terms and, as part of the Second Merger, (i) each Pyure Common Share will be exchanged for that number of Consideration Shares equal to the Exchange Ratio and the Holdback Shares shall be deposited with the escrow agent, following which such Pyure Common Shares shall no longer be outstanding and shall be cancelled by virtue of the Merger, and (ii) each share in the capital stock of Merger Sub shall be exchanged for such number of class A common shares of Pyure having a value at that time equal to a Merger Sub share, with the total number of class A common shares of Pyure rounded down to the nearest whole number of class A common shares of Pyure;

(e) In consideration for the issuance by the Corporation of the Consideration Shares pursuant to the Second Merger and the payment of cash to Non-Accredited Shareholders resident in the United States, Pyure shall, at the Effective Time, issue to the Corporation such number of Pyure Common Shares having an aggregate fair market value at that time equal to the sum of (i) the aggregate fair market value at that time of the Pyure Common Shares exchanged for Common Shares on the Second Merger, and (ii) the aggregate fair market value at that time of the cash, if any, payable to Non-Accredited Shareholders resident in the United States;

(f) In respect of the issuance by the Corporation of Common Shares pursuant to the Second Merger, an amount shall be added to the capital of the Corporation’s Common Shares equal to the lesser of (i) the aggregate fair market value of the Common Shares issued pursuant to the Second Merger at the Effective Time, and (ii) the aggregate fair market value at the time the Pyure Common Shares are exchanged for Common Shares on the Second Merger; and

(g) The Third Merger shall be completed in accordance with its terms.

**Share Ownership**

It is anticipated that upon Closing and assuming redemption levels of the Class A Restricted Voting Shares of 25% and 75%:

- the holders of Class A Restricted Voting Shares, which consist of the Corporation’s current public shareholders, will retain an ownership interest of approximately 21.6% or 8.4%, respectively;
- the Founders, which include the Sponsors and current directors John Andrew, Tracy Sherren and Charles Suddaby, will retain an ownership interest of approximately 8.5% or 9.9%, respectively;
- the Pyure Shareholders will own an ownership interest of approximately 69.9% or 81.7%, respectively;
- there will be 5,175,000 Warrants to acquire Common Shares outstanding; and

- there will be **[●]** Replacement Options to acquire Common Shares outstanding.

The above percentages are calculated based on a number of assumptions, including the assumed levels of redemption of the Class A Restricted Voting Shares of 25% and 75%. If the actual facts are different than these assumptions, the percentage ownerships will be different.

**Redemption Rights**

Pursuant to the Articles, holders of Class A Restricted Voting Shares have the right to redeem all or a portion of their Class A Restricted Voting Shares, provided that they deposit their Class A Restricted Voting Shares for redemption prior to the Redemption Election Deadline. Holders of Class A Restricted Voting Shares whose Class A Restricted Voting Shares are held through an intermediary may have earlier deadlines for depositing their Class A Restricted Voting Shares for redemption. If the deadline for depositing such Class A Restricted Voting Shares held through an intermediary is not met by a holder of Class A Restricted Voting Shares, such holder's Class A Restricted Voting Shares may not be eligible for redemption. Subject to applicable law, effective immediately prior to Closing, all Class A Restricted Voting Shares validly deposited for redemption shall be redeemed for the Class A Qualifying Acquisition Redemption Price per Class A Restricted Voting Share redeemed, payable in cash. Upon payment in cash of the Class A Qualifying Acquisition Redemption Price (which shall occur no later than 30 days following Closing), the holders of the Class A Restricted Voting Shares so redeemed will have no further rights in respect of the Class A Restricted Voting Shares. For illustrative purposes, as of the date hereof, the estimated Class A Qualifying Acquisition Redemption Price is approximately $[●] per Class A Restricted Voting Share. Holders of Class B Shares do not have redemption rights with respect to their Class B Shares.

The remaining unredeemed Class A Restricted Voting Shares would then be automatically converted on or following the closing of the Business Combination into one Common Share each (as adjusted for stock splits or combinations, stock dividends, Extraordinary Dividends, reorganizations and recapitalizations and the like), and the residual Escrow Account balance would be available to New Pyure.

Notwithstanding the foregoing redemption rights, each holder of Class A Restricted Voting Shares, together with any affiliate of such holder or any other person with whom such holder or affiliate is acting jointly or in concert, will not be permitted to redeem more than an aggregate of 15% of the number of Class A Restricted Voting Shares issued and outstanding (the "**Redemption Limitation**"). By its election to redeem, each registered holder (other than CDS) and each beneficial holder of Class A Restricted Voting Shares shall be required to represent or shall be deemed to have represented to the Corporation that, together with any affiliate of such holder and any other person with whom such holder or affiliate is acting jointly or in concert, he, she or it is not redeeming Class A Restricted Voting Shares in excess of the Redemption Limitation.

The Corporation shall mail a notice of redemption to the holders of record of the Class A Restricted Voting Shares and make the final prospectus publicly available at least 21 days prior to the Redemption Election Deadline, and send by prepaid mail or otherwise deliver the prospectus to the holders of the Class A Restricted Voting Shares no later than midnight (Toronto time) on the second Business Day prior to the Redemption Election Deadline, which delivery may be effected electronically in compliance with NP 11-201.

<u>Process for Redemption by Non-Registered Holders of Restricted Voting Shares</u>

A non-registered holder of Class A Restricted Voting Shares who desires to exercise its redemption rights in connection with the Business Combination must do so by causing a participant (a "**CDS Participant**") in the depository, trading, clearing and settlement systems administered by CDS to deliver to CDS (at its office in the City of Toronto) on behalf of the owner, a written notice (the "**Redemption Notice**") of the owner's intention to redeem Class A Restricted Voting Shares in connection with the Business Combination. A non-registered holder of Class A Restricted Voting Shares who desires to redeem Class A Restricted Voting Shares should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption privilege sufficiently in advance of the notice date described above so as to permit the CDS Participant to deliver notice to CDS and so as to permit CDS to deliver notice to the Transfer Agent in advance of the required time. The form of Redemption Notice will be available from a CDS Participant or the Transfer Agent.

By causing a CDS Participant to deliver to CDS a notice of the owner's intention to redeem Class A Restricted Voting Share, an owner shall be deemed to have irrevocably surrendered his, her, or its Class A Restricted Voting Share for redemption and appointed such CDS Participant to act as his, her, or its exclusive settlement agent with respect to the exercise of the redemption right and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any Redemption Notice delivered by a CDS Participant regarding an owner's intent to redeem which CDS determines to be incomplete, not in proper form, or not duly executed shall for all purposes be void and of no effect and the redemption right to which it relates shall be considered for all purposes not to have been exercised. A failure by a CDS Participant to exercise redemption rights or to give effect to the settlement thereof in accordance with the owner's instructions will not give rise to any obligations or liability on the part of the Corporation to the CDS Participant or to the owner.

If the deadline for depositing Class A Restricted Voting Shares held through an intermediary is not met by a holder of Class A Restricted Voting Shares, such holder's Class A Restricted Voting Shares may not be eligible for redemption. Such deadline may be earlier than the applicable redemption deadline.

**The Business Combination Agreement**

The following is a summary of the material attributes and characteristics of the Business Combination Agreement. This summary is qualified in its entirety by reference to the provisions of that agreement, which contains a complete statement of those attributes and characteristics. A copy of the Business Combination Agreement has been filed on the Corporation's profile on SEDAR at www.sedar.com. Shareholders are advised to review the Business Combination Agreement for a complete description of the material attributes and characteristics of the Business Combination Agreement.

On September 22, 2022, the Corporation announced that it had entered into the Business Combination Agreement with Pyure, HGI, and Merger Sub, pursuant to which the Corporation intends to acquire through a series of transactions, all of the issued and outstanding shares of Pyure. Following the Business Combination, the Corporation will continue to operate the business of Pyure and will rename itself Pyure Enterprises Inc. For further details on the steps of the Business Combination, see "*Transaction Steps of the Business Combination*".

The Business Combination Agreement includes customary pre-closing covenants on the part of Pyure, the Corporation and Merger Sub, including, in the case of Pyure, to conduct business in the ordinary course consistent with past practice, as well as customary pre-closing covenants of the Parties, including, among others, those relating to: (a) examination and investigations, (b) disclosure of personal information, (c) confidentiality, (d) public announcements and third party communications (e) non-solicitation, (f) notification of certain matters, (g) litigation support, (h) insurance matters, and (i) waiver by Pyure of access to the Corporation's Escrow Account. The Business Combination Agreement also includes certain transaction-specific covenants of the Parties, including those requiring: (a) Pyure to obtain all required consents, (b) Pyure and the Corporation to take certain steps in connection with the Business Combination, including with respect to this prospectus and the (final) long form prospectus; (c) Pyure and HGI to obtain shareholder approval for the Business Combination and enforce their respective rights under the Support Agreements to cause their respective shareholders to vote in favour of the Business Combination; (d) Pyure to use commercially reasonable efforts to complete the Pyure Financing, (e) Pyure to use commercially reasonable efforts to incentivize the holders of the Pyure Warrants and any warrants issued in connection with the Pyure Financing to exercise such warrants for Pyure Common Shares prior to the effective time of the First Merger; (f) Pyure and the Corporation to obtain Lock-Up Agreements from the Pyure Locked-Up Shareholders; (g) governance matters, including the appointment of certain individuals to the Board and confirmation that Ian McAuley and Tom Wenner will serve as the Chief Executive Officer and Chief Financial Officer of the Corporation, respectively; and (h) tax matters, including filing all applicable tax returns.

Each Pyure Option outstanding immediately prior to the Effective Time shall, at the Effective Time, be exchanged for that number of Replacement Options equal to the Exchange Ratio entitling the holder thereof to acquire (on substantially the same terms and conditions as were applicable to such Pyure Option immediately before the Effective Time) that number of Common Shares based on the Exchange Ratio, with the total number of Replacement Options to be issued to each holder of such Pyure Options rounded down to the nearest whole number of Replacement Options. The exercise price per Common Share of any Replacement Option shall be equal to the exercise price per Pyure Share of the exchanged Pyure Option immediately before the Closing as adjusted based on the Exchange Ratio rounded up to the nearest $0.01.

The Closing is conditional on mutual conditions of Closing, conditions of Closing in favour of Pyure and conditions of Closing in favour of the Corporation and Merger Sub. The Closing is conditional on, among other things, the Common Shares having been conditionally approved to be listed and posted for trading on the TSX and the Financing having been completed. The Closing is also conditional on, among other things, the following conditions of Closing in favour of the Corporation and Merger Sub: (a) there having been no Material Adverse Change (as defined in the Business Combination Agreement), and there having been no events, facts or circumstances which would result or could reasonably be expected to result, individually or in the aggregate, in a Material Adverse Change (as defined in the Business Combination Agreement) in respect to Pyure or its business; (b) the aggregate number of Pyure Shares beneficially owned by persons who are Non-Accredited Shareholders resident in the United States as at immediately prior to the Effective Time, not exceeding 264,000; and (c) with respect to the Second Merger, the aggregate number of dissenting shares shall not exceed 2.5% of the aggregate number of Pyure Common Shares outstanding immediately prior to the Effective Time and with respect to the First Merger, the aggregate number of HGI dissenting shares and Pyure dissenting shares shall not exceed, in the aggregate, 2.5% of the aggregate number of HGI shares and Pyure Common Shares not owned by HGI outstanding immediately prior to the effective time of the First Merger.

The Business Combination Agreement contains representations and warranties. Pyure and HGI provide representations and warranties with respect to, among other things, its existence, authorization to execute and deliver the Business Combination Agreement and various representations and warranties with respect to Pyure's business, as well as representations and warranties relating to misrepresentations in this prospectus. Representations and warranties are also made by the Corporation and Merger Sub with respect to, among other things, their existence, authorization to execute and deliver the Business Combination Agreement and certain representations and warranties with respect to the Corporation's business. The representations and warranties made by Pyure and HGI will generally not survive closing of the Business Combination, other than certain fundamental representations, which will survive for a period of six months following Closing and representations related to the information in this prospectus, which will survive for a period of three years following Closing. Each of the Management Shareholders have agreed to indemnify the Corporation, and the Corporation has agreed to indemnify the Pyure Shareholders, for any breaches of representations and warranties or covenants under the Business Combination Agreement. A number of Common Shares equal to 5% of the Common Shares to be issued to the Management Shareholders on Closing (the "**Holdback Shares**") will be held by an escrow agent, as agent for and on behalf of the Management Shareholders, as security for the indemnification obligations of the Management Shareholders and Pyure, and released to the Management Shareholders on the first anniversary of the Closing. If there is an indemnity claim against Pyure and HGI pursuant to the Business Combination Agreement, any such shares that have not been released shall be available to satisfy such indemnity claim and the obligation of each Management Shareholder to indemnify the Corporation shall be limited to the forfeiture of such Management Shareholder's Holdback Shares.

The Business Combination Agreement provides for customary termination rights, including upon mutual consent of the parties, by the Corporation if there has been a Material Adverse Change (as such term is defined in the Business Combination Agreement) with respect to Pyure or its business, and by either party, if (a) the Closing has not been effected by the Outside Date; (b) due to a breach by the other party which breach would cause the failure of any condition precedent to be satisfied (subject to cure periods); (c) if Closing is prohibited by law; and (d) if the Pyure Financing is not completed prior to the Outside Date, provided however, Pyure may not terminate the agreement if it has not complied with its obligations under the Business Combination Agreement with respect to the Pyure Financing.

**Related Party Interests**

Tom Vukota, who currently serves as Executive Chair and Corporate Secretary of the Corporation, holds 145,000 Pyure Options, and 1001 Investment Holdings Ltd., an "affiliated entity" (as defined in MI 61-101) of Tom Vukota, owns 3,200,000 Series 2 preferred shares in the capital of Pyure, which represents approximately 6.36% of the issued and outstanding shares of Pyure (on a non-diluted basis) as of the date hereof. As a result of these holdings, the Business Combination constitutes a "related party transaction" (the "**Related Party Transaction**") under MI 61-101 and, subject to an exemption being available, would be subject to the minority approval and formal valuation requirements set out in MI 61-101 (the "**MI 61-101 Requirements**"). The Related Party Transaction would be exempt from the MI 61-101 Requirements if neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the Related Party Transaction exceeds 25% of the Corporation's "market capitalization" (the

"**Transaction Size Exemptions**"). Under MI 61-101, an issuer's "market capitalization" is calculated based on the outstanding "equity securities" of the issuer. As the Class A Restricted Voting Shares do not have a residual right to share in the assets of the Corporation on a liquidation or winding-up, the Class A Restricted Voting Shares do not constitute "equity securities" for purposes of determining the "market capitalization" of the Corporation and therefore, subject to exemptive relief being obtained, the Corporation's market capitalization as determined under MI 61-101 would be calculated only on the basis of the outstanding Class B Shares and the Business Combination would not qualify for the Transaction Size Exemptions.

On September 16, 2022, the Corporation applied to the Ontario Securities Commission, as principal regulator, pursuant to NP 11-203 – *Process for Exemptive Relief Applications in Multiple Jurisdictions*, for exemptive relief from the MI 61-101 Requirements on the basis that its "market capitalization" shall be calculated based on the outstanding Class A Restricted Voting Shares. As such, if the exemptive relief is granted, the Corporation will qualify for the Transaction Size Exemptions, as both the fair market value of the Related Party Transaction and the consideration to be paid for the Related Party Transaction is approximately 12% of the "market capitalization" of the Class A Restricted Voting Shares.

**Board Process**

At the outset of negotiations between the Corporation and Pyure in July 2022, Mr. Vukota through management made the Corporation's board of directors aware of his and his "affiliated entity's" interest in Pyure and agreed to refrain from attending or otherwise participating in any board meetings at which the Business Combination was evaluated and reviewed, and agreed to abstain from voting on the Business Combination.

Between July 2022 and August 4, 2022, the Corporation's management engaged with its advisors in respect of both the Business Combination and the Related Party Transaction, with specific consideration as to the application of MI 61-101 and the proper process which the Corporation should undertake to review and negotiate the Business Combination in light of the Related Party Transaction.

On August 4, 2022 the Corporation's board held a formal meeting for the purpose of, among other things, reviewing and considering the Business Combination. At the meeting, the directors were provided with an overview of the Business Combination and engaged in discussion regarding aspects of the Business Combination involving the Related Party Transaction. Such discussions included, among other things, the importance of the independent directors taking an active role in the Business Combination approval process and agreeing that Mr. Vukota not be present for discussions regarding the Business Combination nor participate in voting thereon.

Between August 4, 2022 and September 16, 2022, the members of the Corporation's board, excluding Mr. Vukota, participated in various informal discussions where the Business Combination was evaluated. Such board members also participated in informal one-on-one discussions with management of the Corporation and were provided additional information on Pyure market comparables by the Corporation's financial advisor.

At a meeting of the Corporation's board held on September 16, 2022 convened for the purpose of evaluating the Business Combination, the independent directors were provided with a detailed review of the due diligence process conducted on Pyure, which included details of material findings. In addition, among other things, the directors evaluated and engaged in discussion regarding the material terms of the Business Combination Agreement, considered and discussed the methodology and material factors used to determine transaction value and engaged in discussion regarding various elements of the Business Combination.

Goodmans LLP, legal advisors to the Corporation, participated in each meeting of the Corporation's board, while Hodgson Russ LLP, US legal advisers to the Corporation, and the Corporation's financial advisers participated in a portion of the meeting on September 16, 2022. Each meeting included an *in camera* session.

Following the above noted discussions and considerations, and based on the factors referred to above, among others, the directors resolved (with the abstention of Mr. Tom Vukota): (i) that the Business Combination is in the best interests of the Corporation; and (ii) to authorize the execution, delivery, registration and filing of such certificates, instruments, agreements, notices, affidavits, supporting materials and other documents as are necessary to complete the Business Combination. No materially contrary views were expressed by any director.

The foregoing discussion of the information and factors reviewed by the Corporation's board is not, and is not intended to be, exhaustive. In view of the wide variety of factors considered by the Corporation's board, the Corporation's board did not find it practicable to, and therefore did not, quantify or otherwise assign relative weight to specific factors in making its determination. The conclusions of the Corporation's board were made after consideration of all of the above-noted factors in light of the collective knowledge of the members thereof of the operations, financial condition and prospects of the Corporation and was also based upon the advice of its advisors.

## USE OF ESCROWED FUNDS AND PYURE FUNDS

As noted above, it is a condition to closing of the Business Combination that Pyure closes the Pyure Financing, the funds from which will be available to New Pyure following the closing of such financing. Upon Closing, assuming redemption levels of the Class A Restricted Voting Shares of 25% and 75%, New Pyure is expected to have approximately $92,199,225 or $42,054,933 of cash on hand, respectively. This cash, along with the cash flow New Pyure will generate from its operations, will be to operate its business for a period of at least 12 months following Closing.

In general, New Pyure is expected to utilize its cash on hand for general corporate purposes, including funding expanded sales and marketing activities, further development of the product portfolio and cloud-based platform, and increased general and administrative expenses to support a future growth in sales. Pyure funds will also be used to pay an estimated $6 million in transaction related expenses and other payables owed by the Corporation pursuant to its qualifying acquisition.

In the event that redemptions of Class A Restricted Voting Shares are lower than as set out in this prospectus, we will consider allocating incremental capital as follows, in descending order of priority:

- Paying down part or all of the approximately $5.75 million of senior secured debt outstanding and due in November 2023;
- Financing a direct expansion into Europe, which would require an investment of approximately $5 million over 24 months; and
- In the event the Pyure Financing is debt financing, the repayment of some or all of such indebtedness after any applicable interest penalty period has expired.

While it is currently anticipated that New Pyure will use the funds as outlined above, the actual use of such funds may vary depending upon numerous factors, including New Pyure's operating costs and capital expenditure requirements, its strategy relative to the market and other conditions in effect at the time, as well as the other factors described under "Risk Factors" in this prospectus. Accordingly, New Pyure will retain the discretion to allocate such funds, and reserves the right to change the allocation of such funds from time to time. New Pyure will operate in a dynamic and rapidly evolving market, and it is expected that financial flexibility to react to market demand and conditions will be a competitive advantage for New Pyure.

### Accounting Treatment

The Business Combination will be accounted for as a reverse acquisition. Under this method of accounting, the acquisition of the Corporation is outside the scope of IFRS 3, "Business Combinations", and it is accounted for as an equity-settled, share-based payment transaction in accordance with IFRS 2, "Share-based Payments" ("IFRS 2"). HGI merges with Pyure surviving as a continuation of HGI, with the net identifiable assets of the Corporation deemed to have been acquired by HGI in exchange for shares of HGI. Under IFRS 2, the Business Combination is measured at the fair value of the consideration of shares deemed to have been issued by HGI for $51,384,375 in order to acquire 100% of the Corporation. The difference in the fair value of the consideration deemed to have been issued by HGI and the fair value of the Corporation's identifiable net assets of $29,986,416 represents a listing expense service received by HGI, which will result in an increase in net loss.

Other expenses including 1) transaction expenses are expected to be incurred of $7,170,588 2) compensation expense related to certain Class B shares of $22,450,000 when the performance condition is deemed probable of occurrence, which is expected to occur immediately prior to the close of the Business Combination and 3) the reversal of amortization of issuance costs of $1,322,800 for the six months ended June 30, 2022 and $2,230,200 for the year ended December 31, 2021, will result in an increase in net loss.

In connection with the Business Combination, Pyure is expected to raise the Pyure Financing (being $15,000,000 of equity or debt). The impact to net income is not known at this time.

The net impact of the reverse acquisition and other expenses noted above would increase Net income (loss) and comprehensive income (loss) by $1,322,800, on a pre-tax basis, for the six months ended June 30, 2022 based on the redemption of 75%. The net impact of the reverse acquisition and other expenses noted above would reduce Net income (loss) and comprehensive income (loss) by $57,376,804, on a pre-tax basis, for the year ended December 31, 2021 based on the redemption of 75%. The impact to the basic and diluted earnings (loss) per share for the six months ended June 30, 2022 and the year ended December 31, 2021 would be $0.04 and $(1.93) respectively, on a pre-tax basis, based on the redemption of 75%.

**New Pyure Pro Forma Consolidated Capitalization**

The following table sets forth the consolidated capitalization of New Pyure as at June 30, 2022 adjusted to give effect to the Business Combination and assuming redemption levels of the Class A Restricted Voting Shares of 25% and 75%:

| New Pyure Pro Forma Consolidated Capitalization | 25% | 75% |
|---|---|---|
| | | |
| Cash(1),(2) | $92,199,225 | $42,054,933 |
| | | |
| Term loans | $5,709,564 | $5,709,564 |
| Note payable | $1,079,969 | $1,079,969 |
| Pyure Financing | $15,000,000 | $15,000,000 |
| | | |
| Cash, net of debt and Pyure Financing | $70,409,692 | $20,265,400 |
| Share Capital(3),(4) | $117,950,109 | $70,700,109 |

(1) Cash of $92,199,225 consists cash as at June 30, 2022 of the Corporation ($271,551) and HGI ($1,907,652) plus net proceeds from the Pyure Financing (approximately $14,850,000) plus Escrow funds released of ($75,216,438), less $46,416 related to the exercise of stock options in HGI industries prior to the Closing.

(2) Cash of $42,054,933 consists cash as at June 30, 2022 of the Corporation ($271,551) and HGI ($1,907,652) plus net proceeds from the Pyure Financing (approximately $14,850,000) plus Escrow funds released of ($25,072,146), less $$46,416 related to the exercise of stock options in HGI industries prior to the Closing.

(3) The total share capital of HGI consists of HGI common shares outstanding prior to the Closing and the conversion of various financial instruments into HGI common shares in connection with the Business Combination. In total, 66,101,027 HGI Common Shares will be exchanged at an assumed ratio of 0.367 for 24,287,985 common shares of Pyure Enterprises Inc. Based on a redemption of 75%, the resulting 29,725,485 common shares outstanding of New Pyure would be valued at $70,700,109.

(4) Based on a redemption of 25%, the resulting 34,725,485 common shares outstanding of New Pyure would be valued at $117,950,109.

The following table details hypothetical redemption scenarios of 25% and 75% and the corresponding impact on the levels of cash available to fund New Pyure's operations:

| **Expected Use of Funds[(1)]** | | |
|---|---|---|
| **Percentage of Redemptions** | **25%** | **75%** |
| IPO Cash in Escrow | **$**75,216,000 | **$**25,072,000 |
| Pyure Financing | $15,000,000 | $15,000,000 |
| | | |
| | $90,216,000 | $40,072,000 |
| | | |
| Transaction Costs | $10,000,000 | $10,000,000 |
| Reduce senior secured debt | $5,750,000 | $5,750,000 |
| Financing a direct expansion into Europe | $5,000,000 | $5,000,000 |
| **Unallocated Growth Capital** | $69,466,000 | **$**19,322,000 |

(1) In the event that the cash available to New Pyure following Closing is not sufficient to cover New Pyure's operating requirements, New Pyure will use cash flow generated from operations to fund its operations.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION OF HGI

The following sets forth a summary of HGI's selected historical consolidated financial data, as of the dates and for the periods indicated below. HGI is currently a non-operating legal entity, whose only asset is its ownership interest in Pyure. Given that the business of Pyure was operated by HGI prior to October 16, 2020, unless the context otherwise permits, indicates or requires: all references to financial results of HGI and/or Pyure in this prospectus are to the consolidated results of HGI and as such, are reflective of the results of Pyure.

The information herein should be read in conjunction with the HGI Financial Statements included in Appendix C of this prospectus. The historical financial information for the years ended December 31, 2021, 2020 and 2019 and for the three and six months ended June 30, 2022 and 2021 summarized below is derived from the HGI Financial Statements which were prepared in accordance with IFRS. Historical financial and operating information may not be indicative of future performance, and certain financial information presented below includes non-IFRS financial measures that Pyure believes to be important in evaluating the underlying operating performance of the business and to better compare results from operations on a relative basis from period to period. See "

*Non-IFRS* Measures", "*Caution Regarding Forward-Looking Statements*", and "*Management's Discussion and Analysis of* HGI".

| | The three months ended | | The six months ended | | For the twelve months ended, | | |
|---|---|---|---|---|---|---|---|
| | **June 30, 2022** | **June 30, 2021** | **June 30, 2022** | **June 30, 2021** | **December 31, 2021** | **December 31, 2020** | **December 31, 2019** |
| Revenue | 3,447,906 | 2,367,639 | 7,243,357 | 7,965,494 | 10,793,132 | 10,031,137 | 4,397,356 |
| Cost of revenue | 931,559 | 1,877,619 | 1,930,606 | 4,680,390 | 5,215,463 | 4,468,638 | 2,180,284 |
| Gross Profit | 2,516,347 | 490,020 | 5,312,751 | 3,285,104 | 5,577,669 | 5,562,499 | 2,217,072 |
| **Operating expenses** | | | | | | | |
| Sales and marketing | 916,749 | 609,513 | 1,591,877 | 958,575 | 2,467,840 | 672,189 | 456,707 |
| Research and development | 706,405 | 598,381 | 1,114,502 | 1,242,765 | 1,818,331 | 581,429 | 85,052 |
| General and administrative | 1,229,466 | 1,973,854 | 2,324,977 | 4,260,941 | 6,429,342 | 3,135,470 | 2,597,516 |
| | 2,852,620 | 3,181,748 | 5,031,356 | 6,462,281 | 10,715,513 | 4,389,088 | 3,139,275 |
| Operating (loss) income | (336,273) | (2,691,728) | 281,395 | (3,177,177) | (5,137,844) | 1,173,411 | (922,203) |
| Foreign exchange gain | 1,546 | 868 | 8,921 | 3,042 | 5,095 | 3,990 | 6,735 |
| Finance expense, net | 236,570 | 158,088 | 515,180 | 315,328 | 875,857 | 609,139 | 509,224 |
| Other loss (income) | 2,763 | (6,454) | 2,244 | (6,454) | (232,830) | (13,118) | (146,377) |
| **(Loss) income before income taxes** | **(577,152)** | **(2,844,230)** | **(244,950)** | **(3,489,093)** | **(5,785,966)** | **573,400** | **(1,291,785)** |
| Income tax expense | — | — | — | — | — | — | — |
| **Net (loss) income and comprehensive (loss) income** | **(577,152)** | **(2,844,230)** | **(244,950)** | **(3,489,093)** | **(5,785,966)** | **573,400** | **(1,291,785)** |
| **Net (loss) income attributable to:** | | | | | | | |
| Equity owners of the Company | (420,182) | (2,144,761) | (165,573) | (2,662,554) | (4,419,867) | 646,682 | (1,291,785) |
| Non-controlling interests | (156,970) | (699,469) | (79,377) | (826,539) | (1,366,099) | (73,282) | — |
| | (577,152) | (2,844,230) | (244,950) | (3,489,093) | (5,785,966) | 573,400 | (1,291,785) |
| **(Loss) income per share – basic and diluted** | **(0.02)** | **(0.08)** | **(0.01)** | **(0.10)** | **(0.13)** | **0.02** | **(0.04)** |
| **Weighted average number of common shares outstanding – basic** | **35,992,677** | **33,633,853** | **35,992,677** | **33,633,853** | **34,812,563** | **33,633,853** | **33,633,853** |
| **Weighted average number of common shares outstanding – diluted** | **35,992,677** | **33,633,853** | **35,992,677** | **33,633,853** | **34,812,563** | **36,932,945** | **33,633,853** |

"Adjusted EBITDA", and "Adjusted EBITDA Margin" are non-IFRS measures. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. See "*Management's Discussion and Analysis of HGI*" and "

*Non-IFRS* Measures".

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE CORPORATION

The Corporation's management's discussion and analysis of financial condition and results of operations (the "**Corporation MD&A**") for both the three and six months ended June 30, 2022, and the year ended December 31, 2021 is designed to assist readers of the consolidated financial statements understand the Corporation's operations and business environment. The Corporation MD&A, included in Appendix B of this prospectus, should be read in conjunction with the Corporation Financial Statements included in Appendix A of this prospectus. Additional information relating to the Corporation is available at www.sedar.com.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF HGI

HGI's management's discussion and analysis of financial condition and results of operations (the "**HGI MD&A**") for both the three and six months ended June 30, 2022, and the years ended December 31, 2021, 2020 and 2019, is designed to assist readers of the audited combined financial statements understand Pyure's operations and business environment. The HGI MD&A, included in Appendix D of this prospectus, should be read in conjunction with the HGI Financial Statements included in Appendix C of this prospectus.

## DESCRIPTION OF SHARE CAPITAL

The following is a summary of the rights, privileges, restrictions and conditions attaching to the Common Shares after giving effect to the Business Combination. Following Closing, the authorized capital of New Pyure will consist of an unlimited number of Common Shares, Proportionate Voting Shares, Class A Restricted Voting Shares and Class B Shares, all without par value. The Corporation has applied to the Canadian provincial securities regulatory authorities for an exemption from certain sections of NI 41-101 relating to restricted securities and from the requirements under Part 2 and Part 3 of OSC Rule 56-501, and Part 10 of NI 51-102. See "Securities Law Exemptions".

The Corporation applied for the exemptive relief to address the dual-class share structure of the Common Shares and Proportionate Voting Shares, as the Common Shares otherwise fall within the definition of restricted securities. Given that the two classes of shares are substantially the same, with the exception of the proportionate voting rights in the Proportionate Voting Shares, the exemptive relief was sought from the requirements of NI 41-101 and OSC Rule 56-501 relating to the Common Shares and Proportionate Voting Shares.

### Authorized Share Capital Upon Completion of the Business Combination

Following the Closing, the authorized capital of the Corporation will consist of an unlimited number of Class A Restricted Voting Shares, an unlimited number of Class B Shares, and an unlimited number of Common Shares and Proportionate Voting Shares, each without nominal or par value. After giving effect to the Business Combination, and assuming the automatic conversion of Class A Restricted Voting Shares into Common Shares, the automatic conversion of the Class B Shares into Proportionate Voting Shares and assuming the subsequent conversion of the Proportionate Voting Shares into Common Shares and assuming redemption levels of the Class A Restricted Voting Shares of 25% and 75%, the following securities are expected to be issued and outstanding: no Class A Restricted Voting Shares, no Class B Shares, no Proportionate Voting Shares, 28,475,948 or 23,475,948 Common Shares, respectively, and 5,175,000 Warrants, respectively. Following Closing, the Corporation will not issue additional Class A Restricted Voting Shares or Class B Shares.

The following is a summary of the rights, privileges, restrictions and conditions attaching to the Common Shares and Proportionate Voting Shares.

A summary of the rights, privileges, restrictions and conditions attaching to Class A Restricted Voting Shares and Class B Shares is contained in the Corporation's long form prospectus dated February 23, 2021, which has been filed on SEDAR at www.sedar.com. For a complete description of the authorized securities of the Corporation as of the date hereof, please refer to the Corporation's Articles which have also been filed on SEDAR at www.sedar.com. For further details on the Business Combination, see "*The Business Combination*".

Generally, the Common Shares and the Proportionate Voting Shares will have the same rights, will be equal in all respects and will be treated by New Pyure as if they were shares of one class only.

Conversion Rights and Transfers

Issued and outstanding Proportionate Voting Shares, including fractions thereof, may at any time, subject to the FPI Condition, at the option of the holder, be converted into Common Shares at a ratio of 100 Common Shares per Proportionate Voting Share with fractional Proportionate Voting Shares convertible into Common Shares at the same ratio. Further, the board of directors may determine in the future that it is no longer advisable to maintain the Proportionate Voting Shares as a separate class of shares and may cause all of the issued and outstanding Proportionate Voting Shares to be converted into Common Shares at a ratio of 100 Common Shares per Proportionate Voting Share with fractional Proportionate Voting Shares convertible into Common Shares at the same ratio and the board of directors shall not be entitled to issue any more Proportionate Voting Shares under the Articles of the Corporation thereafter.

The Proportionate Voting Shares are not transferrable without approval of the board of directors, except to Permitted Holders and in compliance with U.S. securities laws.

Conversion Conditions

The right of the Proportionate Voting Shares to convert into Common Shares is subject to certain conditions in order to maintain New Pyure's status as a "foreign private issuer" under U.S. securities laws. Unless otherwise waived by the Board, the right to convert the Proportionate Voting Shares is subject to the condition that the aggregate number of Common Shares and Proportionate Voting Shares (calculated as a single class) held of record, directly or indirectly, by residents of the United States (as determined in accordance with Rules 3b-4 and 12g3-2(a) under the Securities Exchange Act of 1934, as amended) may not exceed 40% of the aggregate number of Common Shares and Proportionate Voting Shares issued and outstanding after giving effect to such conversions (calculated as a single class) (the "**FPI Condition**").

A holder of Common Shares may at any time, at the option of the holder and with the consent of New Pyure, convert such Common Shares into Proportionate Voting Shares on the basis of 100 Common Shares for one Proportionate Voting Share.

No fractional Common Shares will be issued on any conversion of any Proportionate Voting Shares and any fractional Common Shares will be rounded down to the nearest whole number. For the purposes of the foregoing:

"**Affiliate**" means, with respect to any specified Person, any other Person which directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with such specified Person.

"**Permitted Holders**" means (i) the initial holders of Proportionate Voting Shares, as applicable, on closing of the Business Combination; and (ii) any affiliate or Person controlled, directly or indirectly, by one or more of the Persons referred to in clause (i) above.

"**Person**" means any individual, partnership, corporation, company, association, trust, joint venture or limited liability company. A Person is "controlled" by another Person or other Persons if: (i) in the case of a company or other body corporate wherever or however incorporated: (A) securities entitled to vote in the election of directors carrying in the aggregate at least a majority of the votes for the election of directors and representing in the aggregate at least a majority of the participating (equity) securities are held, other than by way of security only, directly or indirectly, by or solely for the benefit of the other Person or Persons; and (B) the votes carried in the aggregate by such securities are entitled, if exercised, to elect a majority of the board of directors of such company or other body corporate; or (ii) in the case of a Person that is not a company or other body corporate, at least a majority of the participating (equity) and voting interests of such Person are held, directly or indirectly, by or solely for the benefit of the other Person or Persons; and "controls", "controlling" and "under common control with" shall be interpreted accordingly.

Voting Rights

All holders of Proportionate Voting Shares and Common Shares will be entitled to receive notice of any meeting of shareholders of New Pyure, and to attend, vote and speak at such meetings, except those meetings at which only holders of a specific class of shares are entitled to vote separately as a class under the BCBCA. A quorum for the transaction of business at a meeting of shareholders is present if shareholders who, together, hold not fewer than 25% of the votes attaching to the outstanding voting shares entitled to vote at the meeting are present in person or represented by proxy.

On all matters upon which holders of Proportionate Voting Shares and Common Shares are entitled to vote:

- each Common Share is entitled to one vote per Common Share; and
- each Proportionate Voting Share is entitled to 100 votes per Proportionate Voting Share, and each fraction of a Proportionate Voting Share is entitled to the number of votes calculated by multiplying the fraction by 100.

The number of votes represented by fractional Proportionate Voting Shares will be rounded down to the nearest whole number. Unless a different majority is required by law or the articles of New Pyure, resolutions to be approved by holders of Common Share and Proportionate Voting Shares require approval by a simple majority of the total number of votes of all Common Share and Proportionate Voting Shares cast at a meeting of shareholders at which a quorum is present based on the voting entitlements of each class of Shares described above.

Dividend Rights

Holders of Common Share and Proportionate Voting Shares are entitled to receive dividends out of the assets available for the payment or distribution of dividends at such times and in such amount and form as the board of directors may from time to time determine on the following basis, and otherwise without preference or distinction among or between the Common Share and Proportionate Voting Shares: each Proportionate Voting Share will be entitled to 100 times the amount paid or distributed per Common Share (including by way of share dividends, which holders of Proportionate Voting Shares will receive in Proportionate Voting Shares, unless otherwise determined by the board of directors) and each fraction of a Proportionate Voting Share will be entitled to the applicable fraction thereof. See "*Conversion Rights and Transfers*" above.

Liquidation Rights

In the event of the liquidation, dissolution or winding-up of New Pyure or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs, whether voluntarily or involuntarily, the holders of Common Share and Proportionate Voting Shares will be entitled to receive all of the New Pyure's assets remaining after payment of all debts and other liabilities on the basis that each Proportionate Voting Share will be entitled to 100 times the amount distributed per Common Share (and each fraction of a Proportionate Voting Share will be entitled to the amount calculated by multiplying the fraction by the amount otherwise payable in respect of a whole Proportionate Voting Share), and otherwise without preference or distinction among or between the Shares. See "*Conversion Rights and Transfers*" above.

Pre-emptive and Redemption Rights

Holders of Common Share and Proportionate Voting Shares will not have any pre-emptive or redemption rights.

Subdivision or Consolidation

No subdivision or consolidation of any class of Common Shares or Proportionate Voting Shares may be carried out unless, at the same time, the Common Shares and Proportionate Voting Shares, as the case may be, are subdivided or consolidated in the same manner and on the same basis, so as to preserve the relative rights of the holders of each class of shares.

***Certain Amendments***

In addition to any other voting right or power to which the holders of Common Shares and Proportionate Voting Shares shall be entitled by law or regulation or other provisions of the articles of New Pyure from time to time in effect, but subject to the provisions of the articles of New Pyure, holders of Common Shares and Proportionate Voting

Shares shall each be entitled to vote separately as a class, in addition to any other vote of shareholders that may be required, in respect of any alteration, repeal or amendment of New Pyure's articles which would adversely affect the rights or special rights of the holders of Common Shares or Proportionate Voting Shares, or which would affect the rights of the holders of the Common Shares and the holders of Proportionate Voting Shares differently, on a per share basis, including an amendment to the terms of New Pyure 's articles that provide that any Proportionate Voting Shares sold or transferred to a Person that is not a Permitted Holder shall be automatically converted into Common Shares.

Pursuant to New Pyure's articles, holders of Common Shares and Proportionate Voting Shares will be treated equally and identically, on a per share basis, in certain change of control transactions that require approval of our shareholders under the BCBCA, unless different treatment of the shares of each such class is approved by a majority of the votes cast by the holders of the Common Shares and Proportionate Voting Shares, each voting separately as a class.

Issuance of Additional Proportionate Voting Shares

Subject to certain limitation outlined in New Pyure's articles, and in accordance with the TSX Company Manual requirements, New Pyure may issue additional Proportionate Voting Shares upon the approval of the Board. Approval is not required in connection with a subdivision or consolidation on a *pro rata* basis as between the Common Shares and the Proportionate Voting Shares.

Take-Over Bid Protection

If an offer is being made for Proportionate Voting Shares (a "**PVS Offer**") where: (i) by reason of applicable securities legislation or stock exchange requirements, the offer must be made to all holders of the class of Proportionate Voting Shares; and (ii) no equivalent offer is made for the Common Shares, the holders of Common Shares have the right, pursuant to the articles of New Pyure, at their option, to convert their Common Shares into Proportionate Voting Shares at a ratio of one Proportionate Voting Share per 100 Common Shares for the purpose of allowing the holders of the Common Shares to tender to such PVS Offer, provided that such conversion into Proportionate Voting Shares will be solely for the purpose of tendering the Proportionate Voting Shares to the PVS Offer in question and that any Proportionate Voting Shares that are tendered to the PVS Offer but that are not, for any reason, taken up and paid for by the offeror will automatically be reconverted into the Common Shares that existed prior to such conversion.

In the event that holders of Common Shares are entitled to convert their Common Shares into Proportionate Voting Shares at a ratio of one Proportionate Voting Share per 100 Common Shares in connection with a PVS Offer pursuant to (ii) above, holders of an aggregate of Common Shares of less than 100 (an "**Odd Lot**") will be entitled to convert all but not less than all of such Odd Lot of Common Shares into an applicable fraction of one Proportionate Voting Share, provided that such conversion into a fractional Proportionate Voting Share will be solely for the purpose of tendering the fractional Proportionate Voting Share to the PVS Offer in question and that any fraction of a Proportionate Voting Share that is tendered to the PVS Offer but that is not, for any reason, taken up and paid for by the offeror will automatically be reconverted into the Common Shares that existed prior to such conversion.

Advance Notice Provisions

New Pyure has included certain advance notice provisions with respect to the election of its directors in its articles (the "**Advance Notice Provisions**"). The Advance Notice Provisions are intended to: (i) facilitate orderly and efficient annual general meetings or, where the need arises, special meetings; (ii) ensure that all shareholders receive adequate notice of director nominations to the Board and sufficient information with respect to all nominees; and (iii) allow shareholders to register an informed vote. Only persons who are nominated by shareholders in accordance with the Advance Notice Provisions or by management will be eligible for election as directors at any annual meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which the special meeting was called was the election of directors.

Under the Advance Notice Provisions, a shareholder wishing to nominate a director would be required to provide New Pyure notice, in the prescribed form, within the prescribed time periods. These time periods include, (i) in the case of an annual meeting of shareholders (including annual and special meetings), not fewer than 30 days prior to the date of the annual meeting of shareholders; provided, that if the first public announcement of the date (the "**Notice Date**") of the annual meeting of shareholders is less than 50 days before the meeting date, not later than the close of business on the 15$^{th}$ day following the Notice Date; and (ii) in the case of a special meeting (which is not also an annual meeting) of shareholders called for any purpose which includes electing directors, not later than the close of business on the 15th day following the Notice Date, provided that, in either instance, if notice-and-access (as defined in NI 54-101) is used for delivery of proxy related materials in respect of a meeting described above, and the Notice Date in respect of the meeting is not fewer than 50 days prior to the date of the applicable meeting, the notice must be received not later than the close of business on the $40^{th}$ day before the applicable meeting.

Forum Selection

New Pyure has included a forum selection provision in its articles that provides that, unless New Pyure consents in writing to the selection of an alternative forum, the Supreme Court of British Columbia, Canada and the appellate courts therefrom, will be the sole and exclusive forum for (i) any derivative action or proceeding brought on New Pyure's behalf; (ii) any action or proceeding asserting a claim of breach of a fiduciary duty owed by any of New Pyure's directors or officers to New Pyure; (iii) any action asserting a claim arising pursuant to any provision of the BCBCA or the articles; or (iv) any action or proceeding asserting a claim otherwise related to the relationships among New Pyure, its Affiliates and their respective shareholders, directors and/or officers, but excluding claims related to New Pyure's business or such Affiliates. The forum selection provision also provides that New Pyure's securityholders are deemed to have consented to personal jurisdiction in the Province of British Columbia and to service of process on their counsel in any foreign action initiated in violation of the foregoing provisions.

## RIGHTS TO PURCHASE SECURITIES

### Options

In accordance with the Business Combination Agreement, immediately prior to the Effective Time, the outstanding options to purchase Pyure Shares (the "**Pyure Options**") will be exchanged for Replacement Options based on the Exchange Ratio and subject to rounding. The following table sets forth the aggregate number of Replacement Options to be held by holders of each category identified therein following Closing.

| Category of holder | Number of Replacement Options | Exercise Price | Expiration Date |
|---|---|---|---|
| All executive officers and past executive officers of Pyure, as a group (3 in total) | ● | $● | ● |
| All directors and past directors of Pyure who are no also executive officers, as a group (7 in total) | ● | $● | ● |
| All other employees and past employees of Pyure, as a group (32 in total) | ● | $● | ● |
| All consultants of Pyure, as a group (3 in total) | ● | $● | ● |

### Corporation Warrants

As of the date of this prospectus, 5,175,000 Warrants are outstanding. The Warrants will become exercisable commencing 65 days after the Closing. As the outstanding Class A Restricted Voting Shares will have been automatically converted into Common Shares, each whole Warrant outstanding will be exercisable for one Common Share, and at no time are the Warrants expected to be exercisable for Class A Restricted Voting Shares.

The Warrants will expire at 5:00 p.m. (Toronto time) on the day that is five years after the Closing or may expire earlier upon New Pyure's winding-up or if the expiry date is accelerated.

Once the Warrants become exercisable, New Pyure may accelerate the expiry date of the outstanding Warrants (excluding the Warrants which formed part of the Class B Units but only to the extent still held by the Sponsors at the date of public announcement of such acceleration and not transferred prior to the accelerated expiry date, due to the anticipated knowledge by the Sponsors of material undisclosed information which could limit their dealings in such securities) by providing 30 days' notice, if and only if, the Closing price of the Common Shares equals or exceeds $18.00 per Common Share (as adjusted for stock splits or combinations, stock dividends, Extraordinary Dividends, reorganizations and recapitalizations and the like) for any 20 trading days within a 30-trading day period.

If New Pyure accelerates the expiry of the Warrants as described above, the Board will have the option to require all holders that wish to exercise Warrants to do so, in whole or in part, on a cashless basis. In determining whether to require all holders to exercise their Warrants, in whole or in part, on a cashless basis, the Board will consider, among other factors, New Pyure's cash position, and the number of Warrants that are outstanding and the dilutive effect on New Pyure's shareholders of issuing the maximum number of Common Shares issuable upon the exercise of the Warrants. A cashless exercise means the holder, in lieu of making a cash payment on exercise, will instead surrender its Warrants and receive the number of Common Shares that is equal to the quotient obtained by multiplying (i) the number of Common Shares for which the Warrant is being exercised by (ii) the difference, if positive, between the volume weighted average price of the Common Shares on the TSX for the 20 trading days immediately prior to (but not including) the date of exercise of the Warrant and the exercise price in effect on the date immediately prior to (but not including) the date of exercise of the Warrant, and dividing such product by the volume weighted average price of the Common Shares on the TSX for the 20 trading days immediately prior to (but not including) the date of exercise.

The right to exercise will be forfeited unless the Warrants are exercised prior to the date specified in the notice of acceleration of the expiry date. On and after the acceleration of the expiry date, a record holder of a Warrant will have no further rights.

The exercise price and number of shares issuable on exercise of the Warrants may be adjusted in certain circumstances, including in the event of a stock dividend, Extraordinary Dividend, or New Pyure's recapitalization, reorganization, merger or consolidation. The Warrants will not, however, be adjusted for issuances of shares at a price below their exercise price.

Warrants may be exercised only for a whole number of shares. No fractional shares will be issued upon exercise of the Warrants. If, upon exercise of the Warrants, a holder would be entitled to receive a fractional interest in a share, New Pyure will, upon exercise, round down to the nearest whole number of shares to be issued to the Warrant holder.

The exercise of the Warrants by any holder in the United States, or that is a U.S. Person, may only be effected in compliance with an exemption from the registration requirements of the U.S. Securities Act and applicable State "blue sky" securities laws.

In no event would the Warrants be entitled to Escrow Account proceeds. The Warrant holders do not have the rights or privileges of holders of shares and any voting rights until they exercise their Warrants and receive corresponding shares. After the issuance of corresponding shares upon exercise of the Warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by shareholders. On the exercise of any Warrant, the Warrant exercise price will be $11.50, subject to adjustments as described herein.

The Warrant Agent shall, on receipt of a written request of New Pyure or holders of not less than 25% of the aggregate number of Warrants then outstanding, convene a meeting of holders of Warrants upon at least 21 calendar days' written notice to holders of Warrants. Every such meeting shall be held in Toronto, Ontario or at such other place as may be approved or determined by the Warrant Agent. A quorum at meetings of holders or Warrants shall be two persons present in person or represented by proxy holding or representing more than 20% of the aggregate number of Warrants then outstanding.

From time to time, New Pyure and the Warrant Agent, without the consent of the holders of Warrants, may amend or supplement the Warrant Agreement for certain purposes including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants. Any amendment or supplement to the Warrant Agreement that adversely affects the interests of the holders of Warrants may only be made by an "extraordinary resolution", which is defined in the Warrant Agreement as a resolution either (i) passed at a meeting of the holders of Warrants by the affirmative vote of holders of Warrants representing not less than two-thirds of the aggregate number of the then outstanding Warrants represented at the meeting and voted on such resolution, or (ii) adopted by an instrument in writing signed by the holders of Warrants representing not less than two-thirds of the aggregate number of the then outstanding Warrants.

## DIVIDEND POLICY

The Corporation has not declared or paid any cash dividends on its shares to date and does not intend to do so prior to the Closing. The payment of cash dividends to shareholders following the Closing will be dependent upon New Pyure's revenues and earnings, if any, capital requirements and general financial condition and will be at the discretion of the Board at that time.

## PRIOR SALES

The Corporation has not issued any shares or securities convertible into shares during the 12-month period before the date of this prospectus. The Class A Restricted Voting Shares are listed on the TSX under the symbol "VMH.U".

## SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

### Lock-Up Agreements

In accordance with the Business Combination Agreement, (a) Pyure is required to use commercially reasonable efforts to obtain lock-up agreements (a "**Pyure Lock-Up Agreement**") from each Pyure shareholder and, as a condition to Closing, Pyure is required to deliver a Pyure Lock-Up Agreement from any Pyure shareholder holding 100,000 or more Pyure Shares, (b) the Corporation, as a condition to Closing, is required to deliver lock-up agreements (a "**Founder Lock-Up Agreement**", and together with the Pyure Lock-Up Agreement, the "**Lock-Up Agreements**") from the Sponsors and directors of the Corporation holding Founders' Shares. The Lock-Up Agreements will apply to 90% of the Common Shares and Proportionate Voting Shares, as applicable, to be held by such Locked-Up Shareholder immediately following the Effective Time (the "**Lock-Up Shares**").

Assuming the conversion of the Proportionate Voting Shares into Common Shares, and assuming redemption levels of the Class A Restricted Voting Shares of 25% and 75%, ● and ● Common Shares would be subject to contractual restrictions, representing ●% and ●% of the class, respectively.

Pursuant to the Lock-Up Agreements, each holder of Lock-Up Shares shall not, without the prior written consent of New Pyure, in any manner, directly or indirectly sell, assign, transfer, option, swap, hypothecate, pledge or otherwise encumber, alienate, dispose, monetize, or otherwise offer, contract or deal with in any manner which was the economic effect of any of the foregoing acts, on a current or prospective basis, such Lock-Up Shares, except in accordance with the provisions of the applicable Lock-Up Agreement (collectively, the "**Lock-Up Restrictions**").

The Lock-Up Restrictions shall remain in place until the lock-up release dates set forth below:

| Percentage of Securities subject to escrow | Release Date |
|---|---|
| 25% | Three month anniversary of the Closing |
| 25% | Six month anniversary of the Closing |
| 25% | Nine month anniversary of the Closing |
| 25% | One year anniversary of the Closing |

The Lock-Up Restrictions are subject to certain exemptions, including: (a) the tender of any of the Lock-Up Shares subject to the Lock-Up Restrictions in connection with a formal take-over bid for all outstanding securities of New Pyure, a purchase of all or substantially all of the assets of New Pyure, plan of arrangement, merger or similar transaction, (b) the transfer of any or all of the Lock-Up Shares to (A) affiliates, a family trust or RRSP, provided that (i) the ultimate beneficial owner of such Lock-Up Shares is the relevant Locked-Up Shareholder, as applicable, and (as applicable) its immediate family member(s) or charitable organization as part of *bona fide* tax or estate planning opportunities, and (ii) the transferees agree in writing with New Pyure to be bound by the terms of the Lock-Up Agreement, (B) a Locked-Up Shareholder's estate and/or spouse in the case where such Locked-Up Shareholder is an individual and dies prior to the expiry of the Lock-Up Restrictions, provided that the said estate and/or spouse agrees in writing with New Pyure to be bound by the terms of the Lock-Up Agreement, (C) one or more of such Locked-Up Shareholder's partners, as applicable, provided that such transferee(s) agree(s) in writing with New Pyure to be bound by the terms of the Lock-Up Agreement, and/or (D) another Locked-Up Shareholder, provided that the transferred Lock-Up Shares shall continue to be subject to the Lock-Up Restrictions and the other terms and conditions of the Lock-Up Agreement, (c) the pledge of Lock-Up Shares as security for any loan made to (or otherwise guaranteed or secured by) a Locked-Up Shareholder if the terms of any such pledge expressly acknowledge the terms of the Lock-Up Agreement and the lender agrees in writing with New Pyure to hold such pledge shares subject to the provisions thereof; provided, however that, for greater certainty, such Locked-Up Shareholder, as applicable, shall not be permitted to enter into any swap, monetization, securitization or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Lock-Up Shares subject to the Lock-Up Agreement, (d) in the case of the Pyure Locked-Up Shareholders, the exercise or settlement of awards pursuant to any employee or executive incentive compensation arrangement or the exercise of Warrants (provided however that, in each case, the securities issuable thereunder shall be subject to the Lock-Up Restrictions); (e) in the case of the Founder Locked-Up Shareholders, the exercise or settlement of awards pursuant to any employee or executive incentive compensation arrangement, and the Founder Lock-Up Agreement shall not apply to any other shares or convertible securities issued or to be issued to the Founders; (f) in the case of the Pyure Locked-Up Shareholders, release from the Lock-Up Restrictions upon the prior written consent of the Sponsors; and (g) in the case of the Founder Locked-Up Shareholders, release from the Lock-Up Restrictions upon the prior written consent of New Pyure.

**Voting Support**

In accordance with the Business Combination Agreement, certain shareholders of Pyure and HGI, representing the holders of at least that number of Pyure Shares and HGI Shares, respectively, required to approve the Business Combination (each, a "**Supporting Shareholder**") entered into voting support agreements (each, a "**Support Agreement**") with the Corporation. Pursuant to the Support Agreements, each Supporting Shareholder irrevocably agreed during the term of the Support Agreement, to vote (or cause to be voted) all the Pyure Shares and/or HGI Shares held by such Supporting Shareholder (the "**Specified Securities**") in favour of the approval, consent, ratification and adoption of the Business Combination and the transactions contemplated by the Business Combination Agreement (including, as applicable, the approval and completion of the First Merger and the Second Merger), at any meeting to consider such matters at which the Supporting Shareholder is entitled to vote, and in any action regarding such matters by written consent.

In connection with the foregoing, each Supporting Shareholder agreed: (a) if requested, to deposit a proxy, duly completed and executed in respect of all of the Specified Securities, voting all such Specified Securities in favour of the Business Combination and the transactions contemplated by the Business Combination Agreement, and (b) to sign, before the completion of the transactions contemplated by the Business Combination Agreement, a Pyure Lock-Up Agreement.

Each Supporting Shareholder further agreed during the term of the Support Agreement, to vote (or cause to be voted) the Specified Securities against any proposed action which would reasonably be expected to impede, delay, prevent, interfere with, frustrate or discourage the approval and completion of the transactions contemplated by the Business Combination Agreement.

Each Supporting Shareholder will not (a) exercise any appraisal or dissent rights in respect of, as applicable, the First Merger or the Second Merger; (b) take any other action which may in any way adversely affect the success of the transactions contemplated by the Business Combination Agreement; or (c) without the prior written consent of Pyure and the Corporation, directly or indirectly, sell, transfer, pledge or assign or agree to sell, transfer, pledge or assign any of the Specified Securities or any interest therein until or as part of the completion of the transactions contemplated by the Business Combination Agreement.

## PRINCIPAL SHAREHOLDERS

The following table discloses the names of the persons or entities who, upon completion of the Business Combination and assuming redemption levels of the Class A Restricted Voting Shares of 25% and 75%, will, to the Corporation's and Pyure's knowledge, beneficially own or control, directly or indirectly, more than 10% of the combined voting rights attached to the Common Shares and the Proportionate Voting Shares.

| Name | Number of Common Shares | Type of Ownership | Percentage of Voting Power | |
|---|---|---|---|---|
| | | | 25% | 75% |
| **Tom Vukota** | 2,598,591 | Indirect | 9.13% | 11.07% |

## DIRECTORS AND EXECUTIVE OFFICERS

Ian McAuley, Tom Vukota, Tracy Sherren, Charles Suddaby and John Andrew are the current directors of the Corporation (and its expected directors at the Redemption Election Deadline), and, in the case of Ian McAuley and Tom Wenner, as the Chief Executive Officer and Chief Financial Officer of the Corporation, respectively, who are signing the prospectus in such capacities, are the only directors and officers who will be subject to liability for any misrepresentation in this prospectus. In addition, the Sponsors, who are signing the prospectus as promoters, will also be subject to liability for any misrepresentation in this prospectus. Any directors that are appointed to the Board as of or following Closing, and who are not otherwise signing this prospectus, will not be subject to (a) liability for any misrepresentation in this prospectus in their capacity as a director, as they are not currently directors of the Corporation, or (b) the contractual right of action described under "*Contractual Right of Action*" of this prospectus.

The names, municipality of residence and positions with New Pyure of the persons who are expected to serve as directors and executive officers of New Pyure after giving effect to the Business Combination are set out below. Each of the proposed members of the Board is expected to be formally appointed to the Board as at the Effective Time. Except for Ian McAuley, John Andrew and Tracy Sherren, the current directors of the Corporation will resign as at the Effective Time.

### Directors and Executive Officers

| Name and municipality of residence | Position/Title in New Pyure | Director and/or Officer Since | Present Principal Occupation |
|---|---|---|---|
| Ian McAuley<br>*Toronto, Canada* | President and Chief Executive Officer | November 16, 2020 | • President and Chief Executive Officer of the Corporation |
| Tom Wenner<br>*Toronto, Canada* | Chief Financial Officer | December 4, 2020 | • Chief Financial Officer of the Corporation |
| Mahyar Khosravi<br>*Calgary, Canada* | Executive Chairman and Chief Strategy Officer | October 16, 2020 | • Board Member and consultant of Pyure |
| Jean-François Huc<br>*Montreal, Canada* | Chief Operating Officer | October 16, 2020 | • Chief Executive Officer of Pyure and HGI |
| John Andrew<br>*Kingston, Canada* | Director | December 4, 2020 | • Board Member and consultant of the Corporation |
| Tracy Sherren[(1)]<br>*Hammonds Plains, Canada* | Director | December 4, 2020 | • President of Canadian Commercial<br>• Chief Financial Officer of True North Commercial REIT<br>• Trustee for True North Commercial REIT |
| Cody Church[(1)]<br>*Calgary, Canada* | Director | October 16, 2020 | • Chief Executive Officer of Clear North Capital |
| Aki Georgacacos[(1)]<br>*Calgary, Canada* | Director | October 16, 2020 | • Co-founder and Managing Director of Rio Investment Partners |

| Name and municipality of residence | Position/Title in New Pyure | Director and/or Officer Since | Present Principal Occupation |
|---|---|---|---|
| | | | • Chief Executive Officer of Creations Foods Inc.<br>• Board Member of Pyure and HGI. |
| Lew Lawrick(1)<br>*Toronto, Canada* | Director | October 16, 2020 | • President and Chief Executive Officer of Magna Terra Minerals Inc.<br>• Managing Director of Thorsen-Fordyce Merchant Capital Inc.<br>• Board Member of Pyure and HGI. |

(1) Proposed member of the Audit Committee (as defined below).

As Mahyar Khosravi, Jean-François Huc, Cody Church, Aki Georgacacos, and Lew Lawrick are not current directors of the Corporation and will not become directors or executive officers of New Pyure until the Closing, they will not be subject to liability as directors for any misrepresentation in this prospectus.

Following Closing, directors of New Pyure will be elected by New Pyure Shareholders at each annual meeting of shareholders, and will hold office until the next annual meeting of New Pyure, unless: (i) his or her office is earlier vacated in accordance with the articles of New Pyure; or (ii) he or she becomes disqualified to act as a director.

**Biographies**

The following are brief biographies of the directors and officers of the proposed directors and executive officers of New Pyure, including a description of each individual's principal occupation within the past five years or more, as applicable.

***Ian McAuley***

Ian McAuley serves as President and Chief Executive Officer of the Corporation. Mr. McAuley's 30-year career includes senior leadership roles with both privately-held and publicly-traded companies incorporating over $2 billion in transaction and operational experience in both Canada and the USA. As a corporate board member, Mr. McAuley has held a variety of positions, including Audit, Investment, Governance, and Finance committees. As an executive, Mr. McAuley has been the President of both large corporations and entrepreneurial start-up businesses. He is the former President of Canada of Aimbridge Hospitality, the leading, global, third-party hotel management company operating more than 1,550 branded hotels, and is the largest third-party operator of Marriott, Hilton and IHG hotels. Until February 2019, Ian was the President of American Hotel Income Properties REIT LP (AHIP) (HOT.UN:TSX), Canada's largest publicly listed hotel company which at that time owned and operated 112 select-service hotels located throughout the United States. During his tenure, enterprise value more than doubled (C$575 million to C$1.3 billion) through successful acquisition strategies, capital market equity raises, and debt financing. Prior to joining AHIP in 2015, Mr. McAuley was President and Chief Executive Officer of Continuum Health Care Holdings Ltd., a seniors housing developer, owner, and operator where he initiated and executed a number of strategic finance and operational initiatives designed to drive shareholder value and position the company for its ultimate sale to Welltower Inc. (HCN.N). Formerly, he was President of Superior Lodging Corp., a hotel investment and development company he co-founded in 2000 which has been named Hotel Company of the Year in Canada. Mr. McAuley has extensive initial public offering, go-private, acquisition and disposition experience through various roles with Royop Properties Corp., Continuum Health Care Holdings Ltd., Superior Lodging Corp., Hallmark Properties Inc., Holloway Lodging REIT, and Royal Host REIT. Mr. McAuley holds a Bachelor of Arts degree from the University of Saskatchewan, a Technical Diploma in Hospitality Administration from the British Columbia Institute of Technology, and an MBA from City University of Seattle and is a Graduate of the University of Toronto – Rotman School of Management ICD Directors Education Program. Mr. McAuley is a current director of Northern Vision Development LP, and The Musical Stage Company in Toronto, and is a former director of the Hotel Association of Canada, Hallmark Properties Ltd., Airline Hotels and Resorts Ltd., and Theatre Calgary.

***Tom Wenner***

Tom Wenner serves as Chief Financial Officer of the Corporation. Mr. Wenner is also the Chief Financial Officer of VCM Global Asset management. Mr. Wenner brings over 20 years of real estate experience having served as Chief Financial Officer of Allied Properties REIT, One REIT and Inovalis REIT and as VP Finance of Allied Canadian Corporation. Mr. Wenner has been involved in over 175 property acquisitions and dispositions and raised financing in excess of $1.2 billion through initial public offerings, follow-on public offerings, private placements, bank credit facilities and property mortgages. Mr. Wenner also held progressive management positions with The Bank of Nova Scotia in its Special Accounts Management Group and with Deloitte & Touche LLP in its Financial Advisory Services Group, focused on resolving financial distressed situations for both creditors and borrowers. Mr. Wenner is a Chartered Professional Accountant and holds a Bachelor of Commerce from the University of Saskatchewan.

***Mahyar Khosravi***

Mahyar Khosravi has 20 years of enterprise and industrial technology, go to market strategy, and venture capital experience, and has been a major investor, board member, and consultant to Pyure since 2020.

In 2019, Mr. Khosravi co-founded Night Rain Ventures, a private venture capital and private equity family office based in Calgary and since then, Night Rain Ventures has grown to hold over eight strategic investments and majority owned operations with a global reach. In 2017, Mr. Khosravi joined Canvass Analytics, a start-up with an industrial-focused artificial intelligence technology that was able to predict and control complex industrial processes. He led industry solutions and go-to-market strategy. Prior to that, Mr. Khosravi spent seven years with Cisco Systems, the majority of which were focused on creation of industry transformation solutions aligned with Cisco's Internet of Things strategy such as smart connected buildings, autonomous haul trucks, remotely operated off-shore rigs, smart connected pipelines, underground location based life safety solutions, amongst others. Prior to joining Cisco, Mr. Khosravi was with Nortel Networks in a variety of roles, the most notable of which was leading the network engineering work for the 2010 Vancouver Olympics games.

Throughout his career, Mr. Khosravi has had the opportunity to work across the globe with sector leading companies such as Shell, Exxon Mobil, Rio Tinto, Saudi Aramco, Keppel, FANUC, Daimler, BMW, as well as start-ups and public sector and defense, having afforded him the opportunity to experience various corporate cultures and strategies. Mr. Khosravi holds a Bachelor of Science in Computer Engineering from the University of Calgary, and his P. Eng. designation in Alberta. He serves as an advisor and board member to a number of companies including Pocket Pills, Garmentier, ROC Modular, and others.

***Jean-François Huc***

Jean-François Huc is a co-founder and Managing Director of Rio Investment Partners. Mr. Huc has been Chief Executive Officer of Pyure, a Rio portfolio company, since 2020. He also sits on the board of Creations Foods, another RIO portfolio company. Mr. Huc was previously the VP of Innovation & Business Development at Greenfield Global. Prior to Greenfield, Mr. Huc was the Chief Executive Officer of BioAmber, a renewable chemicals company that he co-founded in 2008 and took public on the NYSE in 2013. Between 2000 and 2008, Mr. Huc was the Chief Executive Officer of start-ups in the fields of internet, transgenics and natural health. In the 1990's Mr. Huc was the corporate VP of Strategic Alliances for Sanofi Pharma and a Partner at the management consultancy Arthur D. Little, where he led the firm's French healthcare practice. Mr. Huc is Canadian, with a BSc. (Biochemistry) from Western (1988) and an MBA from York University (1992). Mr. Huc is a recipient of the 2011 US Presidential Green Chemistry Challenge Award (BioAmber) and the 2014 winner of the Society of Chemical Industry Canada International Award.

***Dr. John Andrew***

John Andrew serves as a director of the Corporation. Dr. Andrew has been Executive Director of Queen's University's Commercial Real Estate Executive Seminars since its creation in 2004. He is a former professor in the Queen's School of Urban and Regional Planning (SURP). Dr. Andrew also taught real estate management in the Queen's School of Business, and environmental policy in the School of Environmental Studies. Dr. Andrew carried out research and consults to the commercial real estate sector and government on strategic planning, financial analysis, investment strategy, urban development and environmental issues in buildings and land. Dr. Andrew holds a Ph.D. and Master of

Science in Planning from the University of Toronto, and a Bachelor of Science from The University of Western Ontario.

***Tracy Sherren***

Tracy Sherren serves as a director of the Corporation. Ms. Sherren joined Starlight Group Property Holdings Inc. ("**Starlight**") in October 2012 as the Chief Financial Officer of True North Commercial REIT and became President, Canadian Commercial in February 2020. Tracy was the Chief Financial Officer of Pacrim Hospitality Services Inc. from January 2005 to September 2012 and the Chief Financial Officer of Holloway Lodging Real Estate Investment Trust from its inception in 2005 until July 2011. Ms. Sherren is also a former director of Tricon Residential Inc. (TSX:TCN). With over 25 years of experience, Ms. Sherren has led asset management teams, acquisition due diligence, and real estate development, and has extensive experience in transaction structuring and risk management. Ms. Sherren is a Chartered Professional Accountant and obtained her Bachelor of Business Administration from Acadia University.

***Cody Church***

Cody Church serves as Chief Executive Officer of Clear North Capital. Mr. Church is extensively involved in creating value for lower mid-market Canadian private companies through overall investment strategies, deal-flow generation, facilitating key lending relationships and investment banking relationships.

With a career spanning more than 25 years, Mr. Church began his profession in 1993 as an analyst for the Leveraged Finance Group of CS First Boston where he worked with financial buyers in areas of acquisition and divestiture, high-yield bonds, IPOs and re-financings. In 1995, Mr. Church joined New York-based private equity firm, EXOR America as an associate. Cody returned home to Calgary, Alberta and co- founded TriWest Capital Partners in 1997. As Senior Managing Director, he provided critical leadership for the overall development of the firm, served on over 20 portfolio company boards and was instrumental in establishing the largest general buyout fund in Western Canada with five funds and over $1.25 billion in equity capital raised. Having assisted in growing TriWest into one of Canada's leading private equity groups, Mr. Church retired from the firm in 2018 to form Clear North Capital where he could directly focus his efforts on creating value through operational excellence for lower mid-market private Canadian companies. In addition, Mr. Church has served on the following public boards; Chairman of Edgefront REIT (now called Nexus REIT), Chairman of Source Energy Services and Chairman of Decibel Inc. (July 2019 to current) as well as is the current Chairman of POI Business Solutions based in Markham, Ontario, Chairman of Korite LP based in Calgary, Alberta and Chairman of Rapid-Span Group based in Armstrong B.C. Mr. Church is also an active board member of Pyure, Canary Biofuels, Everline Group and the Voran Group.

Mr. Church graduated cum laude with a Bachelor of Economics from Harvard University. He also received the distinct honor of being recognized as one of Canada's Top 40 Under 40 in 2010. Mr. Church volunteers and has served on a variety of charitable and non-profit boards including Vice Chairman for University of Calgary Board of Governors, Chairman of the Alberta Indigenous Opportunity Corp (AIOC), a board member of the Calgary Stampede Foundation as well as the Calgary Parks Foundation, Co-Chair of the Alberta Children's Wish Board, AGC Calgary Board, CVCA Annual Meeting Organization Committee and is a guest lecturer for the Corporate Finance faculty at the University of Calgary.

***Aki Georgacacos***

Aki Georgacacos is a co-founder and Managing Director of Rio Investment Partners. Mr. Georgacacos is currently the Chief Executive Officer of Creations Foods Inc., a Rio portfolio company, and has been a board member and advisor to Pyure since 2020. With over 15 years of venture capital experience, including being a member of the board of over 30 portfolio companies, Mr. Georgacacos has played an active and integral role in all facets of strategic planning, corporate development, governance and shareholder value optimization.

Prior to co-founding Rio, Mr. Georgacacos was a Managing Partner of Avrio Capital, the global pioneer in Agri-Food tech investing, where he led many of the fund's investments with a focus on industrial life sciences and the food and agricultural technology sectors. Past investments included Brookside Foods Ltd. (acquired by Hershey), Agribiotics (acquired by Merck), MCN Bio-products (acquired by Bunge Limited), Allylix Inc. (acquired by Evolva), Ascenta

Health (acquired by Natures Way), Walker Inc. (initial public offering), Hortau Inc., Farmers Edge Inc. (acquired by Fairfax Financial), SunSelect Produce Inc., Poss Design Ltd., Morris Industries and Ensyn Technologies.

Before he became a venture capital and private equity investor, Mr. Georgacacos was a Vice-President at Deloitte Corporate Finance where he advised private and public companies on financing strategies, mergers and acquisitions, divestitures, and strategies for maximization of shareholder value. At Deloitte, Mr. Georgacacos led numerous domestic and international assignments in the agriculture, food, biotechnology, oil and gas service and healthcare sectors. Mr. Georgacacos is a Chartered Professional Accountant with the corporate finance designation, a chartered financial analyst (CFA) charterholder and holds a Bachelor of Commerce degree from the University of Saskatchewan. He resides in Calgary and is active in various volunteer capacities including as a Director for the North Point School for Boys and as the Head Football Coach at Springbank Community High School.

***Lew Lawrick***

Lew Lawrick serves as President and Chief Executive Officer of Magna Terra Minerals Inc., a TSXV listed precious metals exploration company, as well as the Managing Director of Thorsen-Fordyce Merchant Capital Inc., a private Toronto based merchant bank established in 2003, focused principally on the extractive industries. Mr. Lawrick was the Founder of TSX listed Signal Gold Inc. (formerly Anaconda Mining Inc.) after merging his private company – Colorado Resources Inc. with Anaconda Gold Corp in 2007. He served as President and Chief Executive Officer of the Anaconda until 2010, and has served as an officer and/or director of several other private and public mining and mineral exploration companies, including Volta Resources Inc. (TSX), Franconia Minerals Corporation (TSX), Brionor Resources Inc. (formerly Normabec Mining Resources Ltd.) (TSXV), and NorthWest Copper Corp. (TSXV).

Mr. Lawrick is a seasoned public company officer and director, as both a chair and member of independent board committees including: audit, compensation, governance and nominating, and safety and environmental. Further, Mr. Lawrick in his capacity as an independent board member has chaired several independent committees overseeing successful corporate transactions, mergers and acquisitions. Mr. Lawrick holds a Bachelor of Commerce degree (BCOM) from the University of Calgary.

**Conflicts of Interest**

Certain of the proposed directors and executive officers of New Pyure are officers and directors of, or are associated with, other public and private companies. Such associations may give rise to conflicts of interest with New Pyure from time to time. The BCBCA requires, among other things, that the directors and executive officers of New Pyure act honestly and in good faith with a view to the best interest of New Pyure, to disclose any personal interest which they may have in any material contract or transaction which is proposed to be entered into with New Pyure and, in the case of directors, to abstain from voting as a director for the approval of any such contract or transaction. To the extent that conflicts of interest arise, such conflicts are required to be resolved in accordance with the provisions of the BCBCA. See also "*Corporate Governance and Board Committees*" and "Risk Factors" in this prospectus.

In no event will the Sponsors or any of the officers or directors of New Pyure be paid any fees or other compensation (for greater certainty, excluding reimbursement of expenses), including finder's fees, consulting fees or other compensation on Closing for services rendered in order to complete the Business Combination, unless expressly approved by a majority of New Pyure's unconflicted directors, being the other directors who do not have a conflict of interest in respect of the Business Combination, and subject to any consent required by the TSX.

**Other Reporting Issuer Experience**

The table below sets out the current and/or proposed directors of the Corporation that are, or were during the last five years, directors of other reporting issuers or the equivalent in Canada or a foreign jurisdiction.

| Name of Director | Name of Reporting Issuer |
|---|---|
| Tracy Sherren | Tricon Residential Inc. (TSX: TCN) |
| Lew Lawrick | Magna Terra Minerals Inc. (TSXV: MTT) |

### Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Corporation and Pyure, no proposed nominee for election as a director or proposed executive officer of New Pyure has been, at the date of the prospectus or within the last 10 years has been, a director, chief executive officer or chief financial officer of any company (including the Corporation and Pyure) that (i) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or officer was acting in the capacity as director, chief executive officer or chief financial officer, or (ii) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the knowledge of the Corporation and Pyure, no proposed nominee for election as a director or proposed executive officer of New Pyure: (i) is, or within 10 years prior to the date hereof has been, a director or executive officer of any company (including the Corporation and Pyure) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (ii) has, within 10 years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

To the knowledge of the Corporation and Pyure, no proposed nominee for election as a director or proposed executive officer of New Pyure has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to invest in New Pyure.

### Directors’ and Officers’ Liability Insurance

New Pyure intends to carry a directors’ and officers’ liability insurance policy which will be designed to protect New Pyure and its directors and officers against any legal action which may arise as a result of wrongful acts on the part of directors and/or officers of New Pyure. Such policy will be written with a maximum limit and be subject to a corporate deductible on all claims.

## DIRECTORS' AND EXECUTIVE OFFICERS' COMPENSATION

### Introduction

The following discussion describes the significant elements of the compensation of New Pyure's chief executive officer, chief financial officer, and the chief strategy officer (collectively, the "**Named Executive Officers**" or "**NEOs**"), being:

- Ian McAuley, Chief Executive Officer;
- Tom Wenner, Chief Financial Officer;
- Mahyar Khosravi, Chief Strategy Officer;
- Jean-Francois Huc, Chief Operating Officer; and
- Patrick Stevens, Senior Vice President of Sales.

Formal executive compensation arrangements for Ian McAuley and Tom Wenner have not yet been determined, and will be negotiated and settled following Closing. The expected 2023 compensation structure for Mahyar Khosravi, Patrick Steven, and Jean-Francois Huc will be as follows:

| | | | | | **Non-equity incentive compensation[2]** | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Name and Principal Position** | **Fiscal** | **Salary[1]** | **Share-Based Awards[2]** | **Option Based Incentive Awards[2]** | **Annual Incentive Plans** | **Long-Term Incentive Plans** | **Pension value[3]** | **All Other Compensation** | **Total Compensation** |
| **Mahyar Khosravi** Chief Strategy Officer | 2023 | $360,000 | - | - | - | - | - | - | $360,000 |
| **Patrick Steven** Senior Vice President of Sales | 2023 | $200,000 | - | - | - | - | - | $110,000 | $310,000 |
| **Jean-Francois Huc** Chief Operating Officer | 2023 | $384,000 | - | - | - | - | - | | $384,000 |

(1) Represents the base salary expected to be paid in Fiscal 2023.

(2) New Pyure has yet to establish equity compensation levels for its NEOs.

(3) New Pyure has yet to establish compensation relating to defined benefit or defined contribution plan.

### Overview

Pyure operates in a dynamic and rapidly evolving market. To succeed in this environment and to achieve New Pyure's business and financial objectives, New Pyure needs to attract, retain and motivate a highly talented team of executive officers. New Pyure expects its team to possess and demonstrate strong leadership and management capabilities, as well as foster its entrepreneurial, client-centric, and results-driven culture, which is at the foundation of Pyure's success and remains a pivotal part of its everyday operations.

Following Closing, New Pyure will design its executive officer compensation program to achieve the following objectives:

- provide market-competitive compensation opportunities in order to attract and retain talented, high-performing and experienced executive officers, whose knowledge, skills and performance are critical to New Pyure's success;
- motivate its executive officers to achieve its business and financial objectives;
- align the interests of its executive officers with those of its shareholders; and
- balance short-term results and create long-term sustainable value to shareholders by providing incentives that encourage appropriate levels of risk-taking by its executive officers and provide a strong pay-for-performance relationship.

New Pyure will offer its executive officers cash compensation in the form of base salary and an annual bonus, and at-risk equity-based or equity-like compensation.

Compensation-Setting Process

New Pyure's Compensation Committee will be responsible for overseeing its compensation policies, processes and practices. New Pyure's Compensation Committee will also ensure that compensation policies and practices provide an appropriate balance of risk and reward consistent with its risk profile. The Board is expected to establish a written charter for New Pyure's Compensation Committee setting out its responsibilities for administering New Pyure's compensation programs and reviewing and making recommendations to its Board concerning the level and nature of the compensation payable to its directors and executive officers. New Pyure's Compensation Committee's oversight is expected to include setting objectives, evaluating performance, and ensuring that total compensation paid to New Pyure's NEOs and various other key executive officers and key managers is fair, reasonable and consistent with the objectives of New Pyure's philosophy and compensation program. See also "*Corporate Governance and Board Committees - Committees of the Board - Compensation Committee*".

All of New Pyure's directors, executives and certain other employees will be subject to its insider trading policy, which will prohibit trading in its securities while in possession of material undisclosed information about New Pyure. Under this policy, such individuals will also be prohibited from entering into hedging transactions involving New Pyure's securities, such as short sales, puts and calls. Furthermore, New Pyure will permit such individuals, including the NEOs, to trade in its securities, only during prescribed trading windows.

It is anticipated that New Pyure's Chief Executive Officer will make recommendations to the Compensation Committee each year with respect to the compensation for the other NEOs.

**Principal Elements of Compensation**

The compensation of New Pyure's executive officers will include three major elements: (i) base salary; (ii) an annual bonus; and (iii) long-term equity incentives. Perquisites and personal benefits are not a significant element of compensation of New Pyure's executive officers.

*Base Salaries*

Base salary will be provided as a fixed source of compensation for New Pyure's executive officers. Adjustments to base salaries will be reviewed annually and as warranted throughout the year to reflect promotions or other changes in the scope of breadth of an executive officer's role or responsibilities, as well as to maintain market competitiveness.

*Annual Bonuses*

Annual bonuses will be designed to motivate New Pyure's executive officers to meet its annual business and financial objectives. Performance versus key performance indicators will be a factor in determining bonus payments to New

Pyure's executive officers. New Pyure intends to work with a compensation consultant to adopt an annual bonus plan that supports New Pyure's short-term and long-term strategic goals. Pyure currently makes annual bonus payments in cash and it is anticipated that New Pyure will continue this practice.

*Long-Term Incentives*

Equity-based awards are a variable element of compensation that will allow New Pyure to reward the executive officers for their sustained contributions to New Pyure's success. Equity awards reward performance and continued employment by the executive officer, with associated benefits to New Pyure of attracting and retaining employees. Additionally, it is expected that options and other equity-based compensation will provide the executive officer's with a strong link to long-term corporate performance and the creation of shareholder value. The Compensation Committee will determine the grant size and terms to be recommended to the Board.

*Long-Term Incentive Plan*

Following the Closing, New Pyure will implement a long-term incentive plan, for its eligible directors, officers and employees, and consultants.

## DIRECTOR COMPENSATION

### Directors' Compensation

It is expected that New Pyure will implement a director compensation program that attracts and retains global talent to serve on its Board, taking into account the risks and responsibilities of being an effective director. It is expected that this program will provide competitive director compensation through a combination of cash retainers and annual equity awards for non-employee Board members. In addition, it is expected that New Pyure will provide additional retainers for committee chairs/members and the lead independent director given the additional time commitment, level of responsibility and skill set required for those roles. All directors are expected to be entitled to reimbursement of reasonable expenses incurred by them acting in their capacity as directors. It is believed that this approach will help to attract and retain strong members for the Board who will be able to fulfill their fiduciary responsibilities without competing interests.

## INDEBTEDNESS OF DIRECTORS AND OFFICERS

None of the directors, executive officers, employees, former directors, former executive officers or former employees of the Corporation or Pyure or any of their respective subsidiaries, and none of their respective associates, is or has within 30 days before the date of this prospectus or at any time since the beginning of the most recently completed financial year been indebted to the Corporation or Pyure or any of their respective subsidiaries or another entity whose indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar agreement or understanding provided by the Corporation or Pyure or any of their respective subsidiaries.

## CORPORATE GOVERNANCE AND BOARD COMMITTEES

Pyure recognizes that good corporate governance plays an important role in New Pyure's overall success and in enhancing shareholder value and, accordingly, New Pyure will be adopting upon Closing, certain corporate governance policies and practices. The disclosure set out below describes New Pyure's expected approach to corporate governance.

*Composition of New Pyure's Board and Board Committees*

Under New Pyure's articles, the Board is to consist of a minimum of three and a maximum of 20 directors as determined from time to time by the directors. Upon Closing, the Board will consist of seven directors, five of whom will be "independent" within the meaning of NI 58-101. Under the BCBCA, a director may be removed with or without cause by a resolution passed by an ordinary majority of the votes cast by shareholders present in person or by proxy at a meeting and who are entitled to vote. The directors will be elected by shareholders at each annual meeting of shareholders, and all directors will hold office for a term expiring immediately before the election or appointment of the directors at the following annual meeting. New Pyure's articles provide that, between annual general meetings of shareholders, the directors may appoint one or more additional directors so appointed, but the number of additional directors may not at any time exceed one-third of the number of current directors who were elected or appointed other than as additional directors.

*Director Independence*

Under NI 58-101, a director is considered to be independent if he or she is independent within the meaning of NI 52-110. Pursuant to NI 52-110, an independent director is a director who is free from any direct or indirect relationship which could, in the view of the Board, be reasonably expected to interfere with a director's independent judgment. Based on information provided by each director concerning his or her background, employment and affiliations, two directors on the Board, namely Ian McAuley and Mahyar Khosravi, will not be considered independent as a result of their being executive officers of New Pyure. One member of the Board is also a member of the board of directors of another public company. It is not expected that the Board will adopt a director interlock policy, but that it will keep informed of other public directorships held by its members. In the event that the Chair of the Board is not independent, a lead independent director shall be appointed and replaced from time to time by a majority of independent directors and shall be an independent director. Discussions will be led by the Chair or, if applicable, the lead independent director who will provide feedback subsequently to the Chair.

*Meetings of Independent Directors and Conflicts of Interest*

To enhance the Board's independent judgment, the independent members of the Board will be permitted to meet in the absence of senior executive officers or any non-independent directors.

A director who has a material interest in a matter before the Board or any committee on which he or she serves will be required to disclose such interest as soon as the director becomes aware of it. In situations where a director has a material interest in a matter to be considered by the Board or any committee on which he or she serves, such director will be required to absent himself or herself from the meeting while discussions and voting with respect to the matter are taking place. Directors will also be required to comply with the relevant provisions of the BCBCA regarding conflicts of interest.

*Majority Voting Policy*

In accordance with the requirements of the TSX, the Board will adopt a "Majority Voting Policy" to the effect that a nominee for election as a director who does not receive a greater number of votes "for" than votes "withheld" with respect to the election of directors by shareholders (other than at contested meetings) shall tender his or her resignation to the Chair promptly following the meeting of shareholders at which the director was elected. The Board will promptly accept the resignation unless it determines that there are exceptional circumstances that should delay the acceptance of the resignation or justify rejecting it. The Board will make its decision and announce it in a press release within 90 days following the meeting of shareholders. A director who tenders a resignation pursuant to the Majority Voting Policy will not participate in any meeting of the Board at which the resignation is considered.

*Director Term Limits and Other Mechanisms of Board Renewal*

Rather than adopting formal term limits, mandatory age-related retirement policies and other mechanisms of board renewal, the Board will seek to maintain the composition of the Board in a way that provides, in the judgement of the Board, the best mix of skills and experience to provide for our overall stewardship.

*Mandate of the Board*

The Board will be responsible for supervising the management of the business and affairs of New Pyure, including providing guidance and strategic oversight to management. It is expected that the Board will adopt a written mandate in the form set forth in Appendix E that is expected to include the following responsibilities:

- providing oversight and guidance on the strategic issues facing New Pyure;
- requiring the Chief Executive Officer, in collaboration with the Board, to develop and to present to the Board for approval, on at least an annual basis, New Pyure's long-term strategic plan which takes into account the opportunities and risks of the business;
- supervising the development of New Pyure's operating plan;
- approving New Pyure's financial objectives and operating plan, including capital allocations, expenditures and transactions which exceed threshold amounts set by the Board;
- monitoring implementation and effectiveness of the approved strategic and operating plans;
- approving major business decisions not specifically delegated to management;
- approving New Pyure's financial statements, management's discussion and analysis, and news releases prepared by senior management and overseeing New Pyure's compliance with applicable audit, accounting and reporting requirements;
- ensuring that processes are in place to identify the principal risks inherent in New Pyure's business and operations;

- overseeing New Pyure's executive compensation program and overall compensation philosophy for all other employees;

- supervising the succession planning process of New Pyure and approving the selection, appointment, development, evaluation and compensation of the Chairman of the Board, the Chief Executive Officer and other officers;

- approving policies and practices for dealing with matters related to integrity, ethics and social responsibility;

- approving New Pyure's corporate communications policies, overseeing the establishment of policies and processes for accurate, timely and appropriate public disclosure, and monitoring compliance with a written disclosure policy and applicable corporate, securities and exchange requirements;

- establishing Board committees and defining their mandates to assist the Board in carrying out its roles and responsibilities;

- establishing, maintaining and implementing appropriate formal processes for regularly assessing the effectiveness of the Board, the Chairman of the Board, the committees, each committee chairman and individual directors; and

- reviewing the Board's mandate annually to ensure it appropriately reflects the Board's stewardship responsibilities.

It is expected that the Board will adopt a written position description for the Chair, which will set out the Chair's key responsibilities, including, among others, duties relating to setting Board meeting agendas, chairing Board and shareholder meetings and director development. It is expected that the Board will adopt a written position description for its lead independent director. See "*Meetings of Independent Directors and Conflicts of Interest*".

It is expected that the Board will adopt a written position description for each of its committee chairs which will set out each of the committee chair's key responsibilities, including, among others, duties relating to setting committee meeting agendas, chairing committee meetings and working with the respective committee and management to ensure, to the greatest extent possible, the effective functioning of the committee.

It is expected that the Board will adopt a written position description for its Chief Executive Officer which will set out the key responsibilities of its Chief Executive Officer, including, among other duties in relation to providing overall leadership, ensuring the development of a strategic plan and recommending such plan to the Board for consideration, ensuring the development of an annual corporate plan and budget that supports the strategic plan and recommending such plan to the Board for consideration, and supervising day-to-day management and communicating with shareholders and regulators.

*Orientation and Continuing Education*

Following the Closing, it is expected that New Pyure will implement an orientation program for new directors under which a new director will meet with the Chair and executive officers. It is anticipated that new directors will be provided with comprehensive orientation and education as to the nature and operation of New Pyure and its business, the role of the Board and its committees, and the contribution that an individual director is expected to make. The chair of each committee will be responsible for coordinating orientation and continuing director development programs relating to the committee's mandate.

*Code of Ethics*

It is expected that New Pyure will adopt a written code of ethics (the "**Code of Ethics**") that applies to all of its officers, directors, employees, contractors and agents acting on behalf of New Pyure. The objective of the Code of Ethics will be to provide guidelines for maintaining New Pyure and its subsidiaries' integrity, trust and respect. The Code of Ethics will address compliance with laws, rules and regulations, conflicts of interest, confidentiality, commitment, preferential treatment, financial information, internal controls and disclosure, protection and proper use of its assets, communications, fair dealing, fair competition, due diligence, illegal payments, equal employment opportunities and harassment, privacy, use of company computers and the Internet, political and charitable activities and reporting any violations of law, regulation or the Code of Ethics. The Board will have ultimate responsibility for the stewardship of the Code of Ethics and it will monitor compliance through the Nomination and Governance Committee. The Code of Ethics will be filed with the Canadian securities regulatory authorities on SEDAR at www.sedar.com.

**Committees of the Board**

Upon Closing, the Board will establish three standing committees: Audit Committee, Compensation Committee, and Nomination and Governance Committee. The following disclosure is based on the present expectations of the Corporation and Pyure with respect to the formal establishment of such committees of the Board (without changes to the proposed composition) and that the ratification and adoption of its proposed mandate (without any material modifications) will occur following the Closing. However, such disclosure remains subject to revision prior or subsequent to Closing. See "*Notice to Readers*" in this prospectus.

*Audit Committee*

New Pyure's audit committee (the "**Audit Committee**") will be composed of three directors as determined by the Board, each of whom is and must at all times be financially literate and, by one year following the date of the receipt for the final prospectus, each of whom must be independent within the meaning of NI 52-110. It is expected that the Audit Committee will be composed of Aki Georgacacos, Cody Church, and Tracy Sherren. Please refer to the relevant education and experience of each proposed member of the Audit Committee in "*Directors and Executive Officers – Biographies*".

The Audit Committee will adopt a written charter for the Audit Committee in the form set forth in Appendix F (the "**Charter of the Audit Committee**"), which sets out the Audit Committee's responsibility in reviewing and approving the financial statements of New Pyure and public disclosure documents containing financial information and reporting on such review to the Board, ensuring that adequate procedures are in place for the reviewing of New Pyure's public disclosure documents that contain financial information, overseeing the work and reviewing the independence of the external auditors.

It will be the responsibility of New Pyure's Audit Committee to maintain free and open means of communication between the Audit Committee, the external auditors and the management of New Pyure. New Pyure's Audit Committee will be given full access to New Pyure's management, records and external auditors as necessary to carry out these responsibilities. New Pyure's Audit Committee will have the authority to carry out such special investigations as it sees fit in respect of any matters within its various roles and responsibilities. New Pyure shall provide appropriate funding, as determined by its Audit Committee, for the payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report and to any advisors employed by its Audit Committee.

*Compensation Committee*

New Pyure will establish a majority or fully independent Compensation Committee following the Closing. It is expected that the Compensation Committee will conduct its business on the basis of majority approval, and will be charged with reviewing, overseeing and evaluating New Pyure's compensation policies.

The Board will adopt a written charter setting forth the purpose, composition, authority and responsibility of New Pyure's Compensation Committee. The Compensation Committee's purpose will be to:

- oversee the administration of New Pyure's compensation plans, including the equity-based plans and executive compensation programs of New Pyure;
- discharge the Board's responsibilities relating to the performance evaluation and compensation of New Pyure's officers, including the Chief Executive Officer and the Executive Chairman; and

- prepare the Compensation Committee report required by any applicable securities listing or regulatory authorities.

Further particulars of the process by which compensation for New Pyure's executive officers is determined is provided under "*Directors' and Executive* Officers' Compensation".

*Nomination and Governance Committee*

New Pyure will establish a majority or fully independent Nomination and Governance Committee following the Closing. It is expected that the Nomination and Governance Committee will conduct its business on the basis of majority approval, and will be charged with reviewing, overseeing and evaluating New Pyure's nomination and governance policies.

The Board will adopt a written charter setting forth the purpose, composition, authority and responsibility of its Nomination and Governance Committee. The Nomination and Governance Committee's purpose will be to assist the Board in:

- the appointment, performance and evaluation of New Pyure's senior executives;
- the recruitment, development and retention of New Pyure's senior executives;
- maintaining talent management and succession planning systems and processes relating to New Pyure's executive officers;
- developing benefit retirement and savings plans;
- developing New Pyure's corporate governance guidelines and principles and providing it with governance leadership;
- identifying individuals qualified to be nominated as members of New Pyure's Board;
- monitoring compliance with the Code of Ethics;
- reviewing the structure, composition and mandate of New Pyure's Board committees; and
- evaluating the performance and effectiveness of New Pyure's Board and of its Board committees.

The assessment undertaken by New Pyure's Nomination and Governance Committee will address, among other things, individual director independence, individual director and overall Board skills, and individual director financial literacy. New Pyure's Board will receive and consider the recommendations from its Nomination and Governance Committee regarding the results of the evaluation of the performance and effectiveness of its Board, committees of its Board, individual Board members, its Chair and committee chairs. New Pyure's Nomination and Governance Committee will also be responsible for orientation and continuing education programs for its directors. See also "*Corporate Governance and Board Committees – Orientation and Continuing Education*".

*Diversity*

The Corporation and Pyure believe that having a diverse Board and executive team offers a depth of perspective that enhances Board and management operations and performance. The Corporation and Pyure similarly believe that having a diverse and inclusive organization overall is beneficial to its success, and is committed to diversity and inclusion at all levels of its organization to ensure that it attracts, retains and promotes the brightest and most talented individuals.

It is anticipated that the Board does not intend to specifically define diversity, but the Nomination and Governance Committee will value diversity of experience, perspective, education, background, race, gender and national origin as part of its overall evaluation of director nominees for election or re-election and the Board and Nomination and

Governance Committee will value the same as part of their respective evaluation of candidates for executive positions. This will be achieved through ensuring that diversity considerations are taken into account to fill vacancies, continuously monitoring the level of women, visible minorities, aboriginal persons and persons with disabilities represented on the Board and on the executive team, continuing to broaden recruiting efforts to attract and interview qualified female candidates, and committing to retention and training to ensure that New Pyure's most talented employees are promoted from within the organization. It is not expected that New Pyure will implement a diversity policy in the context of the Closing.

The Board and the Nomination and Governance Committee will consider merit as the key requirement for Board and executive appointments that the Board makes, and as such, it is not expected that targets will be adopted in the context of the Closing regarding women, aboriginal persons, visible minorities and persons with disabilities in executive officer positions or as directors of the Corporation.

Currently, one (or 12.5%) of the individuals proposed as directors of New Pyure is a woman, and none (or 0%) of the proposed executive officers are women.

**Directors' and Officers' Liability Insurance**

New Pyure intends to carry a directors' and officers' liability insurance policy which will be designed to protect New Pyure and its directors and officers against any legal action which may arise as a result of wrongful acts on the part of directors and/or officers of New Pyure. Such policy will be written with a maximum limit and be subject to a corporate deductible on all claims.

## REGULATORY APPROVALS

Closing of the Business Combination is subject to certain regulatory approvals required under the Business Combination Agreement, including the TSX's listing of the Common Shares. The TSX has not yet approved the listing of the Common Shares, and there can be no assurance that it will. Listing of the Common Shares is subject to New Pyure fulfilling all of the requirements of the TSX.

## RISK FACTORS

The following are certain factors relating to the business of New Pyure and the Business Combination. The risks and uncertainties described are not the only ones that may be relevant. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this prospectus. Additional risks and uncertainties not presently known to the Corporation or Pyure may be or may become relevant. If any such risks actually occur, the business of New Pyure and/or the implementation of the Business Combination could be materially adversely affected.

### Risks Related to New Pyure's Business and Industry

***Pyure's business has experienced operating losses in the past and there is no certainty that New Pyure will achieve or sustain profitability in the future.***

Pyure's business has experienced limited revenues and operating losses in the past. There is no certainty that New Pyure will achieve or sustain profitability in the future. If New Pyure fails to increase revenues or continues to incur losses in the future, for an extended period of time, New Pyure may be unable to continue its operations.

<u>New Pyure may not be successful in implementing its business strategies and achieving profitable revenue growth.</u>

New Pyure may not grow its revenues profitably if New Pyure fails to:

- Expand its direct selling activities to large customers in target markets including healthcare, long-term care, hospitality, commercial real estate, food and agriculture and industrial applications;
- Launch a new line of connected devices that can be monitored and controlled via a cloud-based platform;
- Complete the testing and debugging of the cloud-based platform and offer IAQ services to customers through subscription services;
- Expand the number of distributors and channel partners in North America and deliver effective enablement programs that help them sell New Pyure products and services;
- Successfully deploy pilot projects and demonstrate outcomes in targeted applications that confirm the value of New Pyure solutions and deliver a return on investment for customers;
- Expand New Pyure's market presence and operations to other markets, including Europe, Latin and South America, the Middle East and Asia-Pacific regions; or
- Attract and retain strong management and employees and foster a culture that is customer, quality and safety focused, and strengthen the processes and systems in place that are required to manage the order-to-cash process, including sourcing, inventory management, product assembly, quality, shipping and receiving, invoicing and financial control;

A failure to execute on these strategies could affect New Pyure's ability to market its products, which could have a material adverse effect on New Pyure's financial condition and results of operations.

***If New Pyure cannot sustain its supply chain and navigate global bottlenecks, New Pyure may not be able to manufacture and market its products effectively and sales and revenues would suffer.***

Macroeconomic factors and governmental mandates related to the COVID-19 pandemic have negatively impacted, and may continue to impact, personnel and operations at supplier facilities in the United States and around the world, creating logistics and supply chain bottlenecks across many industries. These disruptions have adversely impacted the availability and cost of raw materials and component parts. For example, various electronic components and semiconductor chips have become increasingly difficult to source, and when available, may be subject to substantially longer lead times and higher costs than historically applicable. While New Pyure has taken steps to minimize foreign sourcing and to reduce risk in its supply chain, these ongoing global logistics and supply chain bottlenecks and component shortages may adversely impact New Pyure's ability to source parts and may result in delays in, or reduced output from New Pyure's manufacturing activities. Higher component costs and/or delays in New Pyure's ability to manufacture and distribute its products could have a material adverse effect on New Pyure's revenues and results of operations.

***If New Pyure cannot effectively support and expand its network of distributors, resellers and channel partners, New Pyure may not be able to manufacture and market its products effectively and revenues would suffer.***

New Pyure's growth strategy relies in part on the distribution of its products through distributors and resellers. Pyure has developed a network of distribution and a staff of employees and/or independent contractors in certain channels in which New Pyure operates. There is no guarantee that distributors and resellers will successfully sell New Pyure products. If they fail to do so, it could have a material adverse effect on New Pyure's revenues and results of operations.

***New Pyure faces intense competition.***

Pyure faces, and New Pyure will continue to face, intense competition from organizations that have developed and market air purification systems. Although New Pyure believes that it has significant competitive advantages over other air purification offerings, New Pyure's will face products and technologies that compete with New Pyure's solutions. Competitors may have greater financial resources than New Pyure and may be able to: (i) provide broader services and product lines; (ii) make greater investments in research and development; (iii) undertake more extensive marketing campaigns; and (iv) adopt more aggressive pricing policies. Some of New Pyure's competitors have greater brand recognition and more established channels to market. New Pyure's technology and solutions may also be rendered obsolete or uneconomical in the future by advances in existing technologies and products, or the development of new technologies or products, and some competitors may seek to mimic Pyure technology and solutions without infringing on its intellectual property.

***New Pyure's products have not been proven to reduce the risk of pathogen transmission.***

While New Pyure has demonstrated the ability of its products to reduce viruses, bacteria and mold in air and on surfaces, Pyure has not demonstrated that its pathogen reduction effect leads to a reduced risk of pathogen transmission. Pyure is undertaking trials with customers in healthcare, senior living and commercial real estate, but there can be no assurance that a reduction in microorganism levels will lead to a demonstrable reduction in the number of surgical site infections, hospital acquired infections, the number of seasonal cases of influenza, COVID-19 or other viral infections, or the number of days lost to sickness. New Pyure believes that substantial future demand for its products and services will be based on its ability to demonstrate outcomes linked to lower transmission risk, and failure to demonstrate such outcomes could result in a material reduction in New Pyure's reported revenues and results of operations.

***New Pyure's success may depend on New Pyure's ability to protect its intellectual property.***

New Pyure's success may depend on its ability to maintain patent, trade secret and other intellectual property in connection with its products and offerings, and to obtain additional protection for future innovations and designs. New Pyure's patents and trade secrets may not afford sufficient protection for New Pyure's technologies and solutions. Further, with respect to New Pyure's existing patents and any future patents that may be issued, there can be no assurance that the issued claims will provide sufficient protection against competitive products. New Pyure's competitors may develop technologies and products similar to New Pyure's technologies and products that do not infringe upon New Pyure's patents.

While New Pyure protects its trade secrets by limiting their disclosure internally and to third parties, having all employees and consultants sign confidentiality and non-disclosure agreements, and signing confidentiality and non-disclosure agreements with third parties, trade secrets are inherently difficult to protect. New Pyure may not be able to adequately protect its trade secrets or other proprietary information in the event of any unauthorized use or disclosure or the lawful development by others of this information.

In order to protect or enforce New Pyure's patent and other intellectual property rights, it may be necessary for New Pyure to initiate patent or other intellectual property litigation proceedings against third parties, such as infringement suits or interference proceedings. These lawsuits could be expensive, take significant time and could divert management's attention from other business concerns. These lawsuits could put New Pyure's patents or other intellectual property at risk of being invalidated or interpreted narrowly.

***New Pyure's success will depend partly on New Pyure's ability to operate without infringing or misappropriating the proprietary rights of others.***

New Pyure may be sued for infringing the proprietary rights of others. New Pyure may have to pay substantial damages, including treble damages, for past infringement if it is ultimately determined that New Pyure's products or technology infringe a third party's proprietary rights. Patents may be issued covering hydroxyl technology or other technologies or methods of air purification that could prevent New Pyure from developing new technologies or products.

***New Pyure may not be able to quickly expand its manufacturing capacity if demand for its products increases rapidly.***

While Pyure manufactures all of its products in its Boynton Beach, Florida facility, and has developed processes and tools to enable to use of third party contract manufacturers to expand production capacity, there can be no assurance that Pyure will be able to expand internal production capacity and cost effectively leverage contract manufacturing to rapidly ramp up production capacity, if there is a rapid surge in demand for its products. The inability to increase production capacity in step with increased demand could have a material adverse effect on revenue growth, and could also negatively impact the gross margins and the results of operations.

***If New Pyure fails to perform as expected, New Pyure's ability to develop, market and sell its new products and cloud-based solutions could be harmed.***

New Pyure's new products may contain defects in design and manufacture that may cause them to not perform as expected or that may require repairs, recalls and design changes. If these new products, related software, cloud-based platform or user interface applications fail to perform as expected, customers may delay deliveries or terminate further orders and New Pyure may need to initiate product recalls, each of which could adversely affect New Pyure's sales and brand and could adversely affect its business, financial condition and results of operations.

***New Pyure's products and solutions could face quality problems leading to recalls or product liability claims that could have a material adverse effect on New Pyure's business, financial condition and results of operations.***

Component failures, manufacturing defects, design flaws or malfunction of controls could result in an unsafe condition, injury or injury leading to death for a user of New Pyure's products. These problems could lead to the recall of, or issuance of a safety alert relating to, New Pyure's products and could result in unfavorable judicial decisions or settlements arising out of product liability claims and lawsuits, including class actions, which could negatively affect New Pyure's business, financial condition and results of operations. A material adverse event involving one of New Pyure's products could result in reduced market acceptance and demand for all products offered under New Pyure's brand and could harm its reputation and ability to market products in the future, leading to a loss of customers and a decline in revenues.

Any product liability claim brought against New Pyure, with or without merit, could be costly to defend and resolve. Any of the foregoing problems, including product liability claims or product recalls in the future, regardless of their ultimate outcome, could harm New Pyure's reputation and have a material adverse effect on its business, financial condition and results of operations.

***New Pyure's ability to expand its product offerings and introduce additional products and services may be limited, which could have a material adverse effect on New Pyure's business, financial condition and results of operations.***

There can be no assurance that New Pyure will be successful in developing future products or services. New Pyure may fail in demonstrating the value of any new product or service to customers, which would compromise New

Pyure's ability to create new revenue streams or generate a return on the development investment made. Entry into new markets may require New Pyure to compete with new companies, cater to customer expectations and comply with new complex regulations, which may be unfamiliar. Accordingly, New Pyure may need to invest significant resources to penetrate new markets and a return on such investments may not be achieved for several years, if at all. Failure to comply with applicable regulations or to obtain required licenses could result in penalties, fines and market access restrictions.

***New Pyure's class I and class II medical devices are subject to regulatory requirements, and if New Pyure fails to comply with regulations, New Pyure's business could suffer.***

In 2014, the U.S. Food and Drug Administration ("**FDA**") cleared Pyure's MDU/Rx$^{TM}$ product as a Class II medical device. New Pyure and any contract manufacturer New Pyure engages to produce this medical device are subject to FDA regulatory requirements, which include quality system regulations related to the manufacture of New Pyure's medical device, labeling regulations and medical device reporting ("**MDR**") regulations. The MDR regulations require New Pyure to report to the FDA if New Pyure becomes aware of information that reasonably suggests its devices may have caused or contributed to a death or serious injury, or haves malfunctioned and the devices or similar devices New Pyure markets would likely cause or contribute to a death or serious injury if the malfunction were to recur. New Pyure must report corrections and removals to the FDA where the correction or removal was initiated to reduce a risk to health posed by the devices or to remedy a violation of the Federal Food, Drug, and Cosmetic Act (the "**FDCA**") caused by the device that may present a risk to health, and maintain records of other corrections or removals.

The manufacturing process for the MDU/Rx$^{TM}$ product is subject to FDA regulations. New Pyure and any suppliers and manufacturers must meet applicable manufacturing requirements and undergo rigorous facility and process validation and controls, documentation and record-keeping required in order to comply with the FDA's quality system regulations. Although New Pyure agreements with New Pyure's contract manufacturers require them to perform according to FDA quality system requirements, any of New Pyure's suppliers or manufacturers could fail to comply with such requirements or to perform their obligations to New Pyure in relation to quality or otherwise. Under these circumstances, New Pyure may choose or be forced to enter into an agreement with another third-party manufacturer, which New Pyure may not be able to do on reasonable terms, if at all. If New Pyure is required to change manufacturers for any reason, New Pyure must verify that the new manufacturer maintains facilities and procedures that comply with applicable quality standards and regulations. The delays associated with the qualification of a new contract manufacturer could negatively affect New Pyure's ability to produce its products in a timely manner or within budget.

The FDA regulates promotion, advertising and claims made with respect to FDA-regulated medical devices, including the MDU/Rx$^{TM}$ product. Failure to comply with these requirements can result in, among other things, adverse publicity, warning letters, corrective advertising, market withdrawal and potential civil and criminal penalties.

The FDA and state authorities have broad enforcement powers. New Pyure and any contract manufacturers are subject to ongoing inspection by regulatory authorities from time to time. New Pyure or its contract manufacturer's failure to comply with applicable regulatory requirements could result in enforcement actions by the FDA or state agencies, which may include any of the following sanctions: untitled letters, warning letters, fines, injunctions, consent decrees and civil penalties, recall, termination of distribution, administrative detention, injunction or seizure of New Pyure devices, customer notifications or repair, replacement or refunds, operating restrictions or partial suspension or total shutdown of production, refusing or delaying New Pyure's requests for modifications to its device, withdrawing or suspending the clearance granted, FDA refusal to issue certificates to foreign governments needed to export products for sale in other countries, and criminal prosecution. Any corrective action, whether voluntary or involuntary, as well as potentially defending itself in a lawsuit, will require the dedication of New Pyure's time and capital, distract management from operating New Pyure's business and may harm its reputation and financial results.

New Pyure has registered the MDU/Rx$^{TM}$ product as a class I medical device in Europe through an Italian registration process. Though the device is not currently sold in Europe, future sales will require that Pyure be in full compliance with Italian and European regulatory requirements, which are substantially similar to FDA requirements but have some distinct differences. Failure to comply with such regulations would compromise New Pyure's ability to sell the MDU/Rx$^{TM}$ product as a class I medical device in Europe in the future, and could expose New Pyure to fines or penalties.

New Pyure has not registered the MDU/Rx™ device as a medical device in any other jurisdiction, including Canada, and therefore cannot make in these countries the FDA registered claims related to the reduction of viruses and bacteria in air in medical facilities. Failure to comply with the regulations concerning product labelling and claims in these countries could lead to fines, penalties or product withdrawal, which could harm New Pyure's reputation and have an adverse effect on its business and results of operations.

***New Pyure may not be able to maintain satisfactory pricing and margins for New Pyure's products and services, which could harm its business and results of operations.***

New Pyure can give no assurance that it will be able to maintain satisfactory prices for its devices and other products New Pyure develops in the future. If New Pyure is forced to lower the prices for its solutions, New Pyure's gross margins will decrease, which will harm New Pyure's ability to invest in and grow its business. If New Pyure is unable to maintain its prices, or if New Pyure's costs increase and New Pyure is unable to offset such increases with an increase in its prices, New Pyure's margins could erode, which could harm its business, financial condition and results of operations.

***New Pyure receives a significant portion of its revenues from a small number of customers and the loss of, or nonperformance by, one or more of New Pyure's significant customers could adversely affect New Pyure's business.***

During the year ended December 31, 2021, Pyure's largest and second largest customers accounted for approximately 64% and 7% of the Pyure's revenues, respectively. Pyure's largest customer in the 2021 fiscal year was Bioshine deploying 9,060 units to a variety of customers and applications. As New Pyure rolls out its devices to a wider group of potential customers, it is expected that New Pyure's largest customers may vary from period to period. However, as New Pyure continues to market its products and seeks to develop and grow its customer base, New Pyure's revenues and results of operations in any given period going forward may materially rely on a few significant customers. The failure of such customers to purchase could result in a material reduction in New Pyure's reported revenues and results of operations.

***Digital marketing and social media efforts may expose New Pyure to additional regulatory scrutiny.***

In addition to the laws and regulations enforced by the FDA, advertising for various services and for non-restricted medical devices is subject to federal truth-in-advertising laws enforced by the FTC, as well as comparable state consumer protection laws. New Pyure's efforts to promote its products and services to businesses (B2B) via social media initiatives may subject New Pyure to additional scrutiny of its practices. For example, the FTC and other consumer protection agencies scrutinize all forms of advertising (whether in digital or traditional formats) for business services to ensure that advertisers are not making false, misleading or unsubstantiated claims or failing to disclose material relationships between the advertiser and its products' endorsers, among other potential issues.

Under the FTC Act, the FTC is empowered, among other things, to (a) prevent unfair methods of competition and unfair or deceptive acts or practices in or affecting commerce; (b) seek monetary redress and other relief for conduct injurious to consumers; and (c) gather and compile information and conduct investigations relating to the organization, business, practices, and management of entities engaged in commerce. The FTC has very broad enforcement authority, and failure to abide by the substantive requirements of the FTC Act can result in administrative or judicial penalties, including injunctions affecting the manner in which New Pyure would be able to market its products and services in the future, or criminal prosecution. New Pyure may increase its advertising activities that could be subject to these federal and state truth-in-advertising laws. Any actual or perceived non-compliance with those laws could lead to an investigation by the FTC or a comparable state agency, or could lead to allegations of misleading advertising by plaintiffs. Any such action against New Pyure could disrupt its business operations, cause damage to New Pyure's reputation, and result in a material adverse effect on its business.

***Insurance policies may be expensive and only protect New Pyure from some business risks, which could leave New Pyure exposed to uninsured liabilities.***

New Pyure does not know if it will be able to obtain and maintain insurance with adequate levels of coverage. Any significant uninsured liability may require New Pyure to pay substantial amounts, which may adversely affect its business, financial position and results of operations.

***Additional governmental regulation or changes to standards could impact New Pyure's ability to certify its products in certain countries or states, which would adversely affect New Pyure's revenues***.

New Pyure's business strategy depends in part on New Pyure's ability to certify New Pyure's products with the necessary national and state certifications required for sale. Additional laws and regulations, or changes to existing laws and regulations that are applicable to New Pyure's technology products or services, may be enacted or promulgated, and the interpretation, application or enforcement of existing laws and regulations may change. New Pyure cannot predict the nature of any future laws, regulations, interpretations, applications or enforcement or the specific effects any of these might have on its business.

Any future laws, regulations, interpretations, applications or enforcement could delay or prevent certification or regulatory clearance of New Pyure's existing or future products and New Pyure's ability to market its products. Moreover, changes that result in New Pyure's failure to comply with the requirements of applicable laws and regulations could impair New Pyure's ability to sell the affected products.

***New Pyure's results of operations may fluctuate significantly, which will make New Pyure's future results difficult to predict and could cause its results to fall below expectations.***

New Pyure's quarterly and annual results of operations may fluctuate significantly, which will make it difficult for New Pyure to predict its future results. These fluctuations may occur due to a variety of factors, many of which are outside of New Pyure's control and may be difficult to predict, including, but not limited to the level of demand for current and future products and services, which may vary significantly over time, the customer mix and the varying lengths of sales cycles for different market segments, developments involving New Pyure's competitors, general market conditions and other factors, including factors unrelated to New Pyure's operating performance or the operating performance of New Pyure's competitors, and the timing and cost of, and level of investment in, commercialization activities, which may change from time to time.

The cumulative effects of these factors could result in large fluctuations and unpredictability in New Pyure's quarterly and annual results of operations. As a result, comparing New Pyure's results of operations on a period-to-period basis may not be meaningful. Investors should not rely on New Pyure's past results as an indication of New Pyure's future performance.

This variability and unpredictability could also result in New Pyure's failing to meet the expectations of industry or financial analysts or investors for any period. If New Pyure's revenue or results of operations fall below the expectations of analysts or investors or below any forecasts New Pyure may provide to the market, or if the forecasts New Pyure provides to the market are below the expectations of analysts or investors, the price of the Common Shares could decline substantially. Such a share price decline could occur even when New Pyure has met any previously publicly stated revenue or operating guidance it may provide.

***There is no assurance that New Pyure will be able to expand into new markets successfully***

New Pyure plans to expand into international markets to sell its products. Any such decision would involve the adoption of new local regulations, which could evolve. New risks may emerge as a result and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. Failure to comply with the requirements of local laws could have a material adverse impact on New Pyure's business, financial condition and operating results. In addition, with each new market that New Pyure enters, it will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions imposed on its operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to New Pyure's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on its business, results of operations and financial condition.

Moreover, there can be no assurance that any market for New Pyure's products will develop in any additional jurisdictions into which it may expand. New Pyure may face new or unexpected risks or significantly increase its exposure to one or more existing risk factors if it expands into new jurisdictions, including, without limitation, economic instability, new competition, and additional, new or changes in laws and regulations (including, without limitation, the possibility that New Pyure could be in violation of these laws and regulations as a result of such changes). These factors may limit New Pyure's ability to successfully expand its operations in, export its products to, or provide its services in, those new jurisdictions.

***Security breaches, loss of data and other disruptions could compromise sensitive information related to New Pyure's business, prevent New Pyure from accessing critical information or expose New Pyure to liability, which could adversely affect New Pyure's business and reputation.***

New Pyure utilizes information technology systems and networks to process, transmit and store electronic information in connection with New Pyure's business activities. As the use of digital technologies has increased, cyber incidents, including deliberate attacks and attempts to gain unauthorized access to computer systems and networks, have increased in frequency and sophistication. These threats pose a risk to the security of New Pyure's systems and networks and the confidentiality, availability and integrity of data that New Pyure's products and cloud-based platform collect, store and exploit. These data sources are vital to New Pyure's operations and business strategy. There can be no assurance that New Pyure will be successful in preventing cyber-attacks or successfully mitigating their effects.

Despite the implementation of security measures, New Pyure's computer systems and those of New Pyure's current and future third-party service providers are vulnerable to damage or disruption from hacking, computer viruses, software bugs, unauthorized access or disclosure, natural disasters, terrorism, war and telecommunication, equipment and electrical failures. In addition, there can be no assurance that New Pyure will promptly detect any such disruption or security breach, if at all. Unauthorized access, loss or dissemination could disrupt New Pyure's operations, including New Pyure's ability to conduct research and development activities, process and prepare company financial information and manage various general and administrative aspects of New Pyure's business. To the extent that any such disruption or security breach results in a loss of or damage to New Pyure's data or applications, or inappropriate disclosure or theft of confidential, proprietary or personal information, New Pyure could incur liability, suffer reputational damage or poor financial performance or become the subject of regulatory actions by federal, provincial, state or other authorities, any of which could adversely affect New Pyure's business.

***New Pyure may be subject to legal proceedings in the ordinary course of its business. If the outcomes of these proceedings are adverse to New Pyure, it could have a material adverse effect on its business, financial condition and results of operations.***

New Pyure may be subject to various litigation matters from time to time, which could have a material adverse effect on its business, financial condition and results of operations. Claims arising out of actual or alleged violations of law could be asserted against New Pyure by individuals, either individually or through class actions, by governmental entities in civil or criminal investigations and proceedings or by other entities. These claims could be asserted under a variety of laws, including but not limited to intellectual property laws, privacy laws, labor and employment laws, securities laws and employee benefit laws. These actions could expose New Pyure to adverse publicity and to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil fines and penalties, including but not limited to suspension or revocation of licenses to conduct business.

***New Pyure may not pay dividends.***

The declaration and payment of dividends or distributions by New Pyure will be at the discretion of the Board subject to restrictions under applicable laws, and may be affected by numerous factors, including New Pyure revenues, cash flow, financial condition, debt covenants, capital investment requirements and other legal, regulatory or contractual restrictions. A failure to pay dividends or a reduction or cessation of the payment of dividends could materially adversely affect the trading price of Common Shares.

**Risks Related to the Business Combination**

***Since the Sponsors and each of the Founders will lose their investment in the Corporation if a qualifying acquisition is not completed, a conflict of interest may arise in determining whether the Business Combination is appropriate.***

The Founders, including the Sponsors, will not be entitled to redeem their Founders' Shares and our Sponsors will not be entitled to redeem their Class B Shares in connection with a qualifying acquisition and will not be entitled to access the Escrow Account in respect thereof upon a winding-up of the Corporation. In addition, following completion of the

Business Combination, certain of the Proportionate Voting Shares or Common Shares held by the Founders, including the Sponsors, into which their Founders' Shares and Class B Shares are ultimately convertible, will be subject to the Lock-Up Restrictions, as described under the heading "*Securities Subject to Contractual Restriction on Transfer – Lock-Up Agreements*". As a result, the Founders, and the Sponsors may have interests in the Business Combination that may be different from, or in addition to, the interests of shareholders generally.

***Completion of the Business Combination is subject to a number of conditions precedent and required approvals.***

The Business Combination is subject to various closing conditions, which are set out in the Business Combination Agreement. Some of the conditions precedent that are required in order to complete the Business Combination are outside the Corporation's control, including, without limitation, certain approvals from the Exchange and the completion of the Pyure Financing (see "*The Business Combination – The Business Combination Agreement*"). There can be no certainty, nor can the Corporation provide any assurance, that all conditions precedent to the Business Combination will be satisfied or waived, or, if satisfied or waived, when they will be satisfied or waived. If certain approvals and consents are not received prior to Closing, or if certain conditions are not satisfied, the Corporation and/or Pyure, as applicable, may decide to proceed nonetheless, or it may either delay or amend the implementation of all or part of the Business Combination, including possibly delaying the Closing in order to allow sufficient time to complete or satisfy such matters. If the Business Combination is delayed or not completed, the market price of the Class A Restricted Voting Shares may be materially adversely affected.

***There can be no assurance that the Pyure Financing will be completed***

There is no assurance that Pyure will be able to complete the Pyure Financing condition set out in the Business Combination Agreement, and if such condition is waived by the Corporation, will result in less funds being available to New Pyure following the Closing, which may have an adverse impact on New Pyure's financial position.

***The Business Combination may be terminated in certain circumstances.***

Each of the Corporation and Pyure has the right to terminate the applicable Business Combination Agreement in certain circumstances and not complete the Business Combination. Specifically, the Corporation and Pyure have the right to terminate the Business Combination Agreement by mutual consent and either party has the right to terminate the Business Combination Agreement if the closing of the Business Combination shall not have occurred by the Outside Date, if the other party has breached the Business Combination Agreement and such breach would cause the failure of any condition precedent, if there shall be any laws that makes consummation of the Business Combination illegal or otherwise prohibited or if the Financing is not completed by the Outside Date. In addition, the Corporation has the right to terminate the Business Combination Agreement if there has been a Material Adverse Change (as defined in the Business Combination Agreement) with respect to Pyure or Pyure's business.

***Redemptions of Class A Restricted Voting Shares***

Holders of Class A Restricted Voting Shares can elect to redeem all or a portion of their Class A Restricted Voting Shares in exchange for the Redemption Amount. A redemption of the Class A Restricted Voting Shares will directly reduce the funds available to New Pyure and if there are high levels of redemptions there may be a negative impact on New Pyure's ability to execute on its strategy following the Closing, limit its growth and may have a material adverse effect upon future profitability of New Pyure going forward. Actual redemptions in connection with the Business Combination and Extension could differ from the levels contemplated in this prospectus and could result in less funds being available to New Pyure following the Closing.

***There are certain costs related to the Business Combination that must be paid even if the Business Combination is not completed.***

There are certain costs related to the Business Combination, such as those for legal and accounting advisory services and for producing this prospectus that must be paid even if the Business Combination is not completed. There are also opportunity costs associated with the diversion of management attention away from the conduct of business in the ordinary course. These costs may have an adverse impact on the Corporation's financial position.

***Subsequent to the Closing, New Pyure may be required to take write-downs or write-offs, restructuring and impairment or other charges that could have a significant negative effect on the financial condition, results of operations and Common Share price, which could cause investors to lose some or all of their investment.***

Although the Corporation conducted due diligence on Pyure, the Corporation cannot assure that this diligence revealed all material issues that may be present in Pyure's business, that it would be possible to uncover all material issues through a customary amount of due diligence or that factors outside of either party's control will not later arise. As a result, New Pyure may be forced to later write down or write-off assets, restructure its operations or incur impairment or other charges that could result in losses. Even if due diligence successfully identified certain risks, unexpected risks may arise and previously known risks may materialize in a manner not consistent with the Corporation's preliminary risk analysis. Even though these charges may be non-cash items and not have an immediate impact on New Pyure's liquidity, the fact that charges of this nature are reported could contribute to negative market perceptions. In addition, charges of this nature may cause New Pyure to be unable to obtain future financing on favorable terms or at all.

***There can be no assurance that the TSX will approve the Business Combination or that the Common Shares will be approved for listing on the TSX following the Closing, or if approved, that the Common Shares and Warrants will be able to comply with the continued listing standards of the TSX.***

Class A Restricted Voting Shares and the Warrants are currently listed on the TSX. The Corporation will apply to have the TSX approve the Business Combination as the Corporation's qualifying acquisition and to list the Common Shares on the TSX after Closing (which listing approval is a condition precedent to the Closing). There is no assurance that the TSX will approve the Business Combination or that the TSX will approve the listing application. Listing of the Common Shares and the continued listing of the Warrants is subject to New Pyure fulfilling all of the requirements of the TSX. If, after the Closing, the TSX delists the Common Shares or Warrants from trading on the TSX for failure to meet the continued listing requirements, New Pyure and its shareholders could face significant material adverse consequences.

***There may be a limited market for the Common Shares.***

Notwithstanding that it is a condition of closing that the Common Shares are listed on the TSX, there can be no assurance that an active and liquid market for such Common Shares will develop or be maintained and investors may find it difficult to resell any securities of New Pyure. If redemptions of Class A Restricted Voting Shares in connection with the Business Combination and Extension are high, the liquidity of the Common Shares will be reduced.

***New Pyure will have broad discretion in applying the escrowed funds***

Following the Closing, New Pyure's management will have broad discretion in the application of New Pyure's funds, including the escrowed funds, and could spend the proceeds in ways that do not improve its results of operations or enhance the value of the Common Shares. The failure by New Pyure's management to apply these funds effectively could result in financial losses that could have a material adverse effect on New Pyure's business, results of operations and financial condition.

***Risk associated with the contractual right of action***

The contractual right of action to be provided to the original purchasers of Class A Restricted Voting Units could expose the Corporation to one or more actions for rescission or damages, and costs, following the Business Combination if this prospectus contains or is alleged to have contained a misrepresentation. These contractual rights may result in a material adverse effect on New Pyure's business, financial condition, results of operations or prospects. See "*Contractual Right of Action*".

***If the Business Combination benefits do not meet the expectations of investors or securities analysts, the market price of New Pyure's securities may decline.***

If the benefits of the Business Combination do not meet the expectations of investors or securities analysts, the market price of the Corporation's securities prior to the Effective Time may decline. The market values of securities at the time of the Business Combination may vary significantly from their prices on the date the Business Combination Agreement is executed.

In addition, following the Business Combination, fluctuations in the price of New Pyure's securities could contribute to the loss of all or part of investor's investments. Any of the factors listed below could have a material adverse effect on investments in New Pyure's securities, and they may trade at prices significantly below the price paid for them.

- actual or anticipated fluctuations in New Pyure's quarterly financial results or the quarterly financial results of companies perceived to be similar;
- changes in the market's expectations about operating results;
- success of competitors;
- New Pyure's operating results failing to meet the expectation of securities analysts or investors in a particular period;
- operating and share price performance of other companies that investors deem comparable to New Pyure;
- changes in laws and regulations affecting the business;
- commencement of, or involvement in, litigation involving New Pyure;
- changes in New Pyure's capital structure, such as future issuances of securities or the incurrence of additional debt;
- any major change in the Board or management; and
- sales of substantial amounts of Common Shares by directors, executive officers or significant shareholders; or
- the perception that such sales could occur.

In such circumstances, the trading price may not recover and may experience a further decline.

In addition, broad market and industry factors may materially harm the market price of the Common Shares irrespective of operating performance. The stock market in general and the TSX in particular, have experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the particular companies affected. The trading prices and valuations of these shares, and of the Common Shares, may not be predictable. A loss of investor confidence in the market for retail stocks or the shares of other companies, which investors perceive to be similar to New Pyure could depress the share price regardless of New Pyure's business, prospects, financial conditions or results of operations. A decline in the market price of the Common Shares also could adversely affect its ability to issue additional securities and to obtain additional financing in the future.

***Warrants will become exercisable for Common Shares, which would increase the number of shares eligible for future resale in the public market and result in dilution to shareholders.***

If the Business Combination is completed, as the outstanding Class A Restricted Voting Shares will have been automatically converted into Common Shares, each outstanding Warrant will become exercisable commencing 65 days after the completion of the Business Combination in accordance with the terms of the Warrant Agreement. Each Warrant entitles the holder thereof to purchase one Common Share at an exercise price of $11.50, subject to anti-dilution adjustments. The extent to which such Warrants are exercised will result in dilution to the holders of Common Shares and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market or the fact that such Warrants may be exercised could adversely affect the market price of the Common Shares.

***Even if the Business Combination becomes effective, there is no guarantee that the Warrants will ever be in-the-money, and the Warrants may expire worthless.***

Pursuant to the terms of the Warrant Agreement, the Warrants will be exercisable commencing 65 days following the closing of the Business Combination for an exercise price of $11.50 per Common Share. There is no guarantee that the Warrants will ever be in-the-money prior to their expiration, and as such, the Warrants may expire worthless.

***The successful effect of the Business Combination and the successful operation of the business thereafter will be largely dependent upon the efforts of certain key personnel, all of whom are expected to stay with New Pyure following the Business Combination. The loss of such key personnel could negatively impact the operations and profitability of the post-combination business.***

The Corporation's ability to successfully effect the Business Combination and successfully operate the business is dependent upon the efforts of certain key personnel. Although all of such key personnel are expected to remain with New Pyure following the Business Combination, it is possible that New Pyure will lose some key personnel, the loss of which could negatively impact the operations and profitability of the post-combination business.

***The Corporation is a special purpose acquisition corporation, has no operating history and is subject to a mandatory liquidation requirement. As such, there is a risk that the Corporation will be unable to continue as a going concern and consummate a qualifying acquisition.***

The Corporation is a special purpose acquisition corporation and, as such, has no operating history and is subject to a mandatory liquidation requirement should it fail to consummate a qualifying acquisition within the permitted timeline. Therefore, there is a risk that the Corporation will be unable to complete a qualifying acquisition should the Business Combination not be consummated. If the Corporation does not complete its qualifying acquisition within the permitted timeline, the Corporation will (i) cease all operations except for the purpose of winding-up; and (ii) as promptly as reasonably possible redeem 100% of the Class A Restricted Voting Shares for cash.

***Potential future sales of shares could adversely affect prevailing market prices for the Common Shares.***

New Pyure cannot predict the size of future issuances of Common Shares or the effect, if any, that future issuances and sales of Common Shares will have on the market price of the Common Shares. Sales of substantial amounts of Common Shares, or the perception that such sales could occur, may adversely affect prevailing market prices for the Common Shares.

***Sales of a substantial number of the Common Shares may cause the price of the Common Shares to decline.***

Any sales of substantial numbers of the Common Shares in the public market or the exercise of significant amounts of the Warrants or the perception that such sales or exercise might occur may cause the market price of the Common Shares to decline. The market price of the Common Shares could be adversely affected upon the expiration of lock up periods applicable to certain Locked-Up Shareholders.

***Further equity financing may dilute the interests of New Pyure Shareholders and depress the price of the Common Shares.***

If New Pyure raises additional financing through the issuance of equity securities (including securities convertible or exchangeable into equity securities) or completes an acquisition or merger by issuing additional equity securities, such issuance may substantially dilute the interests of New Pyure Shareholders and reduce the value of their investment. New Pyure's articles permit the issuance of an unlimited number of Common Shares, and New Pyure Shareholders will have no pre-emptive rights in connection with a future issuance. The Board has the discretion to determine the price and the terms of issue of future issuances. Moreover, additional Common Shares may be issued by New Pyure on the exercise of grants under the New Pyure option plan and upon the exercise of outstanding Warrants. The market price of the Common Shares could decline as a result of issuances of new shares or sales by shareholders of Common Shares in the market or the perception that such sales could occur. Sales by New Pyure Shareholders might also make it more difficult for New Pyure itself to sell equity securities at a time and price that it deems appropriate.

***New Pyure will be subject to the costs of being a public company.***

As a public issuer, New Pyure will be subject to the reporting requirements and rules and regulations under applicable Canadian securities laws and the rules of any stock exchange on which New Pyure's securities may be listed from time to time. Additional or new regulatory requirements may be adopted in the future. The requirements of existing and potential future rules and regulations will increase New Pyure's legal, accounting and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place undue strain on its personnel, systems and resources, which could adversely affect its business and financial condition. In particular, New Pyure will be subject to reporting and other obligations under applicable Canadian securities laws, including NI 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*. These reporting and other obligations place significant demands on New Pyure as well as on New Pyure's management, administrative, operational and accounting resources. Effective internal controls, including financial reporting and disclosure controls and procedures, are necessary for New Pyure to provide reliable financial reports, to effectively reduce the risk of fraud and to operate successfully as a public company. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm New Pyure's results of operations or cause it to fail to meet its reporting obligations. If New Pyure or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in New Pyure's consolidated financial statements and materially adversely affect the trading price of the Common Shares and of other listed securities of New Pyure.

***New Pyure may lose foreign private issuer status in the future, which could result in significant additional costs and expenses.***

New Pyure expects that it will be a "foreign private issuer" (as such term is defined in Rule 405 of Regulation C under the U.S. Securities Act) and that it will not be subject to the same requirements that are imposed upon U.S. domestic issuers by the SEC. New Pyure may in the future lose foreign private issuer status if a majority of its Shares are held in the U.S. and it fails to meet the additional requirements necessary to avoid loss of foreign private issuer status, such as if: (1) a majority of its directors or executive officers are U.S. citizens or residents; (2) a majority of its assets are located in the U.S.; or (3) its business is administered principally in the U.S.

If New Pyure loses its foreign private issuer status and decides, or is required, to register as a U.S. domestic issuer, the regulatory and compliance costs will be significantly more than the costs incurred as a Canadian foreign private issuer. In such event, New Pyure would not be eligible to use foreign issuer forms and would be required to file periodic and current reports and registration statements on U.S. domestic issuer forms with the SEC, which are generally more detailed and extensive than the forms available to a foreign private issuer.

*U.S. Domestic Corporation for U.S. Federal Income Tax Purposes*

It is anticipated that New Pyure will be treated as a U.S. domestic corporation for U.S. federal income tax purposes under Section 7874(b) of the Code as a result of the Business Combination. Consequently, it is anticipated that New Pyure will be subject to U.S. federal income tax on its worldwide taxable income. Because New Pyure will be a resident of Canada for purposes of the Tax Act, New Pyure also will be subject to Canadian income tax. Consequently, New Pyure will be liable for both U.S. and Canadian income tax, which could have a material adverse effect on its financial condition and results of operations.

*Net Operating Loss Limitations*

Section 382 of the Code contains rules that limit for U.S. federal income tax purposes the ability of a corporation that undergoes an "ownership change" to utilize its net operating losses (and certain other tax attributes) existing as of the date of such ownership change. Under these rules, a corporation is treated as having had an "ownership change" if there is more than a 50% increase in stock ownership by one or more "five percent shareholders", within the meaning of Section 382 of the Code, during a rolling three-year period. It is possible that the Business Combination may result in an ownership change for purposes of Section 382 of the Code. If there is an ownership change and the Corporation has material net operating loss carry forwards or other tax attribute carry forwards as of December 31, 2020, such net operating loss carry forwards or other tax attribute carry forwards would be subject to limitation under Section 382 of the Code.

*Withholding Tax on Dividends*

Dividends received on the Common Shares by Canadian Resident Holders of Common Shares will be subject to U.S. withholding tax. A foreign tax credit under the Tax Act in respect of such U.S. withholding taxes may not be available to such holder. See "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Dividends on Common Shares*". Dividends received on the Common Shares by Non-Canadian Resident Holders who are U.S. Holders will not be subject to U.S. withholding tax but will be subject to Canadian withholding tax. As discussed above, a U.S. foreign tax credit in respect of such Canadian withholding taxes may not be available to such holder. See "*Certain United States Federal Income Tax Considerations*". A holder that is both a Non-Canadian Resident Holder and a Non-U.S. Holder may be subject to (a) Canadian withholding tax (see "*Certain Canadian Federal Income Tax Considerations*"), and (b) U.S. withholding tax (see "*Certain United States Federal Income Tax Considerations*") on dividends received on the Common Shares. Non-Canadian Resident Holders and Non-U.S. Holders should consult their own tax advisors with respect to the availability of any foreign tax credits or deductions in respect of any Canadian or U.S. withholding tax applicable to dividends on the Common Shares.

*Risk of U.S. Tax Classification as a USRPHC*

As noted above, as a result of the Business Combination, it is anticipated that New Pyure will be treated as a U.S. domestic corporation for U.S. federal income tax purposes under Section 7874(b) of the Code. As a result, the taxation of New Pyure's Non-U.S. Holders upon a disposition of Common Shares generally depends on whether New Pyure is classified as a United States real property holding corporation (a "**USRPHC**") under the Code. New Pyure is not anticipated to be a USRPHC. However, New Pyure is not expected to seek formal confirmation of its status as a non-USRPHC from the IRS. If New Pyure were to be considered a USRPHC, Non-U.S. Holders may be subject to U.S. federal income tax on any gain associated with the disposition of Common Shares. See "Certain United States Federal Income Tax Considerations".

The discussion of certain U.S. federal income tax and certain Canadian federal income tax risks under "*Risk Factors – Risks Related to the Business Combination*" is subject in its entirety to the summaries set forth in "*Certain Canadian Federal Income Tax Considerations*" and "*Certain United States Federal Income Tax Considerations*".

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the principal Canadian federal income tax considerations under the Tax Act, as of the date hereof, generally applicable to a beneficial owner of Common Shares or Warrants (collectively, the "**Securities**") following the Business Combination who, at all relevant times, for purposes of the Tax Act, deals at arm's length with, and is not affiliated with, New Pyure and who holds such Securities as capital property (a "**Holder**"), all within the meaning of the Tax Act. This summary does not apply to (i) any of the Founders, or (ii) a Holder who has entered or will enter into a "derivative forward agreement" as that term is defined in the Tax Act with respect to any of the Securities. A Security will generally be considered to be capital property to a Holder unless the Holder acquired or holds (or will hold) such Security in the course of carrying on a business of trading or dealing in securities or in a transaction or transactions considered to be an adventure or concern in the nature of trade.

This summary is based on the facts set forth in this prospectus, the current provisions of the Tax Act, an understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**") made publicly available prior to the date hereof and all specific proposals to amend the Tax Act publicly announced by or on behalf the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**"). No assurances can be given that the Proposed Amendments will be enacted or will be enacted as proposed. Other than the Proposed Amendments, this summary does not take into account or anticipate any other changes in law or the administrative policies or assessing practices of the CRA, whether by way of judicial, legislative, governmental or administrative decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ materially from the Canadian federal income tax considerations discussed herein.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular holder and no representations with respect to the income tax consequences to any particular holder are made. This summary is not exhaustive of all possible Canadian federal income tax considerations. Accordingly, Holders are urged to consult their own income tax advisors with respect to their own particular circumstances.**

### Currency Conversion

In general, for purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of the Securities must be converted into Canadian dollars based on the applicable exchange rate quoted by the Bank of Canada for the relevant day or such other rate of exchange that is acceptable to the CRA. Holders of Securities may, as a consequence, realize capital gains or capital losses, or be deemed to receive dividends, by virtue of changes in the value of the U.S. dollar relative to the Canadian dollar in connection to the acquisition, holding or disposition of the Securities.

### Holders Resident in Canada

This portion of the summary applies to a Holder who, at all relevant times, is or is deemed to be resident in Canada for purposes of the Tax Act and any applicable income tax treaty or convention (a "**Resident Holder**"). A Resident Holder whose Common Shares might not otherwise qualify as capital property may be entitled to make the irrevocable election provided by subsection 39(4) of the Tax Act to have the Common Shares and every other "Canadian security" (as defined in the Tax Act) owned by such Resident Holder in the taxation year of the election and in all subsequent taxation years deemed to be capital property. Resident Holders should consult their own tax advisors for advice as to whether an election under subsection 39(4) of the Tax Act is available and/or advisable in their particular circumstances. Such election will not apply in respect of the Warrants.

This summary is not applicable to a Resident Holder (a) that is a "financial institution", as defined in the Tax Act for purposes of the mark-to-market rules, (b) that is a "specified financial institution" as defined in the Tax Act, (c) that has made an election under the Tax Act to determine its Canadian tax results in a currency other than Canadian currency, or (d) an interest in which is a "tax shelter investment" as defined in the Tax Act. This summary does not address the possible application of the "foreign affiliate dumping" rules that may be applicable to a Resident Holder that is a corporation resident in Canada (for purposes of the Tax Act) and is or becomes, or does not deal at arm's length with a corporation resident in Canada that is or becomes, as part of a transaction or event or series of transactions or events that includes the acquisition of the Securities, controlled by a non-resident person or a group of non-resident persons not dealing with each other at arm's length, in each case for purposes of the rules in section 212.3 of the Tax

Act. Any such Resident Holder to which this summary does not apply should consult its own tax advisor with respect to the tax consequences applicable to the acquisition, holding and disposition of Securities.

Exercise or Expiry of Warrants

No gain or loss will be realized by a Resident Holder of a Warrant upon the exercise of such Warrant. When a Warrant is exercised, the Resident Holder's cost of the Common Share acquired thereby will be equal to the adjusted cost base of the Warrant to such Resident Holder, plus the amount (if any) paid on the exercise of the Warrant.

Generally, the expiry of an unexercised Warrant will give rise to a capital loss equal to the adjusted cost base to the Canadian Resident Holder of such expired Warrant. See "*Dispositions of Securities*" below.

Dividends

A Resident Holder will be required to include in computing its income for a taxation year dividends received or deemed to be received on the Common Shares. In the case of a Resident Holder who is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules that apply to taxable dividends received from taxable Canadian corporations. Taxable dividends that are designated by New Pyure as "eligible dividends" for purposes of the Tax Act will be subject to an enhanced dividend tax credit in accordance with the rules in the Tax Act. There may be limitations on New Pyure's ability to designate dividends and deemed dividends as eligible dividends.

In the case of a Resident Holder that is a corporation, the amount of any such taxable dividend that is included in computing its income for that taxation year will generally be deductible in computing the corporation's taxable income. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Resident Holder that is a corporation as proceeds of disposition or a capital gain. Resident Holders that are corporations are urged to consult their own tax advisors having regard to their own circumstances.

A Resident Holder that is a "private corporation" or a "subject corporation", each as defined in the Tax Act, will generally be liable to pay a refundable tax under Part IV of the Tax Act on dividends received on the Common Shares to the extent such dividends are deductible in computing the Resident Holder's taxable income for the year. A "subject corporation" is generally a corporation (other than a private corporation) controlled, whether because of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts).

A Resident Holder may be subject to United States withholding tax on dividends received on the Common Shares (see "Certain United States Federal Income Tax Considerations"). Any United States withholding tax paid by or on behalf of a Resident Holder in respect of dividends received by a Resident Holder on the Common Shares may be eligible for foreign tax credit or deduction treatment where applicable under the Tax Act. Generally, a foreign tax credit in respect of a tax paid to a particular foreign country is limited to the Canadian tax otherwise payable in respect of income sourced in that country. Dividends received by a Resident Holder on the Common Shares may not be treated as income sourced in the United States for these purposes, and hence any United States withholding tax applicable to dividends on the Common Shares may not give rise to a foreign tax credit or deduction. Resident Holders should consult their own tax advisors with respect to the availability of any foreign tax credits or deductions under the Tax Act in respect of any United States withholding tax applicable to dividends on the Common Shares.

Dispositions of Securities

Upon a disposition or deemed disposition of Common Shares or Warrants (not including upon the exercise of a Warrant or a disposition of Common Shares to New Pyure unless purchased by New Pyure in the open market in the manner in which shares are normally purchased by any member of the public in the open market), a Resident Holder will realize a capital gain (or loss) to the extent that the proceeds of disposition are greater (or less) than the aggregate of the adjusted cost base of the Common Shares or Warrants, respectively, to the Resident Holder immediately before the disposition and any reasonable costs of disposition.

The adjusted cost base of a Common Share or Warrant to a Resident Holder acquired at any time will be determined in accordance with the Tax Act by averaging the cost to the Resident Holder of the Common Share or Warrant, respectively, with the adjusted cost base immediately before that time of all other Common Shares or Warrants, respectively, held by the Resident Holder as capital property.

Taxation of Capital Gains and Capital Losses

One-half of a capital gain (a "**taxable capital gain**") must be included in a Resident Holder's income. One-half of a capital loss (an "**allowable capital loss**") is generally required to be deducted by a Resident Holder against taxable capital gains realized in that year and allowable capital losses in excess of taxable capital gains for the year may be carried back and deducted in any of the three preceding taxation years or in any subsequent year (against taxable capital gains realized in such years) to the extent and under the circumstances described in the Tax Act. If the Resident Holder is a corporation, any such capital loss realized on the sale of shares may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, that have been received on such shares. Analogous rules apply where a corporation is, directly or indirectly through a trust or partnership, a beneficiary of a trust or a member of a partnership.

A Resident Holder that is a "Canadian-controlled private corporation" or a "substantive CCPC" (each as defined for purposes of the Tax Act) may be liable to pay a refundable tax on certain investment income, including an amount in respect of a taxable capital gain arising from the disposition of a Common Share or Warrant.

A Resident Holder may be subject to United States tax on a gain realized on the disposition of a Common Share or Warrant (see "Certain United States Federal Income Tax Considerations"). United States tax, if any, levied on any gain realized on a disposition of a Common Share or Warrant may be eligible for a foreign tax credit under the Tax Act to the extent and under the circumstances described in the Tax Act. Generally, a foreign tax credit in respect of a tax paid to a particular foreign country is limited to the Canadian tax otherwise payable in respect of income sourced in that country. Gains realized on the disposition of a Common Share or Warrant by a Resident Holder may not be treated as income sourced in the United States for these purposes, and hence United States tax, if any, levied on any gain realized on a disposition of a Common Share or Warrant may not give rise to a foreign tax credit. Resident Holders should consult their own tax advisors with respect to the availability of a foreign tax credit, having regard to their own particular circumstances.

Alternative Minimum Tax

In general terms, a Resident Holder who is an individual (other than certain trusts) that receives or is deemed to have received taxable dividends on the Common Shares, or realizes a capital gain on the disposition or deemed disposition of Securities, may be liable for alternative minimum tax under the Tax Act. Resident Holders that are individuals should consult their own tax advisors in this regard.

Eligibility for Investment

The Common Shares and the Warrants will be qualified investments for a trust governed by a registered retirement savings plan ("**RRSP**"), a registered retirement income fund ("**RRIF**"), a deferred profit sharing plan, a registered education savings plan ("**RESP**"), a registered disability savings plan ("**RDSP**") or a tax-free savings account ("**TFSA**"), provided that:

(a) in the case of the Common Shares, the Common Shares are listed on a designated stock exchange for purposes of the Tax Act (which currently includes the Exchange); and

(b) in the case of the Warrants:

  (i) the Warrants are listed on a designated stock exchange for purposes of the Tax Act (which currently includes the Exchange); or

  (ii) the shares to be issued on the exercise of the Warrants are qualified investments as d escribed in (i) above, provided that New Pyure is not, and deals at arm's length with each person who is, an annuitant, a beneficiary, an employer or a subscriber under or a holder of such registered plan.

Notwithstanding the foregoing, the holder of a TFSA or RDSP, the subscriber of an RESP or the annuitant under an RRSP or RRIF will be subject to a penalty tax in respect of the Common Shares or Warrants held in the TFSA, RDSP, RESP, RRSP or RRIF, if such Securities are prohibited investments for the TFSA, RDSP, RESP, RRSP or RRIF. A Security will generally be a "prohibited investment" for a TFSA, RDSP, RESP, RRSP or RRIF if the holder of the TFSA or RDSP, the subscriber of an RESP or the annuitant under the RRSP or RRIF does not deal at arm's length with New Pyure for purposes of the Tax Act, or the holder, subscriber or annuitant has a "significant interest" (as defined in subsection 207.01(4) the Tax Act) in New Pyure.

**Holders of a TFSA or RDSP, subscribers of an RESP and annuitants under an RRSP or RRIF should consult their own tax advisors as to whether the Common Shares or Warrants will be a prohibited investment in their particular circumstances.**

**Non- Resident Holders**

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the Tax Act is not, and is not deemed to be, resident in Canada for purposes of the Tax Act or any applicable income tax treaty or convention, and does not and will not use or hold, and is not and will not be deemed to use or hold, any of the Securities in connection with carrying on a business in Canada (a "**Non- Resident Holder**"). This summary does not apply to a Non-Resident Holder that carries on, or is deemed to carry on, an insurance business in Canada and elsewhere. Such Non-Resident Holders should consult their own tax advisors.

Exercise or Expiry of Warrants

The tax consequences of the exercise and expiry of a Warrant held by a Non-Canadian Resident Holder are the same as those described above under "*Holders Resident in Canada – Exercise or Expiry of Warrants*".

Dividends

Dividends paid or credited or deemed to be paid or credited to a Non- Resident Holder on the Common Shares will be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividends, subject to any reduction in the rate of withholding to which the Non- Resident Holder is entitled under any applicable income tax treaty or convention between Canada and the country in which the Non-Resident Holder is resident. For example, where a Non-Resident Holder is a resident of the United States, is fully entitled to the benefits under the Canada-United States Income Tax Convention (1980), as amended, and is the beneficial owner of the dividend, the applicable rate of Canadian withholding tax is generally reduced to 15% of the amount of such dividend.

Disposition of Securities

Upon a disposition or deemed disposition of Common Shares or Warrants (not including upon the exercise of a Warrant or a disposition of Common Shares to New Pyure unless purchased by New Pyure in the open market in the manner in which shares are normally purchased by any member of the public in the open market), a Non-Resident Holder will realize a capital gain (or loss) to the extent that the proceeds of disposition are greater (or less) than the aggregate of the adjusted cost base of the Common Shares or Warrants, respectively, to the Non-Resident Holder immediately before the disposition and any reasonable costs of disposition.

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Resident Holder on a disposition of Securities, unless such Securities constitute "taxable Canadian property" (as defined in the Tax Act) of the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention.

Provided that the Common Shares are listed on a designated stock exchange for purposes of the Tax Act (which currently includes the Exchange) at the time of the disposition, the Securities generally will not constitute taxable Canadian property of a Non-Resident Holder, unless (a) at any time during the 60-month period immediately preceding the disposition or deemed disposition of the Security (as applicable): (i) 25% or more of the issued shares of any class or series of the share capital of New Pyure were owned by, or belonged to, one or any combination of (x) the Non-Resident Holder, (y) persons with whom the Non-Resident Holder did not deal at arm's length (within the meaning of the Tax Act), and (z) partnerships in which the Non-Resident Holder or a person referred to in (y) holds a membership interest directly or indirectly through one or more partnerships, and (ii) more than 50% of the fair market value of the Common Shares was derived, directly or indirectly, from one or any combination of: (A) real or immovable property situated in Canada, (B) Canadian resource property (as defined in the Tax Act), (C) timber resource property (as defined in the Tax Act), and (D) options in respect of, or interests in, or for civil law rights in, property described in any of (A) through (C) above, whether or not such property exists; or (b) the Security (as applicable) is deemed under the Tax Act to be taxable Canadian property.

If a Security is taxable Canadian property to a Non-Resident Holder, any capital gain realized on the disposition or deemed disposition of such Security may not be subject to Canadian federal income tax pursuant to the terms of an applicable income tax treaty or convention between Canada and the country of residence of a Non-Resident Holder.

Non-Resident Holders whose Securities are taxable Canadian property should consult their own tax advisors.

## CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of certain U.S. federal income tax considerations of the ownership and disposition of Common Shares and Warrants that are applicable to certain U.S. Holders and Non-U.S. Holders (as defined below) that held stock immediately prior to the Business Combination and own Common Shares or Warrants following the Business Combination, but does not purport to be a complete analysis of all potential tax matters for consideration. Except as explicitly set forth below, this summary does not address the U.S. federal income tax consequences of the Business Combination or other transactions prior to the Business Combination and assumes the Business Combination has taken place. This discussion is based on the Code, Treasury regulations promulgated under the Code ("**Treasury Regulations**"), administrative pronouncements or practices and judicial decisions, all as of the date hereof. Future legislative, judicial, or administrative modifications, revocations, or interpretations, which may or may not be retroactive, may result in U.S. federal income tax consequences significantly different from those discussed herein. This discussion is not binding on the IRS. No ruling has been or will be sought or obtained from the IRS and no opinion has been or will be sought or obtained from legal counsel with respect to any of the U.S. federal tax considerations discussed herein. There can be no assurance that the IRS will not challenge any of the conclusions described herein or that a U.S. court will not sustain such a challenge. This summary assumes that any Common Shares and Warrants are held as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment), in the hands of a shareholder at all relevant times and are treated as equity of New Pyure for U.S. federal income tax purposes.

This summary does not address all U.S. federal income tax considerations relevant to U.S. Holders' circumstances. For example, this summary does not address U.S. Holders subject to special rules, including, but not limited to, U.S. Holders that (i) are banks, financial institutions, or insurance companies; (ii) are regulated investment companies or real estate investment trusts; (iii) are brokers, dealers, or traders in securities or currencies; (iv) are tax-exempt organizations; (v) hold the Common Shares or Warrants as part of hedges, straddles, constructive sales, conversion transactions, or other integrated investments; (vi) acquire the Common Shares or Warrants as compensation for services or through the exercise or cancellation of employee stock options or warrants; (vii) have a functional currency other than the U.S. dollar; (viii) own or have owned directly, indirectly, or constructively 10% or more of the voting power or value of New Pyure; (ix) are U.S. expatriates; or (x) are partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein). In addition, this discussion does not take into account any proposed law changes and does not address any U.S. federal estate, gift, or other non-income tax, or any state, local, or non-U.S. tax considerations of the ownership and disposition of Common Shares or Warrants or the impact of the alternative minimum tax or the Medicare contribution tax on net investment income. If an entity classified as a partnership for U.S. federal income tax purposes holds Common Shares or Warrants, the U.S. federal income tax treatment of a partner in such partnership generally will depend on the status of such partner and on the activities of the partner and the partnership. Entities treated as partnerships for U.S. federal income tax purposes and any person that is a partner of an entity classified as a partnership for U.S. federal income tax purposes where such entity holds Common Shares or Warrants is urged to consult its tax advisor.

THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. U.S. HOLDERS AND NON-U.S. HOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME, ESTATE, AND GIFT TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE, LOCAL, AND NON-U.S. TAX CONSEQUENCES TO THEM OF THE OWNERSHIP AND DISPOSITION OF COMMON SHARES OR WARRANTS.

### U.S. Holders

The discussion in this section is addressed to a U.S. Holder (as defined below) of Common Shares or Warrants that held stock immediately prior to the Business Combination. As used herein, "U.S. Holder" means a beneficial owner of Common Shares or Warrants that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation created or organized under the laws of the United States or any political subdivision thereof, including any State thereof and the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source; or (iv) a trust that (a) is subject to the primary jurisdiction of a court within the United States and for which one or more U.S. persons have authority to control all substantial decisions or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person. A

"Non-U.S. Holder" is any beneficial owner of Common Shares or Warrants that is not a U.S. Holder or an entity treated as a partnership for U.S. federal income tax purposes (or investor therein).

**Tax Classification of New Pyure as a U.S. Domestic Corporation**

Notwithstanding that New Pyure is organized under the provisions of the BCBCA, as a result of the Business Combination, it is anticipated that New Pyure will be treated solely for U.S. federal income tax purposes as a U.S. domestic corporation pursuant to Section 7874(b) of the Code and the Treasury Regulations promulgated thereunder (i.e., in an inversion transaction).

New Pyure anticipates that it will experience a number of significant and complicated U.S. federal income tax consequences as a result of being treated as a U.S. domestic corporation for U.S. federal income tax purposes, and this summary does not attempt to describe all such U.S. federal income tax consequences. Section 7874 of the Code and the Treasury Regulations promulgated thereunder do not address all the possible tax consequences that arise from New Pyure being treated as a U.S. domestic corporation for U.S. federal income tax purposes. Accordingly, there may be additional or unforeseen U.S. federal income tax consequences to New Pyure that are not discussed in this summary.

Generally, New Pyure will be subject to U.S. federal income tax on its worldwide taxable income (regardless of whether such income is "U.S. source" or "foreign source") and will be required to file a U.S. federal income tax return annually with the IRS. New Pyure anticipates that it will also be subject to tax in Canada. It is unclear how the foreign tax credit rules under the Code will operate in certain circumstances, given the treatment of New Pyure as a U.S. domestic corporation for U.S. federal income tax purposes and the taxation of New Pyure in Canada. Accordingly, it is possible that New Pyure will be subject to double taxation with respect to all or part of its taxable income. It is anticipated that such U.S. and Canadian tax treatment will continue indefinitely and that the Common Shares and Warrants will be treated indefinitely as shares or warrants, as applicable, in a U.S. domestic corporation for U.S. federal income tax purposes, notwithstanding future transfers. If, pursuant to a change in law or otherwise, Section 7874(b) of the Code no longer applied to treat New Pyure as a U.S. domestic corporation, the U.S. federal income tax consequences to holders of Common Shares and Warrants would be materially different than as described below, and such differences could be adverse to certain holders of Common Shares or Warrants. Because it is anticipated that New Pyure will be treated as a U.S. domestic corporation for all purposes of the Code, New Pyure will not be treated as a "passive foreign investment company," as such rules apply only to non-U.S. corporations for U.S. federal income tax purposes. Moreover, because New Pyure's Common Shares will be treated as shares of a U.S. domestic corporation, the U.S. gift, estate and generation-skipping transfer tax rules generally apply to a non-U.S. holder of the Common Shares or Warrants.

**Tax Considerations for U.S. Holders on the Deemed Domestication**

<u>Effect of Section 367 to U.S. Holders</u>

Section 367 of the Code applies to certain non-recognition transactions involving non-U.S. corporations, including a U.S. domestication of a non-U.S. corporation in an inbound reorganization under Section 368(a)(1)(F) of the Code ("**F Reorganization**"). Section 367 of the Code imposes income tax on certain U.S. persons in connection with transactions that would otherwise be tax-free.

Under Treasury Regulations Sec. 1.7874-2(j)(1), the Corporation is deemed to undergo an inbound F Reorganization as of the end of the day immediately prior to the effective date of the Business Combination. Thus, the Corporation's shareholders are deemed to exchange their Class A Restricted Voting Shares in a non-U.S. corporation for Class A Restricted Voting Shares in a U.S. domestic corporation as of the end of the day immediately prior to the effective date of the Business Combination in a transaction that qualifies as a F reorganization ("**Deemed Domestication**"). As a result, Section 367(b) of the Code generally will apply to U.S. Holders with respect to the Deemed Domestication.

<u>U.S. Holders That Own 10 Percent or more of the Corporation</u>

U.S. Holders who, as of the end of the day prior to the date of the Deemed Domestication, beneficially own (directly, indirectly, and constructively) 10% or more of the total combined voting power of all outstanding classes of the Corporation's stock entitled to vote or 10% or more of the total value of all outstanding classes of the Corporation's stock are strongly urged to consult their tax advisors regarding the consequences of the Deemed Domestication under Section 367(b) of the Code.

U.S. Holders of Corporation stock with a Fair Market Value of $50,000 or More But Less Than 10% of the Corporation

A U.S. Holder who, as of the date of the Deemed Domestication, beneficially owns (directly, indirectly, or constructively, including as a result of applicable attribution rules that would take into account a holder's ownership of Warrants) (i) Corporation stock with a fair market value of $50,000 or more and (ii) less than 10% of the total combined voting power of all outstanding classes of Corporation stock entitled to vote and less than 10% of the total value of all outstanding classes of Corporation stock generally will recognize gain (but not loss) with respect to the Deemed Domestication unless such holder elects to recognize the "all earnings and profits" amount attributable to such holder as described below. A U.S. Holder's ownership of Warrants will be taken into account, and complex attribution rules will apply, for purposes of determining whether such thresholds are exceeded. In addition, all U.S. Holders are urged to consult their tax advisors with respect to those attribution rules.

Unless a U.S. Holder makes the "all earnings and profits" election as described below, such holder generally must recognize gain (but not loss) with respect to its Class A Restricted Voting Shares as a result of Deemed Domestication. Any such gain would be equal to the excess of the fair market value of the Class A Restricted Voting Shares over the U.S. Holder's adjusted tax basis in such Class A Restricted Voting Shares. Subject to the PFIC rules discussed below, such gain would be capital gain, and should be long-term capital gain if the U.S. Holder held the Class A Restricted Voting Shares for longer than one year.

In lieu of recognizing any gain as described in the preceding paragraph, a U.S. Holder may elect to include in income the all earnings and profits amount attributable to its Class A Restricted Voting Shares. The election must be attached by the U.S. Holder to its timely filed U.S. federal income tax return for the year of the Deemed Domestication, and the U.S. Holder must send notice of making the election to the Corporation (or New Pyure) no later than the date such tax return is filed. In connection with this election, the Corporation intends to provide each U.S. Holder eligible to make such an election with information regarding the Corporation's earnings and profits upon request, although no assurances can be provided that the Corporation will be able to provide the necessary information. The Corporation does not expect that the Corporation's cumulative earnings and profits will be material at the time of Deemed Domestication. If the Corporation's cumulative earnings and profits through the day of the Deemed Domestication are less than or equal to zero, then a U.S. Holder that makes the "all earnings and profits" election should not be required to include in gross income an "all earnings and profits amount" with respect to its Class A Restricted Voting Shares. If the Corporation's cumulative net earnings and profits are greater than zero, a U.S. Holder that makes the "all earnings and profits" election would be required to include its "all earnings and profits amount" in income as a deemed dividend under Section 367(b) of the Code and the Treasury Regulations thereunder as a result of the Deemed Domestication.

**U.S. HOLDERS ARE STRONGLY URGED TO CONSULT A TAX ADVISOR REGARDING THE CONSEQUENCES OF MAKING THE ELECTION DESCRIBED ABOVE AND THE APPROPRIATE FILING REQUIREMENTS WITH RESPECT TO SUCH ELECTION.**

U.S. Holders that Own Corporation Stock with a Fair Market Value of Less Than $50,000 and Less Than 10% of the Corporation

U.S. Holders who, as of the end of the day prior to the date of the Deemed Domestication, beneficially own (directly, indirectly, and constructively), (i) Corporation stock with a fair market value of less than $50,000; and (ii) less than 10% of the total combined voting power of all outstanding classes of Corporation stock entitled to vote and less than 10% of the total value of all outstanding classes of Corporation stock, should not be required to recognize any gain or loss under Section 367(b) of the Code and generally should not be required to include any part of the "all earnings and profits amount" in income in connection with the Deemed Domestication.

U.S. Holders of Warrants

Subject to the considerations described above relating to a U.S. Holder's ownership of Warrants being taken into account in determining a U.S. Holder's ownership of Corporation shares for purposes of Section 367(b) of the Code, and the PFIC considerations described under "*Tax Considerations for U.S. Holders on the Deemed Domestication – Effects of PFIC Rules on the Deemed Domestication*" below, a U.S. Holder of Warrants should not be subject to U.S. federal income tax with respect to the Deemed Domestication.

**ALL U.S. HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE DEEMED DOMESTICATION TO THEM.**

*Effects of PFIC Rules on the Deemed Domestication*

In addition to the discussion under "*Tax Considerations for U.S. Holders on the Deemed Domestication – Effect of Section 367 to U.S. Holders*" above, the Deemed Domestication may be a taxable event to U.S. Holders to the extent that the Corporation is or ever was a PFIC under Section 1297 of the Code.

Definition of a PFIC

A foreign corporation generally will be a PFIC for U.S. federal income tax purposes with respect to a taxable year of the foreign corporation if:

- at least 75% of its gross income in such taxable year, including its *pro rata* share of the gross income of any corporation in which it is considered to own at least 25% of the shares by value, is passive income; or

- at least 50% of its assets in such taxable year, ordinarily determined based on fair market value and averaged quarterly over the year, including its *pro rata* share of the assets of any corporation in which it is considered to own at least 25% of the shares by value, are held for the production of, or produce, passive income.

Passive income generally includes dividends, interest, rents and royalties (other than rents or royalties derived from the active conduct of a trade or business) and gains from the disposition of passive assets. For purposes of these rules, which may apply to the Corporation prior to the Deemed Domestication, interest income earned by the Corporation would be considered passive income and cash held by the Corporation would be considered a passive asset.

Because the Corporation has no current active business, based upon the composition of its income and assets, and upon a review of its financial statements, it is likely the Corporation was a PFIC for its most recent taxable year ended on December 31, 2021 and will likely be considered a PFIC for its current taxable year which ends as a result of the Deemed Domestication.

Effects of PFIC Rules

If the Corporation constituted a PFIC for any taxable year (or portion thereof) that is included in the holding period of a U.S. Holder of the Corporation's Class A Restricted Voting Shares or Warrants and, in the case of Class A Restricted Voting Shares, the U.S. Holder did not make a timely qualified electing fund ("**QEF**") election for the Corporation's first taxable year as a PFIC in which the U.S. Holder held (or was deemed to hold) such shares, did not make a QEF election along with a "purging election", or did not make a timely mark-to-market election as discussed below, such holder generally will be subject to special rules with respect to: (i) any gain recognized by the U.S. Holder on the sale or other disposition of its Class A Restricted Voting Shares or Warrants; and (ii) any "excess distribution" made to the U.S. Holder (generally, any distributions to such U.S. Holder during a taxable year of the U.S. Holder that are greater than 125% of the average annual distributions received by such U.S. Holder in respect of such shares during the three preceding taxable years of such U.S. Holder or, if shorter, such U.S. Holder's holding period for the Class A Restricted Voting Shares). Proposed Treasury Regulations generally treat "options" (which would include the Warrants) to acquire stock of a PFIC as stock of a PFIC.

Under these rules:

- the U.S. Holder's gain or excess distribution will be allocated ratably over the U.S. Holder's holding period for the Class A Restricted Voting Shares or Warrants;

- the amount of gain allocated to the U.S. Holder's taxable year in which the U.S. Holder recognized the gain or received the excess distribution, or to the period in the U.S. Holder's holding period before the first day of the first taxable year in which the Corporation is a PFIC, will be taxed as ordinary income;

- the amount of gain allocated to other taxable years (or portions thereof) of the U.S. Holder and included in its holding period will be taxed at the highest tax rate in effect for that year and applicable to the U.S. Holder; and

- the interest charge generally applicable to underpayments of tax will be imposed on the U.S. Holder in respect of the tax attributable to each such other taxable year of the U.S. Holder.

Furthermore, Section 1291(f) of the Code requires that, to the extent provided in Treasury Regulations, a U.S. person that disposes of stock of a PFIC (including rights to acquire stock of a PFIC) must recognize gain notwithstanding any other provision of the Code. No final Treasury Regulations are currently in effect under Section 1291(f) of the Code. Proposed Treasury Regulations under Section 1291(f) of the Code ("**Proposed Regulations**") were promulgated in 1992, with a retroactive effective date once they become finalized. If finalized in their current form, the Proposed Regulations may require taxable gain recognition by a U.S. Holder subject to the PFIC rules with respect to its deemed exchange of Class A Restricted Voting Shares or Warrants under the Deemed Domestication. Therefore, U.S. holders of Class A Restricted Voting Shares that have not made a timely QEF election or a mark-to-market election (as described above) and U.S. Holders of Warrants may, pursuant to the Proposed Regulations, be subject to taxation on the Deemed Domestication to the extent their shares and/or Warrants have a fair market value in excess of their tax basis. Any such gain would generally be treated as an "excess distribution" made in the year of the Deemed Domestication and subject to the special tax and interest charge rules discussed above.

In addition, the Proposed Regulations provide coordinating rules with Section 367(b) of the Code, whereby, if the gain recognition rule of the Proposed Regulations under Section 1291(f) of the Code applies to a disposition of PFIC stock that results from a transfer with respect to which Section 367(b) of the Code requires the shareholder to recognize gain or include an amount in income as discussed under the "*Tax Considerations for U.S. Holders on the Deemed Domestication – Effect of Section 367 to U.S. Holders*" above, the gain realized on the transfer is taxable under the PFIC rules discussed above, and the excess, if any, of the amount to be included in income under Section 367(b) of the Code over the gain realized under Section 1291 of the Code is taxable as provided under Section 367(b) of the Code.

The rules dealing with PFICs and with the QEF election and purging election (or a mark-to-market election) are very complex and are affected by various factors in addition to those described above. In addition, the application of the PFIC rules to U.S. Holders of Warrants is unclear. The QEF Election or mark-to-market election is currently unavailable with respect to Warrants. Therefore, it is possible that the proposed Treasury Regulations if finalized in their current form would apply to cause gain recognition on the deemed exchange of Warrants in the Deemed Domestication under the rules applicable to Class A Restricted Voting Shares described above. **Accordingly, a U.S. Holder of Class A Restricted Voting Shares or Warrants should consult its tax advisors concerning the application of the PFIC rules to such securities under such holder's particular circumstances.**

<u>QEF Election and Mark-to-Market Election</u>**.**

In general, the impact of the PFIC rules on a U.S. Holder of Class A Restricted Voting Shares will depend on whether the U.S. Holder makes a timely and effective election to treat the Corporation as a "qualified electing fund" under Section 1295 of the Code for the taxable year that is the first year in the U.S. Holder's holding period of Corporation shares during which the Corporation constituted a PFIC (a "**QEF Election**") to include in income its *pro rata* share of the Corporation's net capital gains (as long-term capital gain) and other earnings and profits (as ordinary income), on a current basis, in each case whether or not distributed, in each taxable year of the U.S. Holder in which or with which the Corporation's taxable year ends. The QEF election is made on a shareholder-by-shareholder basis. A U.S. Holder generally makes a QEF election by attaching a completed IRS Form 8621 (Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund), including the information provided in a "PFIC Annual Information Statement", to a timely filed U.S. federal income tax return for the tax year to which the election relates. U.S. Holders should consult their tax advisors regarding the availability and tax consequences of a retroactive QEF election under their particular circumstances. In order to comply with the requirements of a QEF election, as noted, a

U.S. Holder must receive a PFIC annual information statement from the Corporation (or possibly New Pyure). The Corporation (or New Pyure) may not be able to provide to a U.S. Holder such information as the IRS may require, or may not be able to do so in a timely manner, in order to enable the U.S. Holder to make and maintain a QEF election. As discussed further above, a U.S. Holder may not make a QEF election with respect to its Warrants.

The impact of the PFIC rules on a U.S. holder of Class A Restricted Voting Shares may also depend on whether the U.S. Holder has made the mark-to-market election under Section 1296 of the Code. If a U.S. Holder, at the close of its taxable year, owns (directly or constructively) shares in a PFIC that are treated as marketable stock, the U.S. Holder may make a mark-to-market election with respect to such shares for such taxable year. If the U.S. Holder makes a valid mark-to-market election for the first taxable year of the U.S. Holder in which the U.S. holder holds (or is deemed to hold) Class A Restricted Voting Shares and for which the Corporation constitutes a PFIC, such holder generally will not be subject to the PFIC rules described above in respect of such shares. Instead, in general, the U.S. Holder will include as ordinary income each year the excess, if any, of the fair market value of its Class A Restricted Voting Shares at the end of its taxable year over the adjusted basis in such shares. The U.S. Holder also will be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted basis of its Class A Restricted Voting Shares over the fair market value of such shares at the end of its taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). The U.S. Holder's basis in its Class A Restricted Voting Shares will be adjusted to reflect any such income or loss amounts, and any further gain recognized on a sale or other taxable disposition of the Class A Restricted Voting Shares will be treated as ordinary income. However, if the mark-to-market election is made after the beginning of the holding period for the PFIC stock, then the Section 1291 rules will apply to certain dispositions of, distributions on and other amounts taxable with respect to Class A Restricted Voting Shares. The mark-to-market election is available only for stock that is regularly traded on a national securities exchange that is registered with the Securities and Exchange Commission, or on an exchange or market that the IRS determines has rules sufficient to ensure that the market price represents a legitimate and sound fair market value. No assurance can be given that the Class A Restricted Voting Shares are considered to be marketable stock for purposes of the mark-to-market election or whether the other requirements of this election are satisfied. U.S. Holders are urged to consult their tax advisors regarding the availability and tax consequences of a mark-to-market election in respect to the Corporation's Class A Restricted Voting Shares under their particular circumstances. As noted above, a mark-to-market election may not be made with respect to Warrants.

**ALL U.S. HOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS CONCERNING THE CONSEQUENCES TO THEM OF THE PFIC RULES, INCLUDING, WITHOUT LIMITATION WHETHER A QEF ELECTION, A MARK-TO-MARKET ELECTION OR ANY OTHER ELECTION IS AVAILABLE AND THE CONSEQUENCES TO THEM OF ANY SUCH ELECTION.**

*Effect of Exchange of Class A Restricted Voting Shares for Common Shares*

The exchange of the Class A Restricted Voting Shares for Common Shares will occur after the Deemed Domestication. Thus, at the time of the exchange, both the Class A Restricted Voting Shares and the Common Shares will be treated as shares of a U.S. corporation for U.S. federal income tax purposes. The exchange of Class A Restricted Voting Shares into Common Shares should qualify as a tax-deferred "recapitalization" within the meaning of Section 368(a)(1)(E) of the Code and/or a tax-deferred exchange under Section 1036(a) of the Code. As a result, the following U.S. federal income tax consequences should result for U.S. Holders: (i) a U.S. Holder of Class A Restricted Voting Shares who exchanges Class A Restricted Voting Shares for Common Shares should not recognize gain or loss as a result of such conversion; (ii) the aggregate tax basis of a U.S. Holder in the Common Shares acquired in the conversion should be equal to such U.S. Holder's aggregate tax basis in the Class A Restricted Voting Shares surrendered in exchange therefor; and (iii) the holding period of a U.S. Holder for the Common Shares acquired in the conversion should include such U.S. Holder's holding period for the Class A Restricted Voting Shares surrendered in exchange therefor.

**Tax Considerations for U.S. Holders of the Ownership and Disposition of Common Shares and Warrants After the Business Combination**

Distributions

As discussed above in the section entitled "Dividend Policy", New Pyure does not anticipate declaring or paying dividends to holders of Common Shares in the foreseeable future. However, if New Pyure decides to make any distribution of cash or property on Common Shares, such distributions will be taxable as dividend income when paid to the extent of New Pyure's current or accumulated earnings and profits as determined for U.S. federal income tax purposes. To the extent that the amount of a distribution with respect to the Common Shares exceeds its current and accumulated earnings and profits, such distribution will be treated first as a tax-free return of capital to the extent of the U.S. Holder's adjusted tax basis in the Common Shares, and thereafter as a capital gain which will be a long-term capital gain if the U.S. Holder has held such stock at the time of the distribution for more than one year. Distributions on the Common Shares constituting dividend income paid to U.S. Holders that are U.S. corporations may qualify for a dividends received deduction, subject to various limitations. Distributions on Common Shares constituting dividend income paid to U.S. Holders that are individuals may qualify for the reduced rates applicable to qualified dividend income, provided certain holding period requirements are met.

Foreign Tax Credit Limitations

Because it is anticipated that New Pyure will be subject to tax both as a U.S. domestic corporation and as a Canadian corporation, a U.S. Holder may pay, through withholding, Canadian tax, as well as U.S. federal income tax, with respect to dividends paid on its Common Shares. For U.S. federal income tax purposes, a U.S. Holder may elect for any taxable year to receive either a credit or a deduction for all foreign income taxes paid by the holder during the year. Complex limitations apply to the foreign tax credit, including a general limitation that the credit cannot exceed the proportionate share of a taxpayer's U.S. federal income tax that the taxpayer's foreign source taxable income bears to the taxpayer's worldwide taxable income. In applying this limitation, items of income and deduction must be classified, under complex rules, as either foreign source or U.S. source. The status of New Pyure as a U.S. domestic corporation for U.S. federal income tax purposes will cause dividends paid by New Pyure to be treated as U.S. source rather than foreign source for this purpose. As a result, a foreign tax credit may be unavailable for any Canadian tax paid on dividends received from New Pyure. Similarly, to the extent a sale or disposition of the Common Shares by a U.S. Holder results in Canadian tax payable by the U.S. Holder (for example, because the Common Shares constitute taxable Canadian property within the meaning of the Tax Act), a U.S. foreign tax credit may be unavailable to the U.S. Holder for such Canadian tax. In each case, however, the U.S. Holder should be able to elect to take a deduction for the U.S. Holder's Canadian tax paid, provided that the U.S. Holder has not elected to credit other foreign taxes during the same taxable year. The foreign tax credit rules are complex, and each U.S. Holder should consult its own tax advisor regarding these rules.

Foreign Currency

The amount of any distribution paid to a U.S. Holder in foreign currency, or the amount of proceeds paid in foreign currency on the sale, exchange or other taxable disposition of Shares, generally will be equal to the U.S. dollar value of such foreign currency based on the exchange rate applicable on the date of receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). A U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who converts or otherwise disposes of the foreign currency after the date of receipt may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method of tax accounting. Each U.S. Holder should consult its own U.S. tax advisors.

Sale or Redemption

A U.S. Holder will generally recognize capital gain or loss on a sale, exchange, redemption (other than a redemption that is treated as a distribution) or other disposition of New Pyure's Common Shares or Warrants equal to the difference between the amount realized upon the disposition and the U.S. Holder's adjusted tax basis in the shares or Warrants so disposed. Such capital gain or loss will be a long-term capital gain or loss if the U.S. Holder's holding period for the shares disposed of exceeds one year at the time of disposition. Long-term capital gains of non-corporate taxpayers are generally taxed at a lower maximum tax rate than the maximum marginal tax rate applicable to ordinary income. The deductibility of net capital losses by individuals and corporations is subject to limitations.

Information Reporting and Backup Withholding

Information returns will be filed with the IRS in connection with payments of dividends and the proceeds from a sale or other disposition of Common Shares or Warrants payable to a U.S. Holder that is not an exempt recipient, such as a corporation. Certain U.S. Holders may be subject to backup withholding with respect to the payment of dividends on the Common Shares and to certain payments of proceeds on the sale or redemption of Common Shares or Warrants, as applicable, unless such U.S. Holders provide proof of an applicable exemption or a correct taxpayer identification number, and otherwise comply with applicable requirements of the backup withholding rules.

Any amount withheld under the backup withholding rules from a payment to a U.S. Holder is allowable as a credit against such U.S. Holder's U.S. federal income tax, which may entitle the U.S. Holder to a refund, provided that the U.S. Holder timely provides the required information to the IRS. Moreover, certain penalties may be imposed by the IRS on a U.S. Holder who is required to furnish information but does not do so in the proper manner. U.S. Holders should consult their tax advisors regarding the application of backup withholding in their particular circumstances and the availability of and procedure for obtaining an exemption from backup withholding under current Treasury Regulations.

**Tax Considerations for U.S. Holders - Certain U.S. Federal Income Tax Matters Relating to the Warrants**

Exercise or Lapse of Warrants

A U.S. Holder generally will not recognize gain or loss and will have a tax basis in the Common Shares received upon exercise equal to the U.S. Holder's tax basis in the Warrants, plus the exercise price of the Warrants. The holding period for the Common Shares purchased pursuant to the exercise of Warrant will begin on the date following the date of exercise of the Warrant (or possibly the date of exercise) and will not include the period during which the U.S. Holder held the applicable Warrant. If a Warrant is allowed to lapse unexercised, a U.S. Holder will recognize a capital loss in an amount equal to its tax basis in the applicable Warrant. Such loss will be long-term capital loss if the Warrant has been held for more than one year as of the date the applicable Warrant lapsed. The deductibility of capital losses is subject to certain limitations.

Certain Adjustments to Warrants

Under Section 305 of the Code, an adjustment to the number of shares of Common Shares that will be issued on the exercise of the Warrants, or an adjustment to the exercise price of the Warrants, may be treated as a constructive distribution to a U.S. Holder of the Warrants if, and to the extent that, such adjustment has the effect of increasing such U.S. Holder's proportionate interest in New Pyure's "earnings and profits" or assets, depending on the circumstances of such adjustment (for example, if such adjustment is to compensate for a distribution of cash or other property to New Pyure's shareholders). Adjustments to the exercise price of a Warrant made pursuant to a *bona fide* reasonable adjustment formula that has the effect of preventing dilution of the interest of the holders of the Warrants should generally not result in a constructive distribution.

**Non-U.S. Holders**

The discussion in this section is addressed to owners of New Pyure's Common Shares or Warrants that are "Non-U.S. Holders" that held Class A Restricted Voting Shares or Warrants immediately prior to the Business Combination or elected to have all or a portion of their Class A Restricted Voting Shares redeemed in connection with the Business Combination.

*Consequences of the Deemed Domestication to Non-U.S. Holders*

New Pyure does not expect the Deemed Domestication to result in any U.S. federal income tax consequences to Non-U.S. Holders of Class A Restricted Voting Shares.

*Consequences of Exchange of Class A Restricted Voting Shares for Common Shares*

The exchange of the Class A Restricted Voting Shares for Common Shares will occur after the Deemed Domestication. Thus, at the time of the exchange, both the Class A Restricted Voting Shares exchanged and Common Shares received will be treated as shares of a U.S. corporation for U.S. federal income tax purposes. The exchange of Class A Restricted Voting Shares into Common Shares should qualify as a tax-deferred "recapitalization" within the meaning of Section 368(a)(1)(E) of the Code and/or a tax-deferred exchange under Section 1036(a) of the Code. However, if gain is recognized by a Non-U.S. holder upon an exchange of Class A Restricted Voting Shares for Common Shares as part of the Business Combination, subject to the discussion below under " *Information Reporting and Backup Withholding"*, and "*Additional Withholding Tax on Payments Made to Foreign Accounts*", the Non-U.S. Holder generally would not be subject to U.S. federal income tax on any gain realized upon such exchange unless one of the situations discussed below under "*Non-U.S. Holders – Sale or Redemption"* applied.

Distributions

Generally, distributions (including any constructive distribution with respect to the Warrants described above under "*Tax Considerations for U.S. Holders - Certain U.S. Federal Income Tax Matters Relating to the Warrants – Certain Adjustments to Warrants")* treated as dividends as described above under *"Tax Considerations for U.S. Holders of the Ownership and Disposition of Common Shares and Warrants After the Business Combination* - Distributions" paid to a Non-U.S. Holder of New Pyure's Common Shares (or Warrants, as applicable with respect to constructive distributions) that is not effectively connected with the Non-U.S. Holder's conduct of a trade or business within the U.S. will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends (or such lower rate specified by an applicable income tax treaty, provided the Non-U.S. Holder furnishes a valid IRS Form W-8BEN or W-8BEN-E, or other applicable documentation, certifying qualification for the lower treaty rate). If a Non-U.S. Holder holds Common Shares or Warrants through a financial institution or other agent acting on the Non-U.S. Holder's behalf, the Non-U.S. Holder will be required to provide appropriate documentation to such agent, and the Non-U.S. Holder's agent will then be required to provide such (or a similar) certification to New Pyure, either directly or through other intermediaries. A Non-U.S. Holder that does not timely furnish the required documentation for a reduced treaty rate, but that qualifies for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Any withholding tax attributable to a constructive distribution with respect to a Non-U.S. Holder of the Warrants may be collected from any amounts payable or distributable to the Non-U.S. Holder. Non-U.S. Holders should consult their tax advisors regarding their entitlement to benefits under any applicable income tax treaty.

Dividends paid to a Non-U.S. Holder that are effectively connected with the Non-U.S. Holder's conduct of a trade or business in the U.S. (or, if required by an applicable income tax treaty, are attributable to a U.S. permanent establishment, or fixed base, of the Non-U.S. Holder) generally will be exempt from the withholding tax described above and instead will be subject to U.S. federal income tax on a net income basis at the regular graduated U.S. federal income tax rates in the same manner as if the Non-U.S. Holder were a U.S. person. In such case, the New Pyure will not have to withhold U.S. federal tax so long as the Non-U.S. Holder timely complies with the applicable certification and disclosure requirements. In order to obtain this exemption from withholding tax, a Non-U.S. Holder must provide its financial intermediary with an IRS Form W-ECI properly certifying its eligibility for such exemption. Any such effectively connected dividends received by a corporate Non-U.S. Holder may be subject to an additional "branch profits tax" at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty), as adjusted for certain items. Non-U.S. Holders should consult their own tax advisors regarding any applicable tax treaties that may provide for different rules.

Sale or Redemption

Subject to the discussions below under "*Information Reporting and Backup Withholding*" and "*Additional Withholding Tax on Payments Made to Foreign Accounts*", a Non-U.S. Holder will not be subject to U.S. federal income tax on any gain realized upon the sale or other taxable disposition of New Pyure's Common Shares or Warrants unless:

- the Non-U.S. Holder is a non-resident alien individual present in the United States for 183 days or more during the taxable year of the disposition and certain other requirements are met;
- the Common Shares or Warrants, as applicable, constitute a USRPI by reason of New Pyure's status as a USRPHC for U.S. federal income tax purposes; or
- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the U.S. (or, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment, or fixed base, of the Non-U.S. Holder).

Gain described in the first bullet point above will be subject to U.S. federal income tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty), which may be offset by U.S. source capital losses of the Non-U.S. Holder (even though the individual is not considered a resident of the United States), provided the Non-U.S. Holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the second bullet point above, New Pyure believes it currently is not, and does not anticipate becoming, a USRPHC. Because the determination of whether New Pyure is a USRPHC depends, however, on the fair market value of New Pyure's USRPIs relative to the fair market value of its non-U.S. real property interests and other business assets, there can be no assurance New Pyure currently is not a USRPHC or will not become one in the future. Even if New Pyure is or were to become a USRPHC, gain arising from the sale or other taxable disposition by a Non-U.S. Holder of New Pyure's Common Shares will not be subject to U.S. federal income tax if the Common Shares are "regularly traded," as defined by applicable Treasury Regulations, on an established securities market, and such Non-U.S. Holder owned, actually and constructively, 5% or less of the Common Shares throughout the shorter of the five-year period ending on the date of the sale or other taxable disposition or the Non-U.S. Holder's holding period.

A Non-U.S. Holder who has gain that is described in the third bullet point above will be subject to U.S. federal income tax on the gain derived from the sale or other disposition pursuant to regular graduated U.S. federal income tax rates in the same manner as if it were a U.S. person. In addition, a corporate Non-U.S. Holder described in the third bullet point above may be subject to the branch profits tax equal to 30% of its effectively connected earnings and profits (or at such lower rate as may be specified by an applicable income tax treaty), as adjusted for certain items.

Non-U.S. Holders should consult their tax advisors regarding potentially applicable income tax treaties that may provide for different rules.

Information Reporting and Backup Withholding

Payments of dividends on New Pyure's Common Shares generally will not be subject to backup withholding, provided the applicable withholding agent does not have actual knowledge or reason to know the holder is a United States person and the holder either certifies its non-U.S. status, such as by furnishing a valid IRS Form W-8BEN or W-8BEN-E, or otherwise establishes an exemption. However, information returns are required to be filed with the IRS in connection with any dividends on New Pyure's Common Shares paid to a Non-U.S. Holder, regardless of whether any tax was actually withheld. Similar information must also be provided to such Non-U.S. Holder. In addition, proceeds of the sale or other taxable disposition of New Pyure's Common Shares or Warrants within the United States or conducted through certain U.S.-related brokers generally will not be subject to backup withholding or information reporting, if the applicable withholding agent receives the certification described above and does not have actual knowledge or reason to know that such holder is a United States person, or the holder otherwise establishes an exemption. Proceeds of a disposition of Common Shares or Warrants conducted through a non-U.S. office of a non-U.S. broker generally will not be subject to backup withholding or information reporting.

Copies of information returns that are filed with the IRS may also be made available under the provisions of an applicable treaty or agreement to the tax authorities of the country in which the Non-U.S. Holder resides or is established.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Additional Withholding Tax on Payments Made to Foreign Accounts

Withholding taxes may be imposed under Sections 1471 to 1474 of the Code (such Sections commonly referred to as the Foreign Account Tax Compliance Act, or "**FATCA**"), on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends on New Pyure's Common Shares paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Code), unless (1) the foreign financial institution undertakes certain diligence and reporting obligations, (2) the non-financial foreign entity either certifies it does not have any "substantial United States owners", as defined in the Code, or furnishes identifying information regarding each substantial United States owner, or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in (1) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain "specified United States persons" or "United States-owned foreign entities" (each as defined in the Code), annually report certain information about such accounts, and withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

Under the applicable Treasury Regulations and administrative guidance, withholding under FATCA generally applies to payments of dividends on New Pyure's Common Shares. Under currently proposed Treasury Regulations, "withholdable payments" do not include any gross proceeds from the disposition of property of a type that can produce U.S. source dividends or interest.

Non-U.S Holders should consult their tax advisors regarding the potential application of withholding under FATCA to their investment in Common Shares or Warrants.

## INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as described in this prospectus, none of the proposed directors or executive officers of the New Pyure, or any person or company that is expected to beneficially own, or control or direct more than 10% of any class or series of shares of New Pyure, or any associate or affiliate of any of the foregoing persons, has or has had any material interest in any past transaction within the three years before the date of this prospectus, or any proposed transaction, that has materially affected or would materially affect New Pyure or any of its expected subsidiaries.

## AUDITORS, TRANSFER AGENT, WARRANT AGENT AND ESCROW AGENT

The Corporation's auditors are KPMG LLP, having an address of Bay Adelaide Centre, 333 Bay Street, Suite 4600, Toronto, ON M5H 2S5. KPMG LLP is independent of the Corporation within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

HGI's auditors are Deloitte & Touche LLP, having an address of Brickell World Plaza, 600 Brickell Avenue Suite 3700 Miami, FL, 33131. Deloitte & Touche LLP is independent of HGI within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

TSX Trust Company, at its principal offices in Toronto, Ontario, is the transfer agent and registrar for the Corporation's Class A Restricted Voting Shares and is the Warrant Agent for the Corporation's Warrants under the Warrant Agreement.

TSX Trust Company, at its principal offices in Toronto, Ontario, is the Escrow Agent.

## EXPERTS AND INTERESTS OF EXPERTS

Certain legal and tax matters will be passed upon at the date of this prospectus by Goodmans LLP on the Corporation's behalf and on behalf of the Sponsors. As at the date hereof, the partners and associates of Goodmans LLP, as a group, beneficially own, directly or indirectly, less than 1% of the Corporation's securities.

## PROMOTERS

The Sponsors were considered promoters of the Corporation within the meaning of applicable securities legislation for the purposes of the Corporation's IPO. The Sponsors hold, of record and beneficially, or control, directly or indirectly, 2,545,500 Class B Shares (1,598,056 of which are held by VM HA Sponsor Corp. and 947,444 of which will be held or controlled by VM HA Sponsor LP) representing approximately 87% of the Class B Shares (and 19.67% of all issued and outstanding shares prior to Closing).

Upon Closing, assuming aggregate redemption levels of 25% and 75% in connection with the Extension and Business Combination, the Sponsors will beneficially own, or control or direct, directly or indirectly 2,545,500 Common Shares (assuming conversion of all Proportionate Voting Shares held by the Sponsors) representing 7.33% or 8.56% of the then issued and outstanding Common Shares.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of each of Corporation, and Pyure, as applicable, there are no legal proceedings to which Corporation, or Pyure is a party or to which its property is subject, nor were there any such proceeding since December 31, 2021, and to the Corporation's knowledge, no such proceedings are contemplated.

## MATERIAL CONTRACTS

The following are the material contracts of New Pyure following the Closing, other than contracts entered into in the ordinary course of business:

(a) the Business Combination Agreement;

(b) the Lock-Up Agreements; and

(c) the Warrant Agreement.

Copies of the above material contracts are available on the Corporation's SEDAR profile at www.sedar.com. Set out below are the particulars of certain material contracts not described elsewhere in this prospectus.

## CONTRACTUAL RIGHT OF ACTION

Original purchasers of Class A Restricted Voting Shares from the Underwriters of the IPO who continue to hold the underlying securities up to the applicable redemption deadline will have a contractual right of action for rescission or damages against the Corporation (as well as a contractual right of action for damages alone against (a) the directors of the Corporation as of the Redemption Election Deadline; and (b) every person or company who signs this prospectus, which for greater certainty, includes each of VM HA Sponsor Corp. and VM HA Sponsor LP, as promoters of the Corporation (collectively, the "**signatories**").

In the event that the Business Combination is completed and if this prospectus or any amendment hereto contains a misrepresentation (as defined in the *Securities Act* (Ontario) (the "**Ontario Securities Act**")), provided that the exercise of either such remedy occurs not later than (a) in the case of an action for rescission, 180 days after the Redemption Election Deadline; or (b) in the case of an action for damages, the earlier of (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action; or (ii) three years after the Redemption Election Deadline, a purchaser who purchased Class A Restricted Voting Shares and Warrants in connection with the IPO shall, in respect of such Warrants and in respect of any Common Shares received upon the conversion of the Class A Restricted Voting Shares upon Closing, be entitled to, in addition to any other remedy available at the time to such holder, (i) as against New Pyure, in the case of rescission, the amount paid for the applicable Class A Restricted Voting Shares and/or Warrants, as applicable, upon surrender of such securities; and (ii) as against New Pyure, the directors of the Corporation, and the signatories, in the case of a damages election, their proven damages.

In addition, the following additional provisions apply to actions against the directors of the Corporation and the signatories: (a) each has a due diligence defence and the other defences and rights contemplated in section 130 of the Ontario Securities Act and at law; and (b) each is entitled to be indemnified by New Pyure and Pyure to the maximum extent permitted by law.

This contractual right of action for rescission or damages will, subject to the foregoing, be consistent with the statutory right of rescission or damages described under section 130 of the Ontario Securities Act. In no case shall the amount recoverable exceed the original purchase price of the Class A Restricted Voting Units. In addition, for non-residents of Canada, the contractual right shall be subject to the same interpretational or constitutional defences, if any, as would apply to a claim against a resident Canadian issuer under section 130 of the Ontario Securities Act, and, as a result, the argument that non-residents are not entitled to take advantage of the contractual right shall not be precluded.

## ENFORCEMENT OF JUDGEMENTS AGAINST FOREIGN PERSON

Certain of Pyure's operations and assets are located outside of Canada, and certain of the Corporation's officers and directors, including Tom Vukota reside outside of Canada. Although the Corporation's current directors and officers who reside outside of Canada either have an office in Canada or have appointed GODA Incorporators Inc., located at 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7 as their agent for service of process in Canada, it may not be possible for shareholders to enforce against such persons judgments obtained in Canadian courts predicated on the civil liability provisions of applicable securities laws in Canada. Shareholders are advised that it may not be possible for them to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

## SECURITIES LAW EXEMPTIONS

In connection with the Business Combination, the Corporation has applied to an exemption from the requirements under:

(a) section 12.2 of NI 41-101 relating to the use of restricted security terms, and sections 1.13 and 10.6 of Form 41-101F1 – *Information Required in a Prospectus* and sections 1.12 and 7.7 of Form 44-101F1 – *Short Form Prospectus* relating to restricted security disclosure, in connection with (a) the prospectus the Corporation is required to file pursuant to the TSX Company Manual containing disclosure regarding the Corporation's qualifying acquisition, and (b) other prospectuses that may be filed by the Corporation under NI 41-101, NI 44-101 – *Short Form Prospectus Distributions*, including a prospectus filed under NI 44-102 – *Shelf Distributions*;

(b) section 12.3 of NI 41-101 for a prospectus distribution of restricted securities, or subject securities, or securities that are directly or indirectly convertible into, or exercisable or exchangeable for, restricted securities or subject securities;

(c) part 10 of NI 51-102 – *Continuous Disclosure Obligations* relating to the use of restricted security terms and restricted security disclosure in connection with continuous disclosure documents that may be filed by the Corporation under NI 51-102 – *Continuous Disclosure Obligations*;

(d) part 2 of OSC Rule 56-501 relating to the use of restricted share terms and restricted share disclosure in connection with dealer and adviser documentation, rights offering circulars and offering memoranda of the Corporation; and

(e) part 3 of OSC Rule 56-501 relating to the withdrawal of prospectus exemptions for distributions of restricted shares, or subject securities, or securities that are directly or indirectly convertible into, or exercisable or exchangeable for, restricted securities or subject securities in connection with stock distributions (as defined in OSC Rule 56-501) of the Corporation,

in connection with the Business Combination and any future distributions of Common Shares, Proportionate Voting Shares, or distributions of securities that are, directly or indirectly, convertible into, or exercisable or exchangeable for, Common or Proportionate Voting Shares.

In addition, the Corporation has also applied for exemptive relief from the provisions of MI 61-101 relating to minority approval and formal valuation requirements, such that if the exemptive relief is granted, the Corporation will qualify for the Transaction Size Exemptions, as both the fair market value of the Related Party Transaction and the consideration to be paid for the Related Party Transaction is approximately 12% of the "market capitalization" of the Class A Restricted Voting Shares.

The Sponsors are considered promoters of the Corporation within the meaning of applicable securities legislation and has therefore signed a certificate of promoter for this prospectus.

**CERTIFICATE OF VM HOTEL ACQUISITION CORP. AND PROMOTERS**

November 11, 2022

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by the issuer as required by securities legislation of each of the provinces and territories of Canada, other than Québec.

**VM HOTEL ACQUISITION CORP.**

| | |
|---|---|
| (signed) "*Ian McAuley*"<br>**Ian McAuley**<br>Chief Executive Officer | (signed) *"Tom Wenner"*<br>**Tom Wenner**<br>Chief Financial Officer |
| (signed) *"Tracy Sherren"*<br>**Tracy Sherren**<br>Director | (signed) *"John Andrew"*<br>**John Andrew**<br>Director |
| **VM HA SPONSOR CORP., AS PROMOTER** | **VM HA SPONSOR LP. by its general partner, 2796386 ONTARIO INC., AS PROMOTER** |
| (signed) "*Tom Vukota*"<br>By: Tom Vukota<br>Title: Director | (signed) "*Ian McAuley*"<br>By: Ian McAuley<br>Title: Director |

## APPENDIX A
## VM HOTEL ACQUISITION CORP. FINANCIAL STATEMENTS

**APPENDIX A-1**

The audited financial statements of VM Hotel Acquisition Corp. for the year ended December 31, 2021 and for the period from the date of incorporation on November 2016 to December 2020, together with the notes thereto and the auditors' report thereon.

Financial Statements
(Expressed in U.S. dollars)

# VM HOTEL ACQUISITION CORP.

Year ended December 31, 2021 and period from
November 16, 2020 to December 31, 2020

KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto ON M5H 2S5
Canada
Tel 416-777-8500
Fax 416-777-8818

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of VM Hotel Acquisition Corp.

## *Opinion*

We have audited the financial statements of VM Hotel Acquisition Corp. (the Entity), which comprise:

- the statements of financial position as at December 31, 2021 and December 31, 2020
- the statements of loss and comprehensive loss for the year ended December 31, 2021 and period from November 16, 2020 (date of incorporation) to December 31, 2020
- the statements of changes in shareholders' equity for the year ended December 31, 2021 and period from November 16, 2020 (date of incorporation) to December 31, 2020
- the statements of cash flows for the year ended December 31, 2021 and period from November 16, 2020 (date of incorporation) to December 31, 2020
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021 and December 31, 2020, and its financial performance and its cash flows for the year ended December 31, 2021 and period from November 16, 2020 (date of incorporation) to December 31, 2020 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 ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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.

## *Emphasis of Matter*

We draw attention to Note 2(b) in the financial statements, which indicates that the Entity has a working capital deficiency of approximately $1.8 million as of December 31, 2021 and insufficient sources of cash inflows to fund operating costs in the foreseeable future. The ability of the Entity to satisfy these obligations when they become due, as well as, to fund working capital up to the conclusion of a potential qualifying acquisition is uncertain and subject to certain risks.

As stated in Note 2(b) in the financial statements, these events or conditions, along with other matters as set forth in Note 2(b) in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

## *Key Audit Matters*

### *Classification of Financial Instruments*

#### *Description of the matter*

We draw attention to Note 1, Note 2(e) and Note 4(d) of the financial statements. The Class A Restricted Voting Shares subject to redemption have been classified as liabilities for accounting purposes and are recorded at amortized cost. The Warrants issued with the Class A Restricted Voting Shares and Class B Units include a cashless option and are classified as a liability measured at fair value through profit or loss ("FVTPL"). The Entity has recorded Class A Restricted Voting Shares amounting to $98,252,482 and Warrants amounting to $2,846,250 as liabilities. There is significant judgment involved in the determination of classification of financial instruments.

#### *Why the matter is a key audit matter*

We identified the classification of financial instruments as a key audit matter. This matter represented an area of significant risk of material misstatement. In addition, significant auditor judgment and involvement of those with specialized skills and knowledge were required in evaluating the Entity's application of the relevant accounting framework.

#### *How the matter was addressed in the audit*

The primary procedures we performed to address this key audit matter included the following:

We obtained an understanding of the terms and features of the Class A Restricted Voting Shares and Warrants attached to these Shares and Class B Units as described within the prospectus of the Entity dated February 23, 2021.

We involved professionals with specialized skills and knowledge, who assisted in evaluating the Entity's application of the relevant accounting standard on the classification of the financial instruments.

## *Other Information*

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

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 International Financial Reporting Standards (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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

## *Auditors' 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 auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.

- 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.

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- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Michael Kavanagh.

Toronto, Canada

March 31, 2022

# VM HOTEL ACQUISITION CORP.

Statements of Financial Position
(Expressed in U.S. dollars)

December 31, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| **Assets** | | |
| Current: | | |
| Cash | $ 192,905 | $ 1 |
| Prepaid expenses | 67,716 | – |
| Deposits | 385,000 | – |
| Amounts receivable | 161,912 | – |
| | 807,533 | 1 |
| Restricted cash held in escrow (note 3) | 100,067,087 | – |
| | $ 100,874,620 | $ 1 |
| **Liabilities and Shareholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 2,511,368 | $ – |
| Note payable due to a related party (note 13) | 661,688 | – |
| Due to related parties (note 12) | 1,037 | – |
| Class A restricted voting shares subject to redemption (note 4) | 98,252,482 | – |
| Class A and Class B warrant liabilities (note 4) | 2,846,250 | – |
| | 104,272,825 | – |
| Shareholders' equity: | | |
| Share capital (note 5) | 3,457,963 | 1 |
| Deficit | (6,856,168) | – |
| | (3,398,205) | 1 |
| Going concern (note 2 (b)) | | |
| Subsequent events (notes 13 and 14) | | |
| | $ 100,874,620 | $ 1 |

See accompanying notes to financial statements.

# VM HOTEL ACQUISITION CORP.

Statements of Loss and Comprehensive Loss
(Expressed in U.S. dollars)

Year ended December 31, 2021 and period from
November 16, 2020 (date of incorporation) to December 31, 2020

| | 2021 | 2020 |
|---|---|---|
| Revenue: | | |
| Interest | $ 67,087 | $ – |
| Expenses and other: | | |
| Interest | 78,775 | – |
| Net unrealized loss on change in value of warrant liabilities | 1,588,040 | – |
| General and administrative (note 10) | 314,591 | – |
| Amortization of issuance costs on Class A restricted voting shares | 2,230,200 | – |
| Transaction costs - qualifying acquisition | 2,711,649 | – |
| | 6,923,255 | – |
| Loss for the period and comprehensive loss | $ 6,856,168 | $ – |
| Loss for the period and comprehensive loss per share: | | |
| Basic and diluted | $ 2.67 | $ – |
| Weighted average number of Class B shares outstanding: | | |
| Basic and diluted | 2,572,610 | – |

See accompanying notes to financial statements.

# VM HOTEL ACQUISITION CORP.

Statements of Shareholders' Equity
(Expressed in U.S. dollars)

Year ended December 31, 2021 and period from
November 16, 2020 (date of incorporation) to December 31, 2020

| | Number of shares | Share capital | Deficit | Total |
|---|---|---|---|---|
| Balance, November 16, 2020 (date of incorporation) | – | $ – | $ – | $ – |
| Issuance of Class B shares to Founders | 1 | 1 | – | 1 |
| Balance, January 1, 2021 | 1 | 1 | – | 1 |
| Issuance of Class B shares, net of related costs | 350,000 | 3,456,250 | – | 3,456,250 |
| Issuance of Class B shares to Founders | 2,969,999 | 24,999 | – | 24,999 |
| Class B shares relinquished by Founders | (382,500) | – | – | – |
| Transaction costs (note 6) | – | (23,287) | – | (23,287) |
| Loss for the period and comprehensive loss | – | – | (6,856,168) | (6,856,168) |
| Balance, December 31, 2021 | 2,937,500 | $ 3,457,963 | $ (6,856,168) | $ (3,398,205) |

See accompanying notes to financial statements.

# VM HOTEL ACQUISITION CORP.

Statements of Cash Flows
(Expressed in U.S. dollars)

Year ended December 31, 2021 and period from
November 16, 2020 (date of incorporation) to December 31, 2020

| | 2021 | 2020 |
|---|---|---|
| Operating activities: | | |
| Loss for the period | $ (6,856,168) | $ – |
| Adjustments for: | | |
| Net unrealized loss on change in value of warrant liabilities | 1,588,040 | – |
| Amortization of issuance costs on Class A shares | 2,230,200 | – |
| Change in non-cash operating working capital: | | |
| Prepaid expenses | (67,716) | – |
| Deposits | (385,000) | – |
| Amounts receivable | (161,912) | – |
| Accounts payable and accrued liabilities | 2,511,368 | – |
| Due to related parties | 1,037 | – |
| Cash flows used in operating activities | (1,140,151) | – |
| Investing activities: | | |
| Restricted cash held in escrow | (100,067,087) | – |
| Cash flows used in investing activities | (100,067,087) | – |
| Financing activities: | | |
| Proceeds on sale of Class B shares to Founders | 24,999 | 1 |
| Proceeds on sale of Class B shares and warrants | 3,500,000 | – |
| Proceeds on sale of Class A restricted voting shares | 100,000,000 | – |
| Transaction costs allocated to Class A restricted voting shares | (2,727,718) | – |
| Transaction costs allocated to Class A and B warrants | (35,540) | – |
| Transaction costs allocated to Class B shares | (23,287) | – |
| Note payable (note 12) | 661,688 | – |
| Cash flows from financing activities | 101,400,142 | 1 |
| Net change in cash | 192,904 | 1 |
| Cash, beginning of period | 1 | – |
| Cash, end of period | $ 192,905 | $ 1 |

See accompanying notes to financial statements.

VM Hotel Acquisition Corp. (the "Corporation") is a special purpose acquisition corporation ("SPAC") incorporated under the laws of the Province of British Columbia for the purpose of effecting, directly or indirectly, an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination involving the Corporation (a "qualifying acquisition").

The Corporation was incorporated on November 16, 2020 under the Business Corporations Act (British Columbia), and is domiciled in Canada. The registered office of the Corporation is located at 1600-925 West Georgia Street, Vancouver, BC V6C 3L2.

The financial statements were authorized for issuance by the Board of Directors of the Corporation on March 31, 2022.

**1. Significant events:**

On March 1, 2021, the Corporation closed its initial public offering (the "Offering") of 10,000,000 Class A restricted voting units (each, a "Class A Restricted Voting Unit") at an offering price of $10.00 per Class A Restricted Voting Unit for gross proceeds of $100,000,000 pursuant to the Corporation's prospectus dated February 23, 2021 (the "Prospectus") and the Class A Restricted Voting Units commenced trading on the Toronto Stock Exchange (the "Exchange") under the symbol "VMH.V".

**1. Significant events (continued):**

Each Class A Restricted Voting Unit consisted of one Class A restricted voting share (each, a "Class A Restricted Voting Share" and one-half of a share purchase warrant (each whole share purchase warrant, a "Warrant"). On April 12, 2021, the Class A Restricted Voting Shares and the Warrants comprising the Class A Restricted Voting Units, commenced trading separately on the Exchange under the symbols "VMH.U" and "VMH.WT.U", respectively. On or immediately following the closing of the Corporation's qualifying acquisition, each Class A Restricted Voting Share (unless previously redeemed) will be automatically converted into one common share (a "Common Share") and each Class B share of the Corporation (each a "Class B Share") will be automatically converted on a 100-for-1 basis into proportionate voting shares of the Corporation (the "Proportionate Voting Shares"), as set forth in the notice of articles and articles of the Corporation. The Warrants will become exercisable, at an exercise price of $11.50, commencing 65 days after the completion of the Corporation's qualifying acquisition and will expire at 5:00 p.m. (Toronto time) on the day that is five years after the completion of a qualifying acquisition or earlier, as described in the Prospectus. Once the Warrants become exercisable, the Corporation may accelerate the expiry date of the outstanding Warrants (excluding the Warrants held by the Sponsors (as defined below) issued as part of the Class B units of the Corporation (the "Class B Units"), as described in the Prospectus) by providing 30 days' notice, if and only if, the closing price of the Common Shares equals or exceeds $18.00 per Common Share (as adjusted for stock splits or combinations, stock dividends, extraordinary dividends, reorganizations and recapitalizations and the like) for any 20 trading days within a 30-trading day period. If the Corporation accelerates the expiry of the Warrants, the board of directors of the Corporation has the option to require all holders that wish to exercise their Warrants to do so, in whole or in part, on a cashless basis.

Simultaneously with the closing of the Offering (the "Closing"), VM HA Sponsor Corp. and VM HA Sponsor LP (together, the "Sponsors"), the sponsors, along with certain third parties purchased 350,000 Class B Units at an offering price of $10.00 per Class B Unit (for an aggregate purchase price of $3,500,000). Each Class B Unit consisted of one Class B share of the Corporation (each a "Class B Share") and one-half of a Warrant. On April 12, 2021, the Class B Units separated into underlying Class B Shares and Warrants.

**1. Significant events (continued):**

On February 23, 2021, the Sponsors and certain of the directors, John Andrew, Tracy Sherren and Charles Suddaby, referred to as the "Founders" in such capacity, along with certain third parties, purchased 2,970,000 Class B Shares, also referred to as the "Founders' Shares", for an aggregate price of $25,000, or approximately $0.0084 per Founders' Share. On May 6, 2021, the Sponsors relinquished 382,500 of the Founders' Shares without compensation. The Founders' Shares outstanding represent 20% of the issued and outstanding shares of the Corporation (including all Class A Restricted Voting Shares and Class B Shares).

If the Corporation is unable to consummate a qualifying acquisition within the permitted timeline of 18 months from the Closing (or 21 months from the Closing if the Corporation has executed a letter of intent, agreement in principle or definitive agreement for a qualifying acquisition within 18 months from the Closing but has not completed the qualifying acquisition within such 18-month period) (the "Permitted Timeline"), subject to any extension as described below, the Corporation will be required to redeem each of the outstanding Class A Restricted Voting Shares, for an amount per share, payable in cash, equal to the pro-rata portion (per Class A Restricted Voting Share) of: (a) the escrowed funds available in the escrow account, including any interest and other amounts earned thereon, less (b) an amount equal to the total of (i) any applicable taxes payable by the Corporation on such interest and other amounts earned in the escrow account, (ii) any taxes of the Corporation (including under Part VI.1 of the Income Tax Act (Canada) arising in connection with the redemption of the Class A Restricted Voting Shares, and (iii) up to a maximum of $50,000 of interest and other amounts earned from the proceeds in the escrow account to pay actual and expected winding-up expenses and certain other related costs, each as reasonably determined by the Corporation. The underwriters for the Offering (the "Underwriters") will have no right to the Deferred Underwriting Commission (as defined below) held in the escrow account in such circumstances.

Such Permitted Timeline, however, could be extended to up to 36 months with shareholder approval of only the holders of Class A Restricted Voting Shares, by ordinary resolution, with approval by the Corporation's board of directors. If such approvals are obtained, holders of Class A Restricted Voting Shares, irrespective of whether such holders vote for or against, or do not vote on, the extension of the Permitted Timeline, would be permitted to deposit all or a portion of their Class A Restricted Voting Shares for redemption as described in the Prospectus.

**1. Significant events (continued):**

The Class A Restricted Voting Shares may be considered "restricted securities" within the meaning of such term under applicable Canadian securities laws. Prior to the completion of a qualifying acquisition, holders of the Class A Restricted Voting Shares will not be entitled to vote at (or receive notice of or meeting materials in connection with) meetings held only to consider the election and/or removal of directors and auditors. The holders of the Class A Restricted Voting Shares will, however, be entitled to vote on and receive notice of meetings on all other matters requiring shareholder approval (including the proposed qualifying acquisition, if required under applicable law, and any proposed extension to the Permitted Timeline) other than the election and/or removal of directors and auditors prior to closing of a qualifying acquisition. In lieu of holding an annual meeting prior to the closing of the qualifying acquisition, the Corporation is required to provide an annual update on the status of identifying and securing a qualifying acquisition by way of a press release.

Upon closing of the qualifying acquisition, the Class B Shares will convert on a 100-for-1 basis into Proportionate Voting Shares. Prior to the closing of the qualifying acquisition, the Corporation will not issue any Common Shares or Proportionate Voting Shares. Following the closing of the qualifying acquisition, the Corporation will not issue any Class A Restricted Voting Shares or Class B Shares.

The Founders (including the Sponsors) have agreed pursuant to an exchange agreement and undertaking not to transfer any of their Founders' Shares or Class B Units (or any Class B Shares or Warrants forming part of the Class B Units) until after the closing of the qualifying acquisition, in each case other than transfers required due to the structuring of the qualifying acquisition or unless otherwise permitted by the Exchange. Any Class A Restricted Voting Shares purchased by the Founders would not be subject to the restrictions set out in such agreement.

**1. Significant events (continued):**

The Founders' Shares purchased by the Founders and certain third parties and Class B Shares which formed part of the Class B Units (or any shares acquired upon exercise of the Warrants which formed part of the Class B Units) purchased by the Sponsors and certain third parties will not be subject to relinquishment based on performance.

Upon the Closing on March 1, 2021, an aggregate of $100,000,000 from the sale of the Class A Restricted Voting Units, or $10.00 per Class A Restricted Voting Unit sold to the public, was deposited with TSX Trust Company, as escrow agent, in an escrow account in Canada at a Canadian chartered bank or subsidiary thereof, in accordance with an escrow agreement. Subject to applicable law and payment of certain taxes, permitted redemptions and certain expenses, as further described in the Prospectus, none of the funds held in the escrow account will be released to the Corporation prior to the closing of a qualifying acquisition.

Following the closing of the Corporation's qualifying acquisition, the Corporation will use the balance of the non-redeemed Class A Restricted Voting Shares' portion of the escrow account (less tax liabilities on amounts earned on the escrowed funds and certain expenses directly related to redemptions) (subject to availability, failing which any shortfall shall be made up from other sources) to pay the Underwriters the Deferred Underwriting Commission (as defined below). The per share amount the Corporation will distribute to holders of Class A Restricted Voting Shares who properly redeem their shares will not be reduced by the Deferred Underwriting Commission (as defined below) the Corporation will pay to the Underwriters.

As 100% of the gross proceeds of the Offering and any additional equity raised pursuant to a rights offering are held by the escrow agent in the escrow account, shareholder approval of a qualifying acquisition is not required pursuant to the Exchange rules. As such, and unless shareholder approval is otherwise required under applicable law, we will: (a) prepare and file with applicable securities regulatory authorities a prospectus containing disclosure regarding the Corporation and its proposed qualifying acquisition; (b) mail a notice of redemption to the holders of the Class A Restricted Voting Shares and make the final prospectus publicly available; and (c) send by prepaid mail or otherwise deliver the prospectus to the holders of the Class A Restricted Voting Shares, as described in the Prospectus.

**1. Significant events (continued):**

The escrowed funds are held to enable the Corporation to (a) satisfy redemptions made by holders of Class A Restricted Voting Shares (including in the event of a qualifying acquisition or an extension to the Permitted Timeline, or in the event a qualifying acquisition does not occur within the Permitted Timeline), (b) fund the qualifying acquisition with the net proceeds following payment of any such redemptions and Deferred Underwriting Commission (as defined below), and/or (c) pay taxes on amounts earned on the escrowed funds and certain permitted expenses. Such escrowed funds and all amounts earned thereon, subject to such obligations and applicable law, will be assets of the Corporation. These escrowed funds will also be used to pay the Deferred Underwriting Commission (as defined below), which (subject to availability, failing which any shortfall shall be made up from other sources) will be payable by the Corporation to the Underwriters upon the closing of the Corporation's qualifying acquisition provided that a discretionary portion of the Deferred Underwriting Commission (as defined below) may be used to pay other parties of the Corporation's choosing, as described in the Prospectus.

Consummation of the qualifying acquisition will require approval by a majority of the Corporation's directors unrelated to the qualifying acquisition. In connection with seeking to complete a qualifying acquisition, the Corporation will provide holders of Class A Restricted Voting Shares with the opportunity to redeem all or a portion of their Class A Restricted Voting Shares, provided that they deposit their shares for redemption prior to the deadline specified by the Corporation, following public disclosure of the details of the qualifying acquisition and prior to the closing of the qualifying acquisition, of which prior notice had been provided to the holders of the Class A Restricted Voting Shares by any means permitted by the Exchange, not less than 21 days nor more than 60 days in advance of such deadline, in each case, with effect, subject to applicable law, immediately prior to the closing of a qualifying acquisition, for an amount per share, payable in cash, equal to the pro-rata portion (per Class A Restricted Voting Share) of: (a) the escrowed funds available in the escrow account at the time immediately prior to the redemption deposit deadline, including interest and other amounts earned thereon; less (b) an amount equal to the total of (i) any applicable taxes payable by the Corporation on such interest and other amounts earned in the escrow account, and (ii) actual and expected expenses directly related to the redemption, each as reasonably determined by the Corporation, subject to the limitations described in the Prospectus.

**1. Significant events (continued):**

Notwithstanding the foregoing redemption rights, each holder of Class A Restricted Voting Shares, together with any affiliate of such holder or other person with whom such holder or affiliate is acting jointly or in concert, will not be permitted to redeem a number of Class A Restricted Voting Units that is more than 15% of the aggregate number of Class A Restricted Voting Shares issued and outstanding following the Closing. This limitation will not apply in the event a qualifying acquisition does not occur within the Permitted Timeline, or in the event of an extension to the Permitted Timeline. If approval of the qualifying acquisition by shareholders is otherwise required under applicable law, holders of Class A Restricted Voting Shares shall have the option to redeem their Class A Restricted Voting Shares irrespective of whether they vote for or against, or do not vote on, the qualifying acquisition. Holders of Class A Restricted Voting Shares will be given not less than 21 days' notice of the shareholders meeting (if such meeting is required under applicable law) and of the corresponding redemption deposit deadline if such meeting is required. Participants through CDS Clearing and Depositary Services Inc. ("CDS") may have earlier deadlines for beneficial holders to make deposits of Class A Restricted Voting Shares for redemption. If a CDS participant's deadline is not met by a holder of Class A Restricted Voting Shares, such holder's Class A Restricted Voting Shares may not be eligible for redemption.

Following completion of the qualifying acquisition, the Proportionate Voting Shares into which the Founders' Shares and Class B Shares which formed part of the Class B Units are convertible, the Warrants which formed part of the Class B Units, and the shares issuable on exercise of such Warrants may be subject to certain sale or transfer restrictions in accordance with applicable securities laws.

The Founders (including the Sponsors) and other holders of the Founders' Shares and/or Class B Shares will not be entitled to redeem the Founders' Shares or Class B Shares in connection with a qualifying acquisition or an extension to the Permitted Timeline or entitled to access the escrow account should a qualifying acquisition not occur within the Permitted Timeline, as further described in the Prospectus. The Founders (including the Sponsors) and other holders of the Founders' Shares and/or Class B Shares will, however, participate in any liquidation distribution with respect to any Class A Restricted Voting Shares they may acquire in connection with or following this Offering through possible purchases on the secondary market.

## 2. Significant accounting policies:

(a) Basis of preparation:

These financial statements of the Corporation for the year ended December 31, 2021 and the for the period from November 16, 2020 to December 31, 2020 have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and with interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The comparative period information of the Corporation reflects the activity from the date of incorporation to December 31, 2020, being the Corporation's year end.

(b) Going concern:

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Corporation is in the process of identifying its qualifying transaction, and as such, does not have any sources of cash inflows, other than from its Sponsors or obtaining additional financing. At December 31, 2021, the Corporation had accumulated losses of $6,856,158 since inception and a working capital deficiency of approximately $1,800,000. The Corporation's ability to fund its working capital requirements is uncertain and alternative liquidity sources will be required.

The Corporation's ability to continue as a going concern is dependent upon the continued support of its Sponsors and the completion of a qualifying acquisition, as defined above. There are no assurances that the Sponsors will provide continued support and that the Corporation will be successful in completing a qualifying acquisition.

These conditions indicate a material uncertainty that may cast significant doubt as to the Corporation's ability to continue as a going concern. These financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary should the going concern assumption be inappropriate. Such adjustments could be material.

**2. Significant accounting policies (continued):**

(c) Basis of measurement:

The financial statements of the Corporation have been prepared on a historical cost basis except for certain financial assets and financial liabilities which are carried and measured at fair value and more fully described in note 4. The Corporation's functional and presentation currency is the U.S. dollar.

(d) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(e) Financial instruments:

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or are assigned and the Corporation has transferred substantially all risks and rewards of ownership in respect of the asset. Financial liabilities are derecognized when the related obligation is discharged, cancelled or when it expires.

Management determines the classification of financial instruments at initial recognition with reflection of the business model and cash flow characteristics of the financial instruments. Financial assets are classified at fair value through profit or loss ("FVTPL"), or at amortized cost. Financial liabilities other than the Warrants are classified at amortized cost.

Financial instruments classified as FVTPL are carried at fair value in the statement of financial position and any gains or losses are recorded in loss for the period in the period in which they arise. Financial instruments classified as FVTPL include cash, as well as cash held in escrow. The Class A Restricted Voting Shares subject to redemption have been classified as liabilities for accounting purposes and are recorded at amortized cost.

The Warrants include a cashless option as described in note 1 and, therefore, fail the 'fixed for fixed' requirements prescribed in IAS 32, Financial Instruments: Presentation ("IAS 32"). As a result, the Warrants are classified as a liability measured at FVTPL.

**2. Significant accounting policies (continued):**

Other financial assets and liabilities are recognized at amortized cost. Such accounts would include amounts receivable and accounts payable and accrued liabilities.

(f) Expected credit losses on financial assets at amortized cost:

These financial assets are recognized initially at fair value and subsequently measured at amortized cost. At each reporting date, the Corporation measures the loss allowance on these financial assets at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Corporation shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and defaulted in payments are all considered indicators that a loss allowance may be required.

(g) Income tax:

The Corporation follows the balance sheet method to provide for income taxes. The balance sheet method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are measured at the tax rates that are enacted or substantively enacted to apply in the period when the asset is realized, and the liability is settled.

The effect on deferred income tax assets and liabilities of a change in tax rates is recognized within the statement of loss and comprehensive loss in the period that includes the substantive enactment date. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

(h) Per share information:

Basic income or loss per Class B Share is calculated by dividing the net income or loss by the weighted average number of Class B Shares outstanding during the period. The calculation excludes the effect of Class A Restricted Voting Shares, as the Class A Restricted Voting Shares have been classified in these financial statements as financial liabilities and on a fully diluted basis the Class A Restricted Voting Shares are anti-dilutive.

## 2. Significant accounting policies (continued):

(i) Share-based compensation:

Share-based compensation expense associated with the Corporation's equity awards is measured at fair value upon the grant date and recognized over the requisite service period. To the extent a share-based award is subject to a performance condition, the amount of a related expense recorded in a given period, if any, reflects an assessment of the probability of achieving such performance condition, with compensation expense recognized in profit or loss once the event is deemed probable to occur. Forfeitures are recognized as incurred.

## 3. Restricted cash held in escrow:

Restricted cash balances totalling $100,067,087 were held in escrow at a Canadian chartered bank as at December 31, 2021 (2020 - nil). For the year ended December 31, 2021, the Corporation accrued and received interest of $67,087.

## 4. Class A Restricted Voting Shares subject to redemption:

(a) Authorization:

The Corporation is authorized to issue an unlimited number of Class A Restricted Voting Shares. The holders of Class A Restricted Voting Shares have no pre-emptive rights or other subscription rights and there are no sinking fund provisions applicable in these shares.

(b) Voting rights:

The holders of the Class A Restricted Voting Shares are entitled to vote on and receive notice of meetings on all matters requiring shareholder approval (including any proposed extension to the permitted timeline and approval of a qualifying acquisition if otherwise required under applicable law) other than the election and/or removal of directors and auditors prior to closing of a qualifying acquisition. Prior to a qualifying acquisition, holders of the Class A Restricted Voting Shares are not entitled to vote at (or receive notice of or meeting materials in connection with) meetings held only to consider the election and/or removal of directors and auditors.

(Expressed in U.S. dollars, except for number of shares outstanding)

4. **Class A Restricted Voting Shares subject to redemption (continued):**

(c) Redemption rights:

Only holders of Class A Restricted Voting Shares are entitled to have their shares redeemed and receive the escrow proceeds (net of applicable taxes and other permitted deductions) in the event a qualifying acquisition does not occur within the Permitted Timeline, in connection with seeking to complete a qualifying acquisition, and in the event of an extension to the Permitted Timeline.

(d) Classification:

The Corporation has classified its Class A Restricted Voting Shares as financial liabilities within the statement of financial position. Gross proceeds of $100,000,000 from the Offering were allocated between Class A Restricted Voting Shares - $98,750,000 and Warrants - $1,250,000, based on the market price of the respective security on the first day of trading.

The Class A Restricted Voting Shares were discounted by $2,727,718 (note 6), representing the transaction costs associated with the Class A Restricted Voting Shares and by the value of the Warrants, being an aggregate of $3,977,718. This aggregate discount is being amortized over 18 months using the effective interest rate method. For the year ended December 31, 2021, the Corporation recorded $2,230,200 of amortization in connection with these costs attributed to the Class A Restricted Voting Shares.

The following table summarizes the Warrants attached to Class A and B Shares:

| | Number of Warrants | Amount |
|---|---|---|
| Issuance of Warrants: | | |
| Warrants attached to Class B Shares | 175,000 | $ 43,750 |
| Warrants attached to Class A Shares | 5,000,000 | 1,250,000 |
| | 5,175,000 | 1,293,750 |
| Issuance costs | | (35,540) |
| Net unrealized loss on change in value of warrant liabilities | | 1,588,040 |
| | | $ 2,846,250 |

(Expressed in U.S. dollars, except for number of shares outstanding)

## 5. Shareholders' equity:

The Corporation is authorized to issue an unlimited number of Class B Shares without nominal or par value. The holders of Class B Shares have no pre-emptive rights or other subscription rights and there are no sinking fund provisions applicable to these shares.

(a) Voting rights:

The holders of the Class B Shares are entitled to vote at all meetings of shareholders and on all matters requiring a shareholder vote, with the exception of an extension of the Permitted Timeline, which will only be voted upon by holders of Class A Restricted Voting Shares.

(b) Redemption rights:

Holders of Class B Shares do not have access to, and cannot benefit from, any proceeds held in the escrow account, and as such, do not have any redemption rights with respect to their Class B Shares. The Founders (including the Sponsors) will, however, be entitled to such redemption rights using proceeds from the escrow account with respect to any Class A Restricted Voting Shares they may acquire pursuant to or following the Offering.

## 6. Transaction costs:

Transaction costs are directly related to the Offering and consist mainly of legal, accounting, printing, filing and underwriters' fees. Transaction costs incurred were allocated between shareholders' equity and shares subject to redemption on the following basis:

| | Class A Restricted Voting Shares | Warrants | Class B Shares | Total |
|---|---|---|---|---|
| Professional fees - legal, accounting, etc. | $ 653,395 | $ 8,219 | $ 23,287 | $ 684,901 |
| Underwriters' commissions | 1,901,011 | 25,039 | – | 1,926,050 |
| Exchange listing | 160,834 | 2,118 | – | 162,952 |
| Other | 12,478 | 164 | – | 12,642 |
| | $ 2,727,718 | $ 35,540 | $ 23,287 | $ 2,786,545 |

## 6. Transaction costs (continued):

Pursuant to the underwriting agreement for the Offering, the Underwriters were entitled to an underwriting commission equal up to $5,500,000 or 5.5% of the gross proceeds of the Class A Restricted Voting Units issued under the Offering. The Underwriters and the Corporation agreed that the commission payable on Closing would be reduced as mutually agreed between the Underwriters and the Corporation for certain investors in the Class A Restricted Voting Units. The Corporation paid $1,926,050, to the Underwriters at the Closing. The balance of the agreed underwriting commission, being $3,370,588, or 3.5% of the gross proceeds of the Class A Restricted Voting Units as reduced for certain investors as mutually agreed between the Underwriters and the Corporation, (the "Deferred Underwriting Commission") has been deferred and will only be paid upon successful completion of a qualifying acquisition. In addition, 30% of the Deferred Underwriting Commission is payable by the Corporation to such parties as it sees fit, including the Underwriters or to advisors who have assisted with the qualifying acquisition. If no qualifying acquisition is consummated within the Permitted Timeline, such amounts shall not be payable. Due to its association with an uncertain future qualifying acquisition, the Deferred Underwriting Commission balance, which is a contingent liability, has not been recorded in the condensed interim financial statements. Transaction costs were prorated between Class A Restricted Voting Shares, Warrants and Class B Shares by the amount of proceeds received.

## 7. Financial instruments:

All financial instruments for which fair value is recognized or disclosed are categorized within a fair value hierarchy, described as follows:

- Level 1 - Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.

- Level 2 - Valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or corroborated by observable market data by correlation or other means.

- Level 3 - valuation techniques with significant unobservable market inputs.

The cash and restricted cash held in escrow is measured using Level 1 inputs.

## 8. Financial risk management:

(a) Market risk:

Market risk is the risk that a material loss arises from fluctuations in a financial instrument's fair value. For purposes of this disclosure, the Corporation segregates market risk into two categories: fair value risk and interest rate risk.

(b) Fair value risk:

Fair value risk is the potential for loss from an adverse movement in market prices. The Corporation has minimal fair value risk as the only financial instruments carried at fair value are cash and restricted cash held in escrow.

(c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in interest rates. The Corporation's exposure to interest rate risk is nominal because all of the assets and liabilities are short-term in nature.

(d) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. To the extent that the Corporation requires additional to met its financial obligations including funding for general ongoing expenses or in connection with a qualifying acquisition, the Corporation may seek funding by way of unsecured loans from the Sponsors and/or its affiliates. The lender under the loans would not have recourse against the funds held in the escrow account, and thus the loans will not reduce the value thereof. Such loans will collectively be subject to a maximum aggregate principal amount equal to 10% of the escrowed funds and may only be repayable in cash no earlier than the closing of the qualifying acquisition. Such loans may be convertible into shares and/or Warrants in connection with the closing of a qualifying acquisition.

## 8. Financial risk management:

(e) Credit risk:

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The maximum exposure to credit risk is the full carrying value of the financial instrument. The Corporation is exposed to credit risk with respect to refundable deposits and amounts receivables. As at December 31, 2021 deposits were $385,000 and amounts receivable were $161,912. Management believes that the potential loss from credit risk with respect to these amounts is low.

(f) Other risk:

Other risks including pandemics such as COVID-19 and national and international political circumstances, may have a negative impact on the market and general economic conditions such as interest rates, availability of credit, inflation rates, economic uncertainty which may negatively impact the Corporation with completing a qualifying acquisition.

## 9. Capital management:

The Corporation defines the capital that it manages as its cash and restricted cash held in escrow.

The Corporation's primary objective in managing capital is to ensure capital preservation in order to benefit from acquisition opportunities as they arise and to fund redemptions should they occur. As a result, the Corporation will make adjustments to its capital based on these economic conditions as and when they arise.

(Expressed in U.S. dollars, except for number of shares outstanding)

## 9. Capital management (continued):

The Corporation may also seek to raise additional funds through a rights offering in respect of shares available to its shareholders, in accordance with the requirements of applicable securities legislation and the Exchange's rules, and subject to the consent of the Underwriters, subject to the conditions outlined further in the Prospectus.

## 10. General and administrative expenses:

The Corporation had the following general and administrative expenses:

| | 2021 | 2020 |
|---|---|---|
| Retainer and administrative fees | $ 100,000 | $ – |
| Fees to escrow agent | 9,537 | – |
| Professional fees | 96,523 | – |
| Other | 108,531 | – |
| | $ 314,591 | $ – |

## 11. Income taxes:

The income tax recovery amount on pre-tax losses differs from the income tax recovery amount that would arise using the combined Canadian federal and provincial statutory tax rate of 26.5%, as a result of the following items:

| | 2021 | 2020 |
|---|---|---|
| Loss before tax | $ 6,856,168 | $ – |
| Income tax recovery using the Corporation's statutory rate of 26.5% | $ 1,816,884 | $ – |
| Effect on taxes of: | | |
| Change in unrecognized temporary differences | (1,816,884) | – |
| Income tax expense (recovery) | $ – | $ – |

(Expressed in U.S. dollars, except for number of shares outstanding)

## 11. Income taxes (continued):

Deferred income tax assets are only given recognition in the Corporation's financial statements if management has determined that it is probable that such deferred income tax assets may be recovered. The recoverability of deferred income tax assets is partially dependent on the nature, terms, and conditions of the qualifying acquisition, if completed in the future, causing uncertainty in the ability of the Corporation to benefit from deferred income tax assets. As such, management believes that the following deductible temporary differences do not currently meet the criteria for recognition:

| | 2021 | 2020 |
|---|---|---|
| Non-capital tax losses carry forward | $ 234,151 | $ – |
| Other deductible temporary differences | 1,582,734 | – |
| | $ 1,816,885 | $ – |

At December 31, 2021, tax loss carryforwards available were $883,588, which will expire in 2041. Transaction costs paid by the Corporation in respect of the issuance of shares, including the issuance of Class A Restricted Voting Shares, are deductible for income tax purposes on a straight-line basis over a five-year period.

## 12. Related party transactions:

The Corporation will pay $10,000 (plus applicable taxes) per month to an affiliate of one of the Sponsors for administrative and related services. The Corporation further reimburses an affiliate of one of the Sponsors for any out-of-pocket expenses incurred which relate to certain activities on the Corporation's behalf, including identifying and negotiating a qualifying acquisition.

For the year ended December 31, 2021, the Corporation accrued and paid $100,000, respectively, for administrative and related services. The Sponsors incurred regulatory, filing, and other fees, in the normal course, on behalf of the Corporation prior to the successful completion of the Offering in the amount of $1,037, which remain due and payable. These amounts are non-interest bearing and have no fixed terms of repayment.

## 12. Related party transactions (continued):

The grant of Founder Shares by the Corporation to the Founders is in the scope of IFRS 2, Share-based Payment. These shares have been designated as equity-classified awards and measured at fair value at the grant date, with the associated value to be recognized over the requisite service period. These Founder Shares were granted subject to a non-market performance condition. Compensation expense related to these Founder Shares is recognized only when the performance condition is deemed probable of occurrence. As of December 31, 2021, the Corporation determined that the performance condition was not considered probable, and, therefore, no share-based compensation expense has been recognized during the year ended December 31, 2021. Unrecognized share-based compensation expense of approximately $23,000,000 would be recognized at the date a qualifying acquisition is considered probable, being at or close to completion.

## 13. Note payable:

On October 20, 2021, an affiliate of one of the Sponsors and a related party of the Corporation (the "Lender") agreed to provide unsecured loan advances, to the Corporation to satisfy obligations related to general ongoing expenses and expenditures incurred in connection with the Corporation's sourcing of a qualifying acquisition. The loan advances will bear interest of 12% per annum and the Lender has no recourse against the restricted cash held in an escrow account by the Corporation. The loan advances and accrued interest are payable in cash or may be converted into shares and/or warrants as agreed upon by the Corporation and the Lender, however no such payment or conversion shall occur prior to the closing of a qualifying acquisition. On October 26, 2021 and November 15, 2021, the Corporation received loan advances of $250,000 and $400,000, respectively. For the year ended December 31, 2021, the Corporation accrued interest of $11,688. On January 21, 2022 the Corporation received and an additional loan advance of $360,000 on the same terms.

## 14. Subsequent events:

Subsequent to December 31, 2021, the Company terminated conditional purchase and sale agreements with respect to the acquisition of the Battery Wharf located in Boston, Massachusetts, the Sheraton Centre located in Montreal, Quebec and the Sheraton Golf & Spa located in Panama City Beach, Florida. The acquisition of these three properties were originally intended to form part of a proposed qualifying acquisition.

## APPENDIX A-30

The unaudited condensed interim financial statements of VM Hotel Acquisition Corp. for the three and six months ended June 30, 2022 and 2021, together with the notes thereto.

Condensed Interim Financial Statements
(Expressed in U.S. dollars)

# VM HOTEL ACQUISITION CORP.

Three and six months ended June 30, 2022 and 2021
(Unaudited)

# VM HOTEL ACQUISITION CORP.

Condensed Interim Statements of Financial Position
(Expressed in U.S. dollars)

June 30, 2022 and December 31, 12021
(Unaudited)

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| **Assets** | | |
| Current: | | |
| Cash | $ 271,551 | $ 192,905 |
| Prepaid expenses | 30,532 | 67,716 |
| Deposits | – | 385,000 |
| Amounts receivable | 189,846 | 161,912 |
| | 491,929 | 807,533 |
| Restricted cash held in escrow (note 3) | 100,288,584 | 100,067,087 |
| | $ 100,780,513 | $ 100,874,620 |
| **Liabilities and Shareholders' Deficiency** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 2,464,110 | $ 2,511,368 |
| Note payable due to a related party (note 10) | 1,079,969 | 661,688 |
| Due to related parties (note 10) | 1,037 | 1,037 |
| Class A restricted voting shares subject to redemption (note 4) | 99,575,282 | 98,252,482 |
| Class A and Class B warrant liabilities (note 4) | 621,000 | 2,846,250 |
| | 103,741,398 | 104,272,825 |
| Shareholders' deficiency: | | |
| Share capital (note 5) | 3,457,963 | 3,457,963 |
| Deficit | (6,418,848) | (6,856,168) |
| | (2,960,885) | (3,398,205) |
| | $ 100,780,513 | $ 100,874,620 |

See accompanying notes to condensed interim financial statements.

# VM HOTEL ACQUISITION CORP.

Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)
(Expressed in U.S. dollars, except for number of shares outstanding)
(Unaudited)

| | Three months ended June 30, 2022 | Three months ended June 30, 2021 | Six months ended June 30, 2022 | Six months ended June 30, 2021 |
|---|---|---|---|---|
| Revenue: | | | | |
| Interest | $ 191,473 | $ 19,947 | $ 221,496 | $ 26,742 |
| Expenses and other gains: | | | | |
| Interest | 222,022 | 19,947 | 279,777 | 26,742 |
| Net unrealized gain on change in value of warrant liability | (983,250) | (232,875) | (2,225,250) | (197,335) |
| General and administrative (note 9) | 52,241 | 87,267 | 165,056 | 141,102 |
| Amortization of issuance costs on Class A Shares | 663,700 | 672,900 | 1,322,800 | 898,200 |
| Transaction costs | 26,111 | – | 241,793 | – |
| | (19,176) | 547,239 | (215,824) | 868,709 |
| Income (loss) and comprehensive income (loss) | $ 210,649 | $ (527,292) | $ 437,320 | $ (841,967) |
| Income (loss) and comprehensive income (loss) per share: | | | | |
| Basic and diluted | $ 0.07 | $ (0.17) | $ 0.15 | $ (0.38) |
| Weighted average number of Class B shares outstanding: | | | | |
| Basic and diluted | 2,937,500 | 3,086,250 | 2,937,500 | 2,201,672 |

See accompanying notes to condensed interim financial statements.

# VM HOTEL ACQUISITION CORP.

Condensed Interim Statements of Shareholders' Deficiency
(Expressed in U.S. dollars, except for number of shares outstanding)
(Unaudited)

| Six months ended June 30, 2022 | Number of shares | | Share capital | | Deficit | | Total |
|---|---|---|---|---|---|---|---|
| Balance, January 1, 2022 | 2,937,500 | $ | 3,457,963 | $ | (6,856,168) | $ | (3,398,205) |
| Income and comprehensive income | – | | – | | 437,320 | | 437,320 |
| Balance, June 30, 2022 | 2,937,500 | $ | 3,457,963 | $ | (6,418,848) | $ | (2,960,885) |

| Six months ended June 30, 2021 | Number of shares | | Share capital | | Deficit | | Total |
|---|---|---|---|---|---|---|---|
| Balance, January 1, 2021 | 1 | $ | 1 | $ | – | $ | 1 |
| Issuance of Class B shares, net | 350,000 | | 3,456,250 | | – | | 3,456,250 |
| Issuance of Class B shares to Founders | 2,969,999 | | 24,999 | | – | | 24,999 |
| Transaction costs | – | | (23,287) | | – | | (23,287) |
| Loss and comprehensive loss | – | | – | | (841,967) | | (841,967) |
| Balance, June 30, 2021 | 3,320,000 | $ | 3,457,963 | $ | (841,967) | $ | 2,615,996 |

See accompanying notes to condensed interim financial statements.

# VM HOTEL ACQUISITION CORP.

Condensed Interim Statements of Cash Flows
(Expressed in U.S. dollars, except for number of shares outstanding)
(Unaudited)

| | Six months ended June 30, 2022 | Six months ended June 30, 2021 |
|---|---|---|
| Operating activities: | | |
| Income (loss) for the period | $ 437,320 | $ (841,967) |
| Adjustments for: | | |
| Net unrealized gain on change in value of warrant liabilities | (2,225,250) | (197,335) |
| Amortization of issuance costs on Class A shares | 1,322,800 | 898,200 |
| Change in non-cash working capital: | | |
| Prepaid expenses | 37,184 | (249,296) |
| Deposits | 385,000 | – |
| Amounts receivable | (27,934) | (76,055) |
| Accounts payable and accrued liabilities | (47,258) | 447,178 |
| Due to related parties | – | 1,037 |
| Cash flows used in operating activities | (118,138) | (18,238) |
| Investing activities: | | |
| Restricted cash held in escrow | (221,497) | (100,026,742) |
| Financing activities: | | |
| Increase in note payable from related party (note 10) | 418,281 | – |
| Proceeds on sale of Class B shares to Founders | – | 24,999 |
| Proceeds on sale of Class B shares and warrants | – | 3,500,000 |
| Proceeds on sale of Class A restricted voting shares | – | 100,000,000 |
| Transaction costs allocated to Class A restricted voting shares | – | (2,727,718) |
| Transaction costs allocated to warrants | – | (35,540) |
| Transaction costs allocated to Class B shares | – | (23,287) |
| Cash flows from financing activities | 418,281 | 100,738,454 |
| Net change in cash | 78,646 | 693,474 |
| Cash, beginning of period | 192,905 | 1 |
| Cash, end of period | $ 271,551 | $ 693,475 |

See accompanying notes to condensed interim financial statements.

VM Hotel Acquisition Corp. (the "Corporation") is a special purpose acquisition corporation ("SPAC") incorporated under the laws of the Province of British Columbia for the purpose of effecting, directly or indirectly, an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination involving the Corporation (a "qualifying acquisition").

The Corporation was incorporated on November 16, 2020 under the Business Corporations Act (British Columbia), and is domiciled in Canada. The registered office of the Corporation is located at 1600-925 West Georgia Street, Vancouver, BC V6C 3L2.

The condensed interim financial statements were authorized for issuance by the Board of Directors of the Corporation on August 4, 2022.

## 1. Significant events:

On March 1, 2021, the Corporation closed its initial public offering (the "Offering") of 10,000,000 Class A restricted voting units (each, a "Class A Restricted Voting Unit") at an offering price of $10.00 per Class A Restricted Voting Unit for gross proceeds of $100,000,000 pursuant to the Corporation's prospectus dated February 23, 2021 (the "Prospectus") and the Class A Restricted Voting Units commenced trading on the Toronto Stock Exchange (the "Exchange") under the symbol "VMH.V".

**1. Significant events (continued):**

Each Class A Restricted Voting Unit consisted of one Class A restricted voting share (each, a "Class A Restricted Voting Share" and one-half of a share purchase warrant (each whole share purchase warrant, a "Warrant"). On April 12, 2021, the Class A Restricted Voting Shares and the Warrants comprising the Class A Restricted Voting Units, commenced trading separately on the Exchange under the symbols "VMH.U" and "VMH.WT.U", respectively. On or immediately following the closing of the Corporation's qualifying acquisition, each Class A Restricted Voting Share (unless previously redeemed) will be automatically converted into one common share (a "Common Share") and each Class B share of the Corporation (each a "Class B Share") will be automatically converted on a 100-for-1 basis into proportionate voting shares of the Corporation (the "Proportionate Voting Shares"), as set forth in the notice of articles and articles of the Corporation. The Warrants will become exercisable, at an exercise price of $11.50, commencing 65 days after the completion of the Corporation's qualifying acquisition and will expire at 5:00 p.m. (Toronto time) on the day that is five years after the completion of a qualifying acquisition or earlier, as described in the Prospectus. Once the Warrants become exercisable, the Corporation may accelerate the expiry date of the outstanding Warrants (excluding the Warrants held by the Sponsors (as defined below) issued as part of the Class B units of the Corporation (the "Class B Units"), as described in the Prospectus) by providing 30 days' notice, if and only if, the closing price of the Common Shares equals or exceeds $18.00 per Common Share (as adjusted for stock splits or combinations, stock dividends, extraordinary dividends, reorganizations and recapitalizations and the like) for any 20 trading days within a 30-trading day period. If the Corporation accelerates the expiry of the Warrants, the board of directors of the Corporation has the option to require all holders that wish to exercise their Warrants to do so, in whole or in part, on a cashless basis.

Simultaneously with the closing of the Offering (the "Closing"), VM HA Sponsor Corp. and VM HA Sponsor LP (together, the "Sponsors"), the Sponsors, along with certain third parties purchased 350,000 Class B Units at an offering price of $10.00 per Class B Unit (for an aggregate purchase price of $3,500,000). Each Class B Unit consisted of one Class B share of the Corporation (each a "Class B Share") and one-half of a Warrant. On April 12, 2021, the Class B Units separated into underlying Class B Shares and Warrants.

**1. Significant events (continued):**

On February 23, 2021, the Sponsors and certain of the directors, John Andrew, Tracy Sherren and Charles Suddaby, referred to as the "Founders" in such capacity, along with certain third parties, purchased 2,970,000 Class B Shares, also referred to as the "Founders' Shares", for an aggregate price of $25,000, or approximately $0.0084 per Founders' Share. On May 7, 2021, the Sponsors relinquished 382,500 of the Founders' Shares without compensation. The Founders' Shares outstanding represent 20% of the issued and outstanding shares of the Corporation (including all Class A Restricted Voting Shares and Class B Shares).

If the Corporation is unable to consummate a qualifying acquisition within the permitted timeline of 18 months from the Closing (or 21 months from the Closing if the Corporation has executed a letter of intent, agreement in principle or definitive agreement for a qualifying acquisition within 18 months from the Closing but has not completed the qualifying acquisition within such 18-month period) (the "Permitted Timeline"), subject to any extension as described below, the Corporation will be required to redeem each of the outstanding Class A Restricted Voting Shares, for an amount per share, payable in cash, equal to the pro-rata portion (per Class A Restricted Voting Share) of: (a) the escrowed funds available in the escrow account, including any interest and other amounts earned thereon, less (b) an amount equal to the total of (i) any applicable taxes payable by the Corporation on such interest and other amounts earned in the escrow account, (ii) any taxes of the Corporation (including under Part VI.1 of the Income Tax Act (Canada) arising in connection with the redemption of the Class A Restricted Voting Shares, and (iii) up to a maximum of $50,000 of interest and other amounts earned from the proceeds in the escrow account to pay actual and expected winding-up expenses and certain other related costs, each as reasonably determined by the Corporation. The underwriters for the Offering (the "Underwriters") will have no right to the Deferred Underwriting Commission (as defined below) held in the escrow account in such circumstances.

Such Permitted Timeline, however, could be extended to up to 36 months with shareholder approval of only the holders of Class A Restricted Voting Shares, by ordinary resolution, with approval by the Corporation's board of directors. If such approvals are obtained, holders of Class A Restricted Voting Shares, irrespective of whether such holders vote for or against, or do not vote on, the extension of the Permitted Timeline, would be permitted to deposit all or a portion of their Class A Restricted Voting Shares for redemption as described in the Prospectus.

**1. Significant events (continued):**

The Class A Restricted Voting Shares may be considered "restricted securities" within the meaning of such term under applicable Canadian securities laws. Prior to the completion of a qualifying acquisition, holders of the Class A Restricted Voting Shares will not be entitled to vote at (or receive notice of or meeting materials in connection with) meetings held only to consider the election and/or removal of directors and auditors. The holders of the Class A Restricted Voting Shares will, however, be entitled to vote on and receive notice of meetings on all other matters requiring shareholder approval (including the proposed qualifying acquisition, if required under applicable law, and any proposed extension to the Permitted Timeline) other than the election and/or removal of directors and auditors prior to closing of a qualifying acquisition. In lieu of holding an annual meeting prior to the closing of the qualifying acquisition, the Corporation is required to provide an annual update on the status of identifying and securing a qualifying acquisition by way of a press release.

Upon closing of the qualifying acquisition, the Class B Shares will convert on a 100-for-1 basis into Proportionate Voting Shares. Prior to the closing of the qualifying acquisition, the Corporation will not issue any Common Shares or Proportionate Voting Shares. Following the closing of the qualifying acquisition, the Corporation will not issue any Class A Restricted Voting Shares or Class B Shares.

The Founders (including the Sponsors) have agreed pursuant to an exchange agreement and undertaking not to transfer any of their Founders' Shares or Class B Units (or any Class B Shares or Warrants forming part of the Class B Units) until after the closing of the qualifying acquisition, in each case other than transfers required due to the structuring of the qualifying acquisition or unless otherwise permitted by the Exchange. Any Class A Restricted Voting Shares purchased by the Founders would not be subject to the restrictions set out in such agreement.

The Founders' Shares purchased by the Founders and certain third parties and Class B Shares which formed part of the Class B Units (or any shares acquired upon exercise of the Warrants which formed part of the Class B Units) purchased by the Sponsors and certain third parties will not be subject to relinquishment based on performance.

**1. Significant events (continued):**

Upon the Closing on March 1, 2021, an aggregate of $100,000,000 from the sale of the Class A Restricted Voting Units, or $10.00 per Class A Restricted Voting Unit sold to the public, was deposited with TSX Trust Company, as escrow agent, in an escrow account in Canada at a Canadian chartered bank or subsidiary thereof, in accordance with an escrow agreement. Subject to applicable law and payment of certain taxes, permitted redemptions and certain expenses, as further described in the Prospectus, none of the funds held in the escrow account will be released to the Corporation prior to the closing of a qualifying acquisition.

Following the closing of the Corporation's qualifying acquisition, the Corporation will use the balance of the non-redeemed Class A Restricted Voting Shares' portion of the escrow account (less tax liabilities on amounts earned on the escrowed funds and certain expenses directly related to redemptions) (subject to availability, failing which any shortfall shall be made up from other sources) to pay the Underwriters the Deferred Underwriting Commission (as defined below). The per share amount the Corporation will distribute to holders of Class A Restricted Voting Shares who properly redeem their shares will not be reduced by the Deferred Underwriting Commission (as defined below) the Corporation will pay to the Underwriters.

As 100% of the gross proceeds of the Offering and any additional equity raised pursuant to a rights offering are held by the escrow agent in the escrow account, shareholder approval of a qualifying acquisition is not required pursuant to the Exchange rules. As such, and unless shareholder approval is otherwise required under applicable law, the Corporation will: (a) prepare and file with applicable securities regulatory authorities a prospectus containing disclosure regarding the Corporation and its proposed qualifying acquisition; (b) mail a notice of redemption to the holders of the Class A Restricted Voting Shares and make the final prospectus publicly available; and (c) send by prepaid mail or otherwise deliver the prospectus to the holders of the Class A Restricted Voting Shares, as described in the Prospectus.

**1. Significant events (continued):**

The escrowed funds are held to enable the Corporation to (a) satisfy redemptions made by holders of Class A Restricted Voting Shares (including in the event of a qualifying acquisition or an extension to the Permitted Timeline, or in the event a qualifying acquisition does not occur within the Permitted Timeline), (b) fund the qualifying acquisition with the net proceeds following payment of any such redemptions and Deferred Underwriting Commission (as defined below), and/or (c) pay taxes on amounts earned on the escrowed funds and certain permitted expenses. Such escrowed funds and all amounts earned thereon, subject to such obligations and applicable law, will be assets of the Corporation. These escrowed funds will also be used to pay the Deferred Underwriting Commission (as defined below), which (subject to availability, failing which any shortfall shall be made up from other sources) will be payable by the Corporation to the Underwriters upon the closing of the Corporation's qualifying acquisition provided that a discretionary portion of the Deferred Underwriting Commission (as defined below) may be used to pay other parties of the Corporation's choosing, as described in the Prospectus.

Consummation of the qualifying acquisition will require approval by a majority of the Corporation's directors unrelated to the qualifying acquisition. In connection with seeking to complete a qualifying acquisition, the Corporation will provide holders of Class A Restricted Voting Shares with the opportunity to redeem all or a portion of their Class A Restricted Voting Shares, provided that they deposit their shares for redemption prior to the deadline specified by the Corporation, following public disclosure of the details of the qualifying acquisition and prior to the closing of the qualifying acquisition, of which prior notice had been provided to the holders of the Class A Restricted Voting Shares by any means permitted by the Exchange, not less than 21 days nor more than 60 days in advance of such deadline, in each case, with effect, subject to applicable law, immediately prior to the closing of a qualifying acquisition, for an amount per share, payable in cash, equal to the pro-rata portion (per Class A Restricted Voting Share) of: (a) the escrowed funds available in the escrow account at the time immediately prior to the redemption deposit deadline, including interest and other amounts earned thereon; less (b) an amount equal to the total of (i) any applicable taxes payable by the Corporation on such interest and other amounts earned in the escrow account, and (ii) actual and expected expenses directly related to the redemption, each as reasonably determined by the Corporation, subject to the limitations described in the Prospectus.

**1. Significant events (continued):**

Notwithstanding the foregoing redemption rights, each holder of Class A Restricted Voting Shares, together with any affiliate of such holder or other person with whom such holder or affiliate is acting jointly or in concert, will not be permitted to redeem a number of Class A Restricted Voting Units that is more than 15% of the aggregate number of Class A Restricted Voting Shares issued and outstanding following the Closing. This limitation will not apply in the event a qualifying acquisition does not occur within the Permitted Timeline, or in the event of an extension to the Permitted Timeline. If approval of the qualifying acquisition by shareholders is otherwise required under applicable law, holders of Class A Restricted Voting Shares shall have the option to redeem their Class A Restricted Voting Shares irrespective of whether they vote for or against, or do not vote on, the qualifying acquisition. Holders of Class A Restricted Voting Shares will be given not less than 21 days' notice of the shareholders meeting (if such meeting is required under applicable law) and of the corresponding redemption deposit deadline if such meeting is required. Participants through CDS Clearing and Depositary Services Inc. ("CDS") may have earlier deadlines for beneficial holders to make deposits of Class A Restricted Voting Shares for redemption. If a CDS participant's deadline is not met by a holder of Class A Restricted Voting Shares, such holder's Class A Restricted Voting Shares may not be eligible for redemption.

Following completion of the qualifying acquisition, the Proportionate Voting Shares into which the Founders' Shares and Class B Shares which formed part of the Class B Units are convertible, the Warrants which formed part of the Class B Units, and the shares issuable on exercise of such Warrants may be subject to certain sale or transfer restrictions in accordance with applicable securities laws.

The Founders (including the Sponsors) and other holders of the Founders' Shares and/or Class B Shares will not be entitled to redeem the Founders' Shares or Class B Shares in connection with a qualifying acquisition or an extension to the Permitted Timeline or entitled to access the escrow account should a qualifying acquisition not occur within the Permitted Timeline, as further described in the Prospectus. The Founders (including the Sponsors) and other holders of the Founders' Shares and/or Class B Shares will, however, participate in any liquidation distribution with respect to any Class A Restricted Voting Shares they may acquire in connection with or following this Offering through possible purchases on the secondary market.

**2. Significant accounting policies:**

(a) Basis of preparation:

These condensed interim financial statements of the Corporation as at June 30, 2022 and for the three and six month periods ended June 30, 2022 have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and with interpretation of the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed interim financial statements meet the requirements of International Accounting Standard ("IAS") 34, "Interim Financial Reporting".

(b) Going concern:

These condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Corporation is in the process of identifying its qualifying acquisition, and as such, does not have any sources of cash inflows, other than from its Sponsors or obtaining additional financing. As of June 30, 2022, the Corporation had accumulated losses of $6,418,848 (December 31, 2021 - $6,856,158) since inception and a working capital deficiency of approximately $1,750,000 (December 31, 2021 - $1,800,000). The Corporation's ability to fund its working capital requirements is uncertain and alternative liquidity sources will be required.

The Corporation's ability to continue as a going concern is dependent upon the continued support of its Sponsors and the completion of a qualifying acquisition, as defined above. There are no assurances that the Sponsors will provide continued support and that the Corporation will be successful in completing a qualifying acquisition.

These conditions indicate a material uncertainty that may cast significant doubt as to the Corporation's ability to continue as a going concern. These condensed interim financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary should the going concern assumption be inappropriate. Such adjustments could be material.

## 2. Significant accounting policies (continued):

(c) Basis of measurement:

The condensed interim financial statements of the Corporation have been prepared on a historical cost basis, except for certain financial assets and financial liabilities which are carried at fair value and more fully described in note 4. The Corporation's functional and presentation currency is the U.S. dollar.

(d) Use of estimates:

The preparation of financial statements may require management to make certain estimates and assumptions from time to time that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(e) The condensed interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2021, which have been prepared in accordance with IFRS. These condensed interim financial statements follow the same accounting policies as described in the Corporation's financial statements for the year ended December 31, 2021.

## 3. Restricted cash held in escrow:

Cash balances totalling $100,288,584 were held in escrow at a Canadian chartered bank as at June 30, 2022 (December 31, 2021 - $100,067,087). For the three months ended June 30, 2022 and June 30, 2021, the Corporation accrued and received interest of $191,473 and $19,947, respectively. For the six months ended June 30, 2022 and June 30, 2021, the Corporation accrued and received interest of $221,496 and $26,742, respectively.

## 4. Class A Restricted Voting Shares subject to redemption:

(a) Authorization:

The Corporation is authorized to issue an unlimited number of Class A Restricted Voting Shares. The holders of Class A Restricted Voting Shares have no pre-emptive rights or other subscription rights and there are no sinking fund provisions applicable in these shares.

(b) Voting rights:

The holders of the Class A Restricted Voting Shares are entitled to vote on and receive notice of meetings on all matters requiring shareholder approval (including any proposed extension to the permitted timeline and approval of a qualifying acquisition if otherwise required under applicable law) other than the election and/or removal of directors and auditors prior to closing of a qualifying acquisition. Prior to a qualifying acquisition, holders of the Class A Restricted Voting Shares are not entitled to vote at (or receive notice of or meeting materials in connection with) meetings held only to consider the election and/or removal of directors and auditors.

(c) Redemption rights:

Only holders of Class A Restricted Voting Shares are entitled to have their shares redeemed and receive the escrow proceeds (net of applicable taxes and other permitted deductions) in the event a qualifying acquisition does not occur within the permitted timeline, in connection with seeking to complete a qualifying acquisition, and in the event of an extension to the permitted timeline.

(d) Classification:

The Corporation has classified its Class A Restricted Voting Shares as financial liabilities within the statement of financial position. Gross proceeds of $100,000,000 from the Offering were allocated between Class A Restricted Voting Shares - $98,750,000 and Warrants - $1,250,000, based on the market price of the respective security on the first day of trading.

(Expressed in U.S. dollars, except for number of shares outstanding)

**4. Class A Restricted Voting Shares subject to redemption (continued):**

The Class A Restricted Voting Shares were discounted by $2,727,718, representing the transaction costs associated with the Class A Restricted Voting Shares and by the value of the Warrants, being an aggregate of $3,977,718. This aggregate discount is being amortized over 18 months using the effective interest rate method. For the three months ended June 30, 2022 and 2021, the Corporation recorded amortization of $663,700 and $672,900, respectively, in connection with the costs attributed to the Class A Restricted Voting Shares. For the six months ended June 30, 2022 and 2021, the Corporation recorded amortization of $1,322,800 and $898,200, respectively, in connection with the costs attributed to the Class A Restricted Voting Shares.

The following table summarizes the Warrants attached to Class A and B Shares:

| | Number of Warrants | Amount |
|---|---|---|
| Issuance of Warrants: | | |
| Warrants attached to Class B Shares | 175,000 | $ 43,750 |
| Warrants attached to Class A Shares | 5,000,000 | 1,250,000 |
| | 5,175,000 | 1,293,750 |
| Issuance costs | | (35,540) |
| Net unrealized loss (gain) on change in value of warrant liabilities: | | |
| For the year ended December 31, 2021 | | 1,588,040 |
| | | 2,846,250 |
| For the six months ended June 30, 2022 | | (2,225,250) |
| | | $ 621,000 |

**5. Shareholders' deficiency:**

The Corporation is authorized to issue an unlimited number of Class B Shares without nominal or par value. The holders of Class B Shares have no pre-emptive rights or other subscription rights and there are no sinking fund provisions applicable to these shares.

(a) Voting rights:

The holders of the Class B Shares are entitled to vote at all meetings of shareholders and on all matters requiring a shareholder vote, with the exception of an extension of the permitted timeline, which will only be voted upon by holders of Class A Restricted Voting Shares.

(b) Redemption rights:

Holders of Class B Shares do not have access to, and cannot benefit from, any proceeds held in the escrow account, and as such, do not have any redemption rights with respect to their Class B Shares. The Founders (including the Sponsors) will, however, be entitled to such redemption rights using proceeds from the escrow account with respect to any Class A Restricted Voting Shares they may acquire pursuant to or following the Offering.

**6. Financial instruments:**

All financial instruments for which fair value is recognized or disclosed are categorized within a fair value hierarchy, described as follows:

- Level 1 - quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2 - valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or corroborated by observable market data by correlation or other means.
- Level 3 - valuation techniques with significant unobservable market inputs.

The cash and restricted cash balance held in escrow are measured using Level 1 inputs.

## 7. Financial risk management:

(a) Market risk:

Market risk is the risk that a material loss arises from fluctuations in a financial instrument's fair value. For purposes of this disclosure, the Corporation segregates market risk into two categories: fair value risk and interest rate risk.

(b) Fair value risk:

Fair value risk is the potential for loss from an adverse movement in market prices. The Corporation has minimal fair value risk as the only financial instruments carried at fair value are cash and cash and securities held in escrow.

(c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in interest rates. The Corporation's exposure to interest rate risk is nominal because all of the assets are short-term in nature.

(d) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. To the extent that the Corporation requires additional to meet its financial obligations including funding for general ongoing expenses or in connection with a qualifying acquisition, the Corporation may seek funding by way of unsecured loans from the Sponsors and/or its affiliates. The lender under these loans would not have recourse against the cash held in the escrow account, and thus the loans will not reduce the value thereof. Such loans will collectively be subject to a maximum aggregate principal amount equal to 10% of the escrowed funds and may only be repayable in cash no earlier than the closing of the qualifying acquisition. Such loans may be convertible into common shares and/or Warrants in connection with the closing of a qualifying acquisition.

## 7. Financial risk management (continued):

(e) Credit risk:

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The maximum exposure to credit risk is the full carrying value of the financial instrument. The Corporation is exposed to credit risk with respect to deposits and amounts receivables. As at June 30, 2022, deposits were nil and amounts receivables were $189,846. As at December 31, 2021, deposits were $385,000 and amounts receivables were $161,912. The Corporation has assessed the credit risk related to amounts receivable as low.

(f) Other risk:

Other risks including pandemics such as COVID-19 and national and international political circumstances, may have a negative impact on the market and general economic conditions such as interest rates, availability of credit, inflation rates, economic uncertainty which may negatively impact the Corporation with completing a qualifying acquisition.

## 8. Capital management:

The Corporation defines the capital that it manages as its cash and restricted cash held in escrow.

The Corporation's primary objective in managing capital is to ensure capital preservation in order to benefit from acquisition opportunities as they arise and to fund redemptions should they occur. As a result, the Corporation will make adjustments to its capital based on these economic conditions as and when they arise.

The Corporation may also seek to raise additional funds through a rights offering in respect of shares available to its shareholders, in accordance with the requirements of applicable securities legislation and the Exchange's rules, and subject to the consent of the Underwriters, subject to the conditions outlined further in the Prospectus.

(Expressed in U.S. dollars, except for number of shares outstanding)

## 9. General and administrative expenses:

The Corporation had the following general and administrative expenses for the three and six months ended June 30, 2022 and 2021:

| | Three months ended June 30, 2022 | Three months ended June 30, 2021 | Six months ended June 30, 2022 | Six months ended June 30, 2021 |
|---|---|---|---|---|
| Retainer and administrative fees | $ 30,000 | $ 30,000 | $ 60,000 | $ 40,000 |
| Fees to escrow agent | – | – | 2,588 | 9,537 |
| Professional fees | 5,349 | 29,211 | 47,505 | 54,211 |
| Other | 16,892 | 28,056 | 54,963 | 37,354 |
| | $ 52,241 | $ 87,267 | $ 165,056 | $ 141,102 |

## 10. Related party transactions:

The Corporation is obligated to pay $10,000 (plus applicable taxes) per month to an affiliate of one of the Sponsors for administrative and related services. The Corporation further reimburses an affiliate of one of the Sponsors for any out-of-pocket expenses incurred which relate to certain activities on the Corporation's behalf, including identifying and negotiating a qualifying acquisition.

For the three and six months ended June 30, 2022, the Corporation accrued and paid $30,000 and $60,000, respectively, for administrative and related services to the Sponsor. The Sponsors incurred regulatory, filing, and other fees, in the normal course, on behalf of the Corporation prior to the successful completion of the Offering and the amount of $1,037, remains due and payable as at June 30, 2022 (December 31, 2021 - $1,037). These amounts are non-interest bearing and have no fixed terms of repayment.

**10. Related party transactions (continued):**

The grant of Founder Shares by the Corporation to the Founders is in the scope of IFRS 2, Share-based Payment. These shares have been designated as equity-classified awards and measured at fair value at the grant date, with the associated value to be recognized over the requisite service period. These Founder Shares were granted subject to a non-market performance condition. Compensation expense related to these Founder Shares is recognized only when the performance condition is deemed probable of occurrence. As of December 31, 2021, the Corporation determined that the performance condition was not considered probable, and, therefore, no share-based compensation expense has been recognized for the three and six months ended June 30, 2022. Unrecognized share-based compensation expense of approximately $23,000,000 would be recognized at the date a qualifying acquisition is considered probable, being at or close to completion.

On October 20, 2021, an affiliate of one of the Sponsors and a related party of the Corporation (the "Lender") agreed to provide unsecured loan advances, to the Corporation to satisfy obligations related to general ongoing expenses and expenditures incurred in connection with the Corporation's sourcing of a qualifying acquisition. The loan advances will bear interest of 12% per annum and the Lender has no recourse against the restricted cash held in an escrow account by the Corporation. The loan advances and accrued interest are payable in cash or may be converted into shares and/or warrants as agreed upon by the Corporation and the Lender, however no such payment or conversion shall occur prior to the closing of a qualifying acquisition. On October 26, 2021, November 15, 2021, and January 21, 2022, the Corporation received loan advances of $250,000, $400,000 and $360,000, respectively. For the three and six months ended June 30, 2022, the Corporation accrued interest of $30,549 and $58,281, respectively. For the three and six months ended June 30, 2021, the Corporation accrued interest of nil. For the year ended December 31, 2021, the Corporation accrued interest of $11,688.

**11. Income taxes:**

Deferred tax assets are only recognized if management has determined that it is probable that such deferred tax assets may be recovered. The recoverability of deferred tax assets is dependent in part on the nature, terms, and conditions of any completed qualifying acquisition. As such, management believes that the deductible temporary differences, which include non-capital tax losses carry forward and other deductible temporary differences, do not currently meet the criteria for recognition as at June 30, 2022 and December 31, 2021.

**12. Contingency:**

Pursuant to the underwriting agreement for the Offering, the Corporation's Underwriters were entitled to an underwriting commission equal up to $5,500,000 or 5.5% of the gross proceeds of the Class A Restricted Voting Units issued under the Offering. The Underwriters and the Corporation agreed that the commission payable on Closing would be reduced as mutually agreed between the Underwriters and the Corporation for certain investors in the Class A Restricted Voting Units. The Corporation paid $1,926,050 to the Underwriters at the Closing. The balance of the agreed underwriting commission, being $3,370,588, or 3.5% of the gross proceeds of the Class A Restricted Voting Units as reduced for certain investors as mutually agreed between the Underwriters and the Corporation, (the "Deferred Underwriting Commission") has been deferred and will only be payable upon successful completion of a qualifying acquisition. In addition, 30% of the Deferred Underwriting Commission is payable by the Corporation to such parties as it sees fit, including the Underwriters or to advisors who have assisted with the qualifying acquisition. If no qualifying acquisition is consummated within the Permitted Timeline, such amounts shall not be payable. Due to its association with an uncertain future qualifying acquisition, the contingent liability of the Deferred Underwriting Commission balance has not been recorded in the Financial Statements. Transaction costs were prorated between Class A Restricted Voting Shares, Warrants and Class B Shares by the amount of proceeds received.

**13. Subsequent event:**

On July 25, 2022, the Corporation announced that it had executed a non-binding letter of intent in connection with a potential transaction, which would, if consummated, qualify as the Corporation's qualifying acquisition. Accordingly, the Corporation's Permitted Timeline in which to close a qualifying acquisition has been automatically extended to November 30, 2022. The letter of intent is subject to a number of conditions, including, among others, the negotiation and execution of a definitive agreement. There can be no assurance that a definitive agreement will be entered into or a qualifying acquisition will be completed.

**APPENDIX B**
**VM HOTEL ACQUISITION CORP.**

# APPENDIX B-1

Management's discussion and analysis of financial condition of VM Hotel Acquisition Corp. for the three and six months ended June 30, 2022.

**VM HOTEL ACQUISITION CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2022**

**(Expressed in U.S. Dollars)**

## MANAGEMENT'S DISCUSSION & ANALYSIS

The following discussion of performance, financial condition and prospects should be read in conjunction with the condensed interim financial statements (the "**Financial Statements**") of VM Hotel Acquisition Corp. (the "**Corporation**" "**we**" or "**our**") for the three months ended June 30, 2022 and the accompanying notes thereto.

This Management's Discussion and Analysis ("**MD&A**") is dated as of August 4, 2022 and was prepared with information available at this date. The Financial Statements have been prepared by management in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board and with interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**"). The Corporation's financial information is expressed in United States dollars unless otherwise specified. In addition to reviewing this MD&A, readers are encouraged to read the Corporation's public information filings available on the Corporation's profile on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

## SIGNIFICANT EVENT – LIQUIDITY AND GOING CONCERN

The Corporation is in a negative working capital position. Accordingly, the Corporation's ability to continue as a going concern is dependent upon the continued support of its Sponsors (as defined below), and/or the completion of the qualifying acquisition (as defined below). There can be no assurance that the Corporation will be successful in completing the qualifying acquisition. In the event a qualifying acquisition does not occur, the escrowed cash proceeds from the Offering (as defined below) will be returned to holders of the Class A Restricted Voting Shares (as defined below). The creditors of the Corporation and the Sponsors will have no recourse against the escrowed cash.

These uncertainties cast significant doubt upon the Corporation's ability to continue as a going concern and the ultimate appropriateness of using accounting principles applicable to a going concern for the Corporation. The Financial Statements as at June 30, 2022 do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Corporation be unable to continue as a going concern. If the Corporation is unable to continue as a going concern, the Corporation may be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the audited financial statements, which could be material.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking statements" for the purpose of applicable Canadian securities legislation ("**forward-looking statements**").

These forward-looking statements reflect management's expectations with respect to future events, the Corporation's financial performance and business prospects. All statements other than statements of historical fact are forward-looking statements. The use of the words "anticipate", "believe", "continue", "could", "estimate", "expect", "intends", "may", "might", "plan", "possible", "potential", "predict", "project", "should", "would", and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not a forward-looking statement. These statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated or implied in such forward-looking statements. No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. Unless otherwise indicated, these statements speak only as of the date of this MD&A.

These forward-looking statements relate to future events or future performance including with respect to the Corporation's objectives and priorities for fiscal year 2022 and beyond, and strategies or further actions with respect to the Corporation, the qualifying acquisition and the Corporation's business operations, financial performance and condition.

Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and many factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating forward-looking statements, readers should specifically consider various factors that may cause actual results to differ materially from any forward-looking statements. These factors include, but are not limited to, market and general economic conditions and the risks and uncertainties discussed in the section entitled "Risk Factors" in the Corporation's prospectus dated February 23, 2021 (the "**Prospectus**") and the Corporation's annual information form dated March 31, 2022, available on SEDAR at www.sedar.com.

The forward-looking statements contained in this MD&A are presented for the purpose of assisting investors in understanding business and strategic priorities and objectives of the Corporation as at the periods indicated and may not be appropriate for other purposes. Forward-looking statements contained in this MD&A are not guarantees of future performance and, while forward-looking statements are based on certain assumptions that the Corporation considers reasonable, actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Corporation. Prospective investors are cautioned to consider these and other factors carefully when making decisions with respect to the Corporation and not place undue reliance on forward-looking statements. Circumstances affecting the Corporation may change rapidly. Except as may be expressly required by applicable law, the Corporation does not undertake any obligation to update publicly or revise any such forward-looking statements, whether as a result of new information, future events or otherwise.

## NATURE OF ACTIVITIES

The Corporation is a special purpose acquisition corporation incorporated under the laws of the Province of British Columbia for the purpose of effecting, directly or indirectly, an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination involving the Corporation (a "**qualifying acquisition**").

The Corporation was incorporated on November 16, 2020 under the *Business Corporations Act* (British Columbia), and is domiciled in Canada. The registered office of the Corporation is located at 1600-925 West Georgia Street, Vancouver, BC V6C 3L2.

The Financial Statements were authorized for issuance by the board of directors of the Corporation (the "**Board of Directors**") on August 4, 2022.

## INITIAL PUBLIC OFFERING

On March 1, 2021, the Corporation closed its initial public offering (the "**Offering**") of 10,000,000 Class A restricted voting units (each, a "**Class A Restricted Voting Unit**") at an offering price of $10.00 per Class A Restricted Voting Unit for gross proceeds of $100,000,000 pursuant to the Prospectus and the Class A Restricted Voting Units commenced trading on the Toronto Stock Exchange (the "**Exchange**") under the symbol "VMH.V".

Each Class A Restricted Voting Unit consisted of one Class A restricted voting share (each, a "**Class A Restricted Voting Share**") and one-half of a share purchase warrant (each whole share purchase warrant, a "**Warrant**"). On April 12, 2021 the Class A Restricted Voting Shares and the Warrants comprising the Class A Restricted Voting Units were listed separately and commenced trading separately on the Exchange under the symbols "VMH.U" and "VMH.WT.U", respectively. On or immediately following the closing of the Corporation's qualifying acquisition (the "**QA Closing**"), each Class A Restricted Voting Share (unless previously redeemed) will be automatically converted into one common share (each, a "**Common Share**") and each Class B share of the Corporation (each, a "**Class B Share**") will be automatically converted on a 100-for-1 basis into proportionate voting shares of the Corporation (the "**Proportionate Voting Shares**"), as set forth in the notice of articles and articles of the Corporation. The Warrants will become exercisable, at an exercise price of $11.50, commencing 65 days after the completion of the Corporation's qualifying acquisition and will expire at 5:00 p.m. (Toronto time) on the day that is five years after the completion of a qualifying acquisition or earlier, as described in the Prospectus. Once the Warrants become exercisable, the Corporation may accelerate the expiry date of the outstanding Warrants (excluding the Warrants held by the Sponsors issued as part of the Class B units of the Corporation (the "**Class B Units**"), as described in the Prospectus) by providing 30 days' notice, if and only if, the closing price of the Common Shares equals or exceeds $18.00 per Common Share (as adjusted for stock splits or combinations, stock dividends, extraordinary dividends, reorganizations and recapitalizations and the like) for any 20 trading days within a 30-trading day period. If the Corporation accelerates the expiry of the Warrants, the Board of Directors has the option to require all holders that wish to exercise their Warrants to do so, in whole or in part, on a cashless basis.

Simultaneously with the closing of the Offering (the "**Closing**"), VM HA Sponsor Corp. and VM HA Sponsor LP (together, the "**Sponsors**"), our sponsors, along with certain third parties purchased 350,000 Class B Units at an offering price of $10.00 per Class B Unit (for an aggregate purchase price of $3,500,000). Each Class B Unit consisted of one Class B Share and one-half of a Warrant. On April 12, 2021 the Class B Units separated into the underlying Class B Shares and Warrants.

In connection with the Offering, the Sponsors and certain of our directors, John Andrew, Tracy Sherren and Charles Suddaby (referred to as our "**Founders**"), along with certain third parties, purchased 2,970,000 Class B Shares (referred to as the "**Founders' Shares**") for an aggregate price of $25,000, or approximately $0.0084 per Founders' Share. On May 7, 2021, the Sponsors relinquished 382,500 of the Founders' Shares without compensation. The Founders' Shares outstanding represent 20% of the issued and outstanding shares of the Corporation (including all Class A Restricted Voting Shares and Class B Shares).

If the Corporation is unable to consummate a qualifying acquisition within the permitted timeline of 18 months from the Closing (or 21 months from the Closing if the Corporation has executed a letter of intent, agreement in principle or definitive agreement for a qualifying acquisition within 18 months from the Closing but has not completed the qualifying acquisition within such 18-month period) (the "**Permitted Timeline**"), subject to any extension as described below, the Corporation will be required to redeem each of the outstanding Class A Restricted Voting Shares for an amount per share, payable in cash, equal to the pro-rata portion (per Class A Restricted Voting Share) of: (a) the escrowed funds available in the escrow account, including any interest and other amounts earned thereon, less (b) an amount equal to the total of (i) any applicable taxes payable by the Corporation on such interest and other amounts earned in the escrow account, (ii) any taxes of the Corporation (including under Part VI.1 of the *Income Tax Act* (Canada)) arising in connection with the redemption of the Class A Restricted Voting Shares, and (iii) up to a maximum of $50,000 of interest and other amounts earned from the proceeds in the escrow account to pay actual and expected winding-up expenses and certain other related costs, each as reasonably determined by the Corporation. The underwriters for the Offering (the "**Underwriters**") will have no right to the Deferred Underwriting Commission (as defined below) held in the escrow account in such circumstances.

The Permitted Timeline can be extended to up to 36 months with the approval of only the holders of the Class A Restricted Voting Shares, by ordinary resolution, and with approval by the Board of Directors. If such approvals are obtained, holders of the Class A Restricted Voting Shares, irrespective of whether such holders voted for or against, or did not vote on, the extension of the Permitted Timeline, would be permitted to deposit all or a portion of their Class A Restricted Voting Shares for redemption as described in the Prospectus.

The Class A Restricted Voting Shares may be considered "restricted securities" within the meaning of such term under applicable Canadian securities laws. Prior to the completion of a qualifying acquisition, holders of the Class A Restricted Voting Shares will not be entitled to vote at (or receive notice of or meeting materials in connection with) meetings held only to consider the election and/or removal of directors and auditors of the Corporation. The holders of the Class A Restricted Voting Shares will, however, be entitled to vote on and receive notice of meetings on all other matters requiring shareholder approval (including the qualifying acquisition, if required under applicable law, and any proposed extension to the Permitted Timeline). In lieu of holding an annual meeting prior to the QA Closing, the Corporation is required to provide an annual update on the status of identifying and securing a qualifying acquisition by way of a press release.

Upon the QA Closing, the Class B Shares will convert on a 100-for-1 basis into Proportionate Voting Shares. Prior to the QA Closing, the Corporation will not issue any Common Shares or Proportionate Voting Shares. Following the QA Closing, the Corporation will not issue any Class A Restricted Voting Shares or Class B Shares.

The Founders (including the Sponsor) have agreed pursuant to an exchange agreement and undertaking not to transfer any of their Founders' Shares or Class B Units (or any Class B Shares or Warrants forming part of the Class B Units) until after the QA Closing, in each case other than transfers required due to the structuring of the qualifying acquisition or unless otherwise permitted by the Exchange. Any Class A Restricted Voting Shares purchased by our Founders would not be subject to the restrictions set out in such agreement.

The Founders' Shares purchased by the Founders and certain third parties and the Class B Shares which formed part of the Class B Units (or any shares acquired upon exercise of the Warrants which formed part of such Class B Units) purchased by the Sponsors and certain third parties will not be subject to relinquishment based on performance.

Upon the Closing, an aggregate of $100,000,000 from the sale of the Class A Restricted Voting Units, or $10.00 per Class A Restricted Voting Unit sold to the public, was deposited with TSX Trust Company, as escrow agent, in an escrow account in Canada at a Canadian chartered bank or subsidiary thereof, in accordance with an escrow agreement. Subject to applicable law and payment of certain taxes, permitted redemptions and certain expenses, as further described in the Prospectus, none of the funds held in the escrow account will be released to the Corporation prior to the QA Closing.

Following the QA Closing, the Corporation will use the portion of the escrow account representing consideration for the Class A Restricted Voting Shares that have not been redeemed (less tax liabilities on amounts earned on the escrowed funds and certain expenses directly related to redemptions) subject to availability, failing which any shortfall shall be made up from other sources, to pay the Underwriters the Deferred Underwriting Commission (as defined below). The per share amount the Corporation will distribute to holders of Class A Restricted Voting Shares who properly redeem their shares will not be reduced by the Deferred Underwriting Commission that the Corporation will pay to the Underwriters.

As 100% of the gross proceeds of the Offering and any additional equity raised pursuant to a rights offering are held by the escrow agent in the escrow account, shareholder approval of a qualifying acquisition is not required pursuant to the Exchange rules. As such, and unless shareholder approval is otherwise required under applicable law, we will: (a) prepare and file with applicable securities regulatory authorities a prospectus containing disclosure regarding the Corporation and its proposed qualifying acquisition; (b) mail a notice of redemption to the holders of the Class A Restricted Voting Shares and make the final prospectus publicly available; and (c) send by prepaid mail or otherwise deliver the prospectus to the holders of the Class A Restricted Voting Shares, as described in the Prospectus.

The escrowed funds are held to enable the Corporation to: (a) satisfy redemptions made by holders of Class A Restricted Voting Shares (including in the event of a qualifying acquisition or an extension to the Permitted Timeline, or in the event a qualifying acquisition does not occur within the Permitted Timeline); (b) fund the qualifying acquisition with the net proceeds following payment of any such redemptions and the Deferred Underwriting Commission; and/or (c) pay taxes on amounts earned on the escrowed funds and certain permitted expenses. Such escrowed funds and all amounts earned thereon, subject to such obligations and applicable law, will be assets of the Corporation. As noted above, the escrowed funds will also be used to pay the Deferred Underwriting Commission, which (subject to availability, failing which any shortfall shall be made up from other sources) will be payable by the Corporation to the Underwriters upon the QA Closing provided that a discretionary portion of the Deferred Underwriting Commission may be used to pay other parties of the Corporation's choosing, as described in the Prospectus.

Consummation of the qualifying acquisition will require approval by a majority of the Corporation's directors unrelated to the qualifying acquisition. In connection with seeking to complete a qualifying acquisition, the Corporation will provide holders of Class A Restricted Voting Shares with the opportunity to redeem all or a portion of their Class A Restricted Voting Shares, provided that they deposit their shares for redemption prior to the deadline specified by the Corporation, following public disclosure of the details of the qualifying acquisition and prior to the QA Closing, of which prior notice had been provided to the holders of the Class A Restricted Voting Shares by any means permitted by the Exchange, not less than 21 days nor more than 60 days in advance of such deadline, in each case, with effect, subject to applicable law, immediately prior to the QA Closing, for an amount per share, payable in cash, equal to the pro-rata portion (per Class A Restricted Voting Share) of: (a) the escrowed funds available in the escrow account at the time immediately prior to the redemption deposit deadline, including interest and other amounts earned thereon; less (b) an amount equal to the total of (i) any applicable taxes payable by the Corporation on such interest and other amounts earned in the escrow account, and (ii) actual and expected expenses directly related to the redemption, each as reasonably determined by the Corporation, subject to the limitations described in the Prospectus.

Notwithstanding the foregoing redemption rights, each holder of Class A Restricted Voting Shares, together with any affiliate of such holder or other person with whom such holder or affiliate is acting jointly or in concert, will not be permitted to redeem a number of Class A Restricted Voting Units that is more than 15% of the aggregate number of Class A Restricted Voting Shares issued and outstanding following the Closing. This limitation will not apply in the event a qualifying acquisition does not occur within the Permitted Timeline, or in the event of an extension to the Permitted Timeline.

If approval of the qualifying acquisition by shareholders is otherwise required under applicable law, holders of Class A Restricted Voting Shares shall have the option to redeem their Class A Restricted Voting Shares irrespective of whether they vote for or against, or do not vote on, the qualifying acquisition. Holders of Class A Restricted Voting Shares will be given not less than 21 days' notice of the shareholders meeting (if such meeting is required under applicable law) and of the corresponding redemption deposit deadline if such meeting is required. Participants through CDS Clearing and Depositary Services Inc. ("**CDS**") may have earlier deadlines for beneficial holders to make deposits of Class A Restricted Voting Shares for redemption. If a CDS participant's deadline is not met by a holder of Class A Restricted Voting Shares, such holder's Class A Restricted Voting Shares may not be eligible for redemption.

Following completion of the qualifying acquisition, the Proportionate Voting Shares into which the Founders' Shares and Class B Shares which formed part of the Class B Units are convertible, the Warrants which formed part of the Class B Units, and the shares issuable on exercise of such Warrants may be subject to certain sale or transfer restrictions in accordance with applicable securities laws.

Our Founders and other holders of the Founders' Shares and/or Class B Shares will not be entitled to redeem the Founders' Shares or Class B Shares in connection with a qualifying acquisition or an extension to the Permitted Timeline or entitled to access the escrow account should a qualifying acquisition not occur within the Permitted Timeline, as further described in the Prospectus. Our Founders and other holders of the Founders' Shares and/or Class B Shares will, however, participate in any liquidation distribution with respect to any Class A Restricted Voting Shares they may acquire in connection with or following the Offering through possible purchases on the secondary market.

On December 7, 2021, the Corporation announced a proposed qualifying acquisition (the "**Former Proposed Qualifying Acquisition**") of a portfolio of five premier hotels consisting of 2,079 keys in four cities and two countries – (1) the Battery Wharf in Boston, Massachusetts, (2) the Hyatt Regency in Cleveland, Ohio, (3) the Renaissance in Cleveland, Ohio, (4) the Sheraton Centre in Montreal, Quebec and (5) the Sheraton Golf & Spa in Panama City Beach, Florida – to create an initial cross-border North American portfolio of high-quality hotel properties (the "**Former Proposed Initial Portfolio**"), which was to constitute Corporation's qualifying acquisition.

On February 23, 2022, the Corporation announced that it had determined not to proceed with the acquisition of the Battery Wharf and the Sheraton Centre hotels. Subsequently, on March 14, 2022, the Corporation also terminated its agreement with respect to the Sheraton Golf & Spa hotel. On May 30, 2022, the Corporation announced that it had determined not to proceed with the acquisition of the remaining assets comprising the Former Proposed Initial Portfolio, being the Hyatt Regency and the Renaissance hotels.

On July 25, 2022, the Corporation announced that it had executed a non-binding letter of intent in connection with a potential transaction, which would, if consummated, qualify as the Corporation's qualifying acquisition. Accordingly, the Corporation's Permitted Timeline in which to close a qualifying acquisition has been automatically extended to November 30, 2022. The letter of intent is subject to a number of conditions, including, among others, the negotiation and execution of a definitive agreement. There can be no assurance that a definitive agreement will be entered into or a qualifying acquisition will be completed.

## SELECT FINANCIAL INFORMATION

As at June 30, 2022, the Corporation had total assets of $100,780,513 and liabilities of $103,741,398, consisting primarily of liabilities associated with Class A Restricted Voting Shares subject to redemption of $99,575,282, Warrant liabilities of $621,000 and accounts payable and accrued liabilities of $2,464,110. Included in total assets is restricted cash held in escrow of $100,288,584 and cash of $271,551.

As at June 30, 2021, the Corporation had total assets of $101,045,568 and liabilities of $98,429,572, consisting primarily of liabilities associated with Class A Restricted Voting Shares subject to redemption of $96,920,482 and Warrant liabilities of $1,060,875. Included in total assets is restricted cash held in escrow of $100,026,742 and cash of $693,475.

As at December 31, 2021, the Corporation had total assets of $100,874,620 and liabilities of $104,272,825, consisting primarily of liabilities associated with Class A Restricted Voting Shares subject to redemption of $98,252,482, Warrant liabilities of $2,846,250 and accounts payable and accrued liabilities of $2,511,368. Included in total assets are restricted cash held in escrow of $100,067,087, deposits of $385,000 and cash of $192,905.

The following sets out summary information and financial results for the six most recently completed fiscal quarters prepared in accordance with IFRS.

| | **Q2 2022** | **Q1 2022** | **Q4 2021** | **Q3 2021** | **Q2 2021** | **Q1 2021** |
|---|---|---|---|---|---|---|
| Revenue | 191,473 | 30,023 | 20,175 | 20,170 | 19,947 | 6,795 |
| Expenses | (19,176) | (196,648) | 4,711,003 | 1,283,543 | 547,239 | 321,470 |
| Income (loss) and comprehensive income (loss) | 210,649 | 226,671 | (4,750,828) | (1,263,373) | (527,292) | (314,675) |
| Income (loss) and comprehensive income (loss) per share, basic and diluted | 0.07 | 0.08 | (1.62) | (0.43) | (0.17) | (0.24) |
| Weighted average number of Class B share outstanding – Basis and Diluted | 2,937,500 | 2,937,500 | 2,937,500 | 2,937,500 | 3,086,250 | 1,304,666 |
| Assets | 100,780,513 | 100,725,932 | 100,874,620 | 101,092,333 | 101,045,568 | 101,171,264 |
| Liabilities | 103,741,398 | 103,897,466 | 104,272,825 | 99,739,710 | 98,429,572 | 98,027,976 |

Since Closing, the Corporation has been focused on identifying and evaluating potential businesses in order to complete a qualifying acquisition.

On March 1, 2021, $100,000,000 was deposited with the escrow agent. Revenue consists of interest accrued and paid on the restricted cash held in escrow and is a function of the applicable interest rates and the time interest accrues. In Q1 2021, interest was accrued for one month as compared to three months in each subsequent quarter. In Q1 2022 and Q2 2022, the applicable interest rate increased in connection with the terms of the restricted cash held in escrow.

The interest income accrued and paid on the restricted cash held in escrow is due to holders of the Class A Restricted Voting Shares and is recognized as interest expense. In addition, commencing in Q4 2021, interest expense was incurred on account of the interest accruing on the amounts advanced under a note payable to a related party.

Expenses and other gains and losses include the net unrealized loss (gain) on the change in value of Warrant liabilities, which is a function of the changes in the trading price of the Warrants outstanding as at or close to the last day of each quarter and transaction costs with respect to identifying and evaluating businesses and assets to acquire as part of the qualifying acquisition.

## RESULTS OF OPERATIONS

Below is selected information from the Financial Statements of income (loss) and comprehensive income (loss) for the three months ended June 30, 2022 and for the three months ended June 30, 2021.

| | Three months ended June 30, 2022 | Three months ended June 30, 2021 | Change |
|---|---|---|---|
| Revenue: | | | |
| Interest | $ 191,473 | $ 19,947 | $ 171,526 |
| Expenses and other gains and losses: | | | |
| Interest | 222,022 | 19,947 | 202,075 |
| Net unrealized loss (gain) on change in value of Warrant liabilities | (983,250) | (232,875) | (750,375) |
| General and administrative | 52,241 | 87,267 | (35,026) |
| Transaction costs | 26,111 | - | 26,111 |
| Amortization of issuance costs on Class A Restricted Voting Shares | 663,700 | 672,900 | (9,200) |
| | (19,176) | 547,239 | (566,415) |
| Income (loss) and comprehensive income (loss) | $ 210,649 | $ (527,292) | $ 737,941 |
| Income (loss) and comprehensive income (loss) per share: | | | |
| Basic and diluted | $ 0.07 | $ (0.17) | $ 0.24 |
| Weighted average number of Class B Shares outstanding: | | | |
| Basic and diluted | 2,937,500 | 3,086,250 | (148,750) |

During the three months ended June 30, 2022 and 2021, the Corporation did not conduct commercial activities and was focused on identifying and evaluating potential businesses and assets to acquire.

During the three months ended June 30, 2022, the Corporation realized net income of $210,649 ($0.07 per share) compared to a net loss of $527,292 ($0.17 per share) in the comparative 2021 period, as summarized in the above table.

Interest income was earned on the restricted cash balance held in escrow from the issuance of Class A Restricted Voting Shares with corresponding amounts recognized as an expense as this interest income is due to holders of the Class A Restricted Voting Shares. Interest revenue increased primarily as a result of the cash balance held in escrow accruing interest at higher interest rates during the three months ended June 30, 2022 relative to the applicable interest rate applied during the three months ended June 30, 2021. Interest expense increased for the same reason and in the same amount as interest revenue increased given its attribution to the liability for the Class A Restricted Voting Shares subject to redemption. In addition, interest expense was incurred during the three months ended June 30, 2022, and not in the 2021 comparative period, on the note payable to a related party.

The net unrealized loss (gain) on the change in value of Warrant liabilities reflects the change in the fair value, determined using the trading price of the outstanding Warrants over the three months ended June 30, 2022 and 2021. During the three months ended June 30, 2022 the Corporation incurred transaction costs of $26,111 with respect to identifying and evaluating businesses and assets to acquire as part of a proposed qualifying acquisition.

The Corporation had the following general and administrative expenses for the three months ended June 30, 2022 and for the three months ended June 30, 2021:

| | Three months ended June 30, 2022 | Three months ended June 30, 2021 |
|---|---|---|
| Retainer and administrative fees | $ 30,000 | $ 30,000 |
| Fees to escrow agent | - | - |
| Professional fees | 5,349 | 29,211 |
| Other | 16,982 | 28,056 |
| | $ 52,241 | $ 87,267 |

Below is selected information from the Financial Statements of income (loss) and comprehensive income (loss) for the six months ended June 30, 2022 and for the six months ended June 30, 2021.

| | Six months ended June 30, 2022 | Six months ended June 30, 2021 | Change |
|---|---|---|---|
| Revenue: | | | |
| Interest | $ 221,496 | $ 26,742 | $ 194,754 |
| Expenses and other gains and losses: | | | |
| Interest | 279,777 | 26,742 | 253,035 |
| Net unrealized loss (gain) on change in value of Warrant liabilities | (2,225,250) | (197,335) | (2,027,915) |
| General and administrative | 165,056 | 141,102 | 23,954 |
| Transaction costs | 241,793 | - | 241,793 |
| Amortization of issuance costs on Class A Restricted Voting Shares | 1,322,800 | 898,200 | 424,600 |
| | (215,824) | 868,709 | (1,084,533) |
| Income (loss) and comprehensive income (loss) | $ 437,320 | $ (841,967) | $ 1,279,287 |
| Income (loss) and comprehensive income (loss) per share: | | | |
| Basic and diluted | $ 0.15 | $ (0.38) | $ 0.53 |
| Weighted average number of Class B Shares outstanding: | | | |
| Basic and diluted | 2,937,500 | 2,201,672 | 735,828 |

During the six months ended June 30, 2022 and 2021, the Corporation did not conduct commercial activities and was focused on identifying and evaluating potential businesses and assets to acquire.

During the six months ended June 30, 2022 the Corporation realized net income of $437,320 ($0.15 per share) compared to a net loss of $841,967 ($0.38 per share) in the comparative 2021 period, as summarized in the above table.

Interest income was earned on the restricted cash balance held in escrow from the issuance of Class A Restricted Voting Shares with corresponding amounts recognized as an expense as this interest income is due to holders of the Class A Restricted Voting Shares. Interest revenue increased primarily as a result of the cash balance held in escrow accruing interest at higher interest rates during the six months ended June 30, 2022 relative to the applicable interest rate applied during the six months ended June 30, 2021. In addition, interest accrued for the entire six months ended June 30, 2022, whereas interest accrued for only four months during the six months ended June 30, 2021, following the Closing on March 1, 2021. Interest expenses increased for the same reason and in the same amount as interest revenue increased given its attribution to the liability for the Class A Restricted Voting Shares subject to redemption. In addition, interest expense was incurred during the six months ended June 30, 2022 on the note payable to a related party.

The increase in the amortization of issuance costs on Class A Restricted Voting Shares was primarily driven by a six-month amortization period in 2022 compared to a four-month amortization period in 2021 attributable to the timing of the Closing and issuance of these shares. The net unrealized loss (gain) on the change in value of Warrant liabilities reflects the change in the fair value, determined using the trading price, of the outstanding Warrants over the six months ended June 30, 2022 and 2021. General and administrative expenses increased as the Corporation conducted operations for six months in 2022 as compared to four months in 2021. During the six months ended June 30, 2022 the Corporation incurred transaction costs of $241,793 with respect to identifying and evaluating businesses and assets to acquire as part of a proposed qualifying acquisition.

The Corporation had the following general and administrative expenses for the six months ended June 30, 2022 and June 30, 2021:

| | Six months ended June 30, 2022 | Six months ended June 30, 2021 |
|---|---|---|
| Retainer and administrative fees | $ 60,000 | $ 40,000 |
| Fees to escrow agent | 2,588 | 9,537 |
| Professional fees | 47,505 | 54,211 |
| Other | 54,963 | 37,354 |
| | $ 165,056 | $ 141,102 |

## CAPITAL MANAGEMENT

The Corporation defines the capital that it manages as its cash and restricted cash held in escrow.

The Corporation's primary objective in managing capital is to ensure capital preservation in order to benefit from acquisition opportunities as they arise and to fund redemptions should they occur.

To the extent that the Corporation requires additional funding for general ongoing expenses and expenditures incurred or in connection with sourcing a qualifying acquisition, the Corporation may seek funding by way of unsecured loans from the Sponsors and/or their affiliates. The lender under the loans would not have recourse against the funds held in the escrow account, and thus the loans will not reduce the value thereof. Such loans will collectively be subject to a maximum aggregate principal amount equal to 10% of the escrowed funds and may be repayable in cash no earlier than the QA Closing. Such loans may only be convertible into shares and/or Warrants in connection with the QA Closing.

An affiliate of one of our Sponsors and a related party of the Corporation (the "**Lender**") agreed to provide unsecured loan advances (the "**Loan Advances**") to the Corporation as discussed below under Related Party Transactions.

In the future, the Corporation may seek to raise additional funds through a rights offering in respect of shares available to its shareholders, in accordance with the requirements of applicable securities legislation and the Exchange's rules, and subject to the consent of the Underwriters and to the conditions outlined further in the Prospectus.

## SHARE CAPITAL

The Corporation, as at the date of this MD&A had 10,000,000 Class A Restricted Voting Shares, 2,937,500 Class B Shares and 5,175,000 Warrants issued and outstanding.

## RELATED PARTY TRANSACTIONS

In 2021, the Lender agreed to provide the Loan Advances to the Corporation for the purpose of satisfying obligations related to general ongoing expenses and expenditures incurred in connection with the Corporation's sourcing of a qualifying acquisition. The Loan Advances bear interest of 12% per annum and the Lender has no recourse against the restricted cash held in an escrow account by the Corporation. The Loan Advances and accrued interest are payable in cash or may be converted into shares and/or warrants as agreed upon by the Corporation and the Lender, however no such payment or conversion shall occur prior to the QA Closing. During the six months ended June 30, 2022 the Corporation received $360,000 of Loan Advances. In 2021, the Corporation received $650,000 in Loan Advances. The Corporation has accrued interest on the notes payable totaling $69,969 since issuance of these advances. For the three months and six months ended June 30, 2022, the Corporation accrued interest of $30,549 and $58,281, respectively. Nil interest was accrued during the comparative periods in 2021 as the Loan Advances were not outstanding prior to June 30, 2021.

The Corporation pays $10,000 (plus applicable taxes) per month to an affiliate of one of our Sponsors for administrative and related services. The Corporation further reimburses an affiliate of one of our Sponsors for any out-of-pocket expenses incurred that relate to certain activities on the Corporation's behalf, including identifying and negotiating a qualifying acquisition. For the three months ended June 30, 2022 and 2021, the Corporation accrued and paid $30,000 and $30,000, respectively, and for the six months ended June 30, 2022 and 2021, the Corporation accrued and paid $60,000 and $40,000, respectively, for administrative and related services. The Sponsors incurred regulatory, filing, and other fees, in the normal course, on behalf of the Corporation prior to the successful completion of the Offering, of which $1,037 remain due and payable. These amounts are non-interest bearing and have no fixed terms of repayment.

The grant of the Founder Shares by the Corporation to the Founders is in the scope of IFRS 2 – Share-based Payment. These shares have been designated as with equity-classified awards and is measured at fair value upon the grant date, with the associated value and to be recognized over the requisite service period. These Founder Shares were granted subject to a non-market performance condition. Compensation expense related to these Founder Shares is recognized only when the performance condition is deemed probable of occurrence. As of June 30, 2022, the Corporation determined that the performance condition was not considered probable, and, therefore, no share-based compensation expense has been recognized during the period ended June 30, 2022. Unrecognized share-based compensation expense of approximately $23,000,000 would be recognized at the date a qualifying acquisition is considered probable, being upon consummation.

## CONTINGENCY

Pursuant to the underwriting agreement for the Offering, the Corporation's Underwriters were entitled to an underwriting commission equal up to $5,500,000 or 5.5% of the gross proceeds of the Class A Restricted Voting Units issued under the Offering. The Underwriters and the Corporation agreed that the commission payable on Closing would be reduced as mutually agreed between the Underwriters and the Corporation for certain investors in the Class A Restricted Voting Units. The Corporation paid $1,926,050 to the Underwriters at the Closing. The balance of the agreed underwriting commission, being $3,370,588, or 3.5% of the gross proceeds of the Class A Restricted Voting Units as reduced for certain investors as mutually agreed between the Underwriters and the Corporation, (the "Deferred Underwriting Commission") has been deferred and will only be payable upon successful completion of a qualifying acquisition. In addition, 30% of the Deferred Underwriting Commission is payable by the Corporation to such parties as it sees fit, including the Underwriters or to advisors who have assisted with the qualifying acquisition. If no qualifying acquisition is consummated within the Permitted Timeline, such amounts shall not be payable. Due to its association with an uncertain future qualifying acquisition, the contingent liability of the Deferred Underwriting Commission balance has not been recorded in the Financial Statements. Transaction costs were prorated between Class A Restricted Voting Shares, Warrants and Class B Shares by the amount of proceeds received.

## SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

For further information about the accounting policies used by the Corporation, please refer to the Financial Statements and notes thereto as at and for the year ended December 31, 2021, as noted in the condensed interim financial statements of the Corporation for the periods ended June 30, 2022.The Financial Statements have been prepared in accordance with IFRS and with interpretations of the IFRIC. In addition, the Financial Statements have been prepared on a historical cost basis, except for certain financial instruments, which are carried at fair value.

The preparation of Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Certain assumptions were used in determining the fair value of the Class A Restricted Voting Shares and the Warrants at inception.

Critical accounting estimates represent estimates made by management that are, by their very nature, uncertain. Management evaluates its estimates on an ongoing basis. Such estimates are based on assumptions that management believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amounts of revenues and expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. A summary of the significant accounting policies used by management in the preparation of its financial information is provided in Note 2 to the Financial Statements.

## CONTROLS AND PROCEDURES

Disclosure controls and procedures (as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, "**DC&P**") are designed to ensure that information required to be disclosed by the Corporation in the reports it files or submits under securities legislation is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and reported to management, including the Corporation's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow required disclosures to be made in a timely fashion. Internal controls over financial reporting ("**ICFR**") are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

In the design of its ICFR, the Corporation used the principles set out in the Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission. The Corporation did not make any changes in its ICFR during the quarter ended June 30, 2022 that have had, or are reasonably likely to have, a material effect on its ICFR.

Management recognizes that DC&P, regardless of how well they are designed, cannot provide absolute assurance that desired objectives will be achieved. If an unforeseen event occurs in the future relating to DC&P or ICFR, the Corporation intends to take the necessary actions to minimize potential consequences. The Corporation also intends to continue to review and evaluate its DC&P on an ongoing basis, and to implement revisions with respect thereto that it deems appropriate.

## MANAGING RISK

Except as otherwise disclosed in this MD&A, the Financial Statements and the most recently filed Annual Information Form of the Corporation, there have been no significant changes to the nature and scope of the risks faced by the Corporation as described in the Prospectus, which is available on the Corporation's profile on SEDAR at www.sedar.com. Such business risks should be considered by interested parties when evaluating the Corporation's performance and its outlook.

**APPENDIX B-14**

Management's discussion and analysis of financial condition of VM Hotel Acquisition Corp. for the year ended December 31, 2021.

**VM HOTEL ACQUISITION CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2021**

**(Expressed in U.S. Dollars)**

## MANAGEMENT'S DISCUSSION & ANALYSIS

The following discussion of performance, financial condition and prospects should be read in conjunction with the financial statements (the "**Financial Statements**") of VM Hotel Acquisition Corp. (the "**Corporation**" "**we**" or "**our**") for the year ended December 31, 2021 and the accompanying notes thereto.

This Management's Discussion and Analysis ("**MD&A**") has been prepared with an effective date of March 31, 2022. The Financial Statements have been prepared by management in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board and with interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**"). The Corporation's financial information is expressed in United States dollars unless otherwise specified. In addition to reviewing this MD&A, readers are encouraged to read the Corporation's public information filings available on the Corporation's profile on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

## SIGNIFICANT EVENT – LIQUIDITY AND GOING CONCERN

The Corporation is in a negative working capital position. Accordingly, the Corporation's ability to continue as a going concern is dependent upon the continued support of its Sponsors (as defined below), and/or the completion of the qualifying acquisition (as defined below). There can be no assurance that the Corporation will be successful in completing the qualifying acquisition. In the event a qualifying acquisition does not occur, the escrowed cash proceeds from the Offering (as defined below) will be returned to holders of the Class A Restricted Voting Shares (as defined below). The creditors of the Corporation and the Sponsors will have no recourse against the escrowed cash.

These uncertainties cast significant doubt upon the Corporation's ability to continue as a going concern and the ultimate appropriateness of using accounting principles applicable to a going concern for the Corporation. The audited financial statements as at December 31, 2021 do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Corporation be unable to continue as a going concern. If the Corporation is unable to continue as a going concern, the Corporation may be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the audited financial statements, which could be material.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking statements" for the purpose of applicable Canadian securities legislation ("**forward-looking statements**").

These forward-looking statements reflect management's expectations with respect to future events, the Corporation's financial performance and business prospects. All statements other than statements of historical fact are forward-looking statements. The use of the words "anticipate", "believe", "continue", "could", "estimate", "expect", "intends", "may", "might", "plan", "possible", "potential", "predict", "project", "should", "would", and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not a forward-looking statement. These statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated or implied in such forward-looking statements. No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. Unless otherwise indicated, these statements speak only as of the date of this MD&A.

These forward-looking statements relate to future events or future performance including with respect to the Corporation's objectives and priorities for fiscal year 2021 and beyond, and strategies or further actions with respect to the Corporation, the qualifying acquisition and the Corporation's business operations, financial performance and condition.

Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and many factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating forward-looking statements, readers should specifically consider various factors that may cause actual results to differ materially from any forward-looking statements. These factors include, but are not limited to, market and general economic conditions and the risks and uncertainties discussed in the section entitled "Risk Factors" in the Corporation's prospectus dated February 23, 2021 (the "**Prospectus**"), available on SEDAR at www.sedar.com.

The forward-looking statements contained in this MD&A are presented for the purpose of assisting investors in understanding business and strategic priorities and objectives of the Corporation as at the periods indicated and may not be appropriate for other purposes. Forward-looking statements contained in this MD&A are not guarantees of future performance and, while forward-looking statements are based on certain assumptions that the Corporation considers reasonable, actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Corporation. Prospective investors are cautioned to consider these and other factors carefully when making decisions with respect to the Corporation and not place undue reliance on forward-looking statements. Circumstances affecting the Corporation may change rapidly. Except as may be expressly required by applicable law, the Corporation does not undertake any obligation to update publicly or revise any such forward-looking statements, whether as a result of new information, future events or otherwise.

## NATURE OF ACTIVITIES

The Corporation is a special purpose acquisition corporation incorporated under the laws of the Province of British Columbia for the purpose of effecting, directly or indirectly, an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination involving the Corporation (a "**qualifying acquisition**").

The Corporation was incorporated on November 16, 2020 under the *Business Corporations Act* (British Columbia), and is domiciled in Canada. The registered office of the Corporation is located at 1600-925 West Georgia Street, Vancouver, BC V6C 3L2.

The Financial Statements were authorized for issuance by the board of directors of the Corporation (the "**Board of Directors**") on March 31, 2022.

## INITIAL PUBLIC OFFERING

On March 1, 2021, the Corporation closed its initial public offering (the "Offering") of 10,000,000 Class A restricted voting units (each, a "**Class A Restricted Voting Unit**") at an offering price of $10.00 per Class A Restricted Voting Unit for gross proceeds of $100,000,000 pursuant to the Prospectus and the Class A Restricted Voting Units commenced trading on the Toronto Stock Exchange (the "**Exchange**") under the symbol "VMH.V".

Each Class A Restricted Voting Unit consisted of one Class A restricted voting share (each, a "**Class A Restricted Voting Share**") and one-half of a share purchase warrant (each whole share purchase warrant, a "**Warrant**"). On April 12, 2021 the Class A Restricted Voting Shares and the Warrants comprising the Class A Restricted Voting Units were listed separately and commenced trading separately on the Exchange under the symbols "VMH.U" and "VMH.WT.U", respectively. On or immediately following the closing of the Corporation's qualifying acquisition (the "**QA Closing**"), each Class A Restricted Voting Share (unless previously redeemed) will be automatically converted into one common share (each, a "**Common Share**") and each Class B share of the Corporation (each, a "**Class B Share**") will be automatically converted on a 100-for-1 basis into proportionate voting shares of the Corporation (the "**Proportionate Voting Shares**"), as set forth in the notice of articles and articles of the Corporation. The Warrants will become exercisable, at an exercise price of $11.50, commencing 65 days after the completion of the Corporation's qualifying acquisition and will expire at 5:00 p.m. (Toronto time) on the day that is five years after the completion of a qualifying acquisition or earlier, as described in the Prospectus. Once the Warrants become exercisable, the Corporation may accelerate the expiry date of the outstanding Warrants (excluding the Warrants held by the Sponsors issued as part of the Class B units of the Corporation (the "**Class B Units**"), as described in the Prospectus) by providing 30 days' notice, if and only if, the closing price of the Common Shares equals or exceeds $18.00 per Common Share (as adjusted for stock splits or combinations, stock dividends, extraordinary dividends, reorganizations and recapitalizations and the like) for any 20 trading days within a 30-trading day period. If the Corporation accelerates the expiry of the Warrants, the Board of Directors has the option to require all holders that wish to exercise their Warrants to do so, in whole or in part, on a cashless basis.

Simultaneously with the closing of the Offering (the "**Closing**"), VM HA Sponsor Corp. and VM HA Sponsor LP (together, the "**Sponsors**"), our sponsors, along with certain third parties purchased 350,000 Class B Units at an offering price of $10.00 per Class B Unit (for an aggregate purchase price of $3,500,000). Each Class B Unit consisted of one Class B Share and one-half of a Warrant. On April 12, 2021 the Class B Units separated into the underlying Class B Shares and Warrants.

In connection with the Offering, the Sponsors and certain of our directors, John Andrew, Tracy Sherren and Charles Suddaby (referred to as our "**Founders**"), along with certain third parties, purchased 2,970,000 Class B Shares (referred to as the "**Founders' Shares**") for an aggregate price of $25,000, or approximately $0.0084 per Founders' Share. On May 7, 2021, the Sponsors relinquished 382,500 of the Founders' Shares without compensation. The Founders' Shares outstanding represent 20% of the issued and outstanding shares of the Corporation (including all Class A Restricted Voting Shares and Class B Shares).

If the Corporation is unable to consummate a qualifying acquisition within the permitted timeline of 18 months from the Closing (or 21 months from the Closing if the Corporation has executed a letter of intent, agreement in principle or definitive agreement for a qualifying acquisition within 18 months from the Closing but has not completed the qualifying acquisition within such 18-month period) (the "**Permitted Timeline**"), subject to any extension as described below, the Corporation will be required to redeem each of the outstanding Class A Restricted Voting Shares for an amount per share, payable in cash, equal to the pro-rata portion (per Class A Restricted Voting Share) of: (a) the escrowed funds available in the escrow account, including any interest and other amounts earned thereon, less (b) an amount equal to the total of (i) any applicable taxes payable by the Corporation on such interest and other amounts earned in the escrow account, (ii) any taxes of the Corporation (including under Part VI.1 of the *Income Tax Act* (Canada)) arising in connection with the redemption of the Class A Restricted Voting Shares, and (iii) up to a maximum of $50,000 of interest and other amounts earned from the proceeds in the escrow account to pay actual and expected winding-up expenses and certain other related costs, each as reasonably determined by the Corporation. The underwriters for the Offering (the "**Underwriters**") will have no right to the Deferred Underwriting Commission (as defined below) held in the escrow account in such circumstances.

The Permitted Timeline can be extended to up to 36 months with the approval of only the holders of the Class A Restricted Voting Shares, by ordinary resolution, and with approval by the Board of Directors. If such approvals are obtained, holders of the Class A Restricted Voting Shares, irrespective of whether such holders voted for or against, or did not vote on, the extension of the Permitted Timeline, would be permitted to deposit all or a portion of their Class A Restricted Voting Shares for redemption as described in the Prospectus.

The Class A Restricted Voting Shares may be considered "restricted securities" within the meaning of such term under applicable Canadian securities laws. Prior to the completion of a qualifying acquisition, holders of the Class A Restricted Voting Shares will not be entitled to vote at (or receive notice of or meeting materials in connection with) meetings held only to consider the election and/or removal of directors and auditors of the Corporation. The holders of the Class A Restricted Voting Shares will, however, be entitled to vote on and receive notice of meetings on all other matters requiring shareholder approval (including the qualifying acquisition, if required under applicable law, and any proposed extension to the Permitted Timeline). In lieu of holding an annual meeting prior to the QA Closing, the Corporation is required to provide an annual update on the status of identifying and securing a qualifying acquisition by way of a press release.

Upon the QA Closing, the Class B Shares will convert on a 100-for-1 basis into Proportionate Voting Shares. Prior to the QA Closing, the Corporation will not issue any Common Shares or Proportionate Voting Shares. Following the QA Closing, the Corporation will not issue any Class A Restricted Voting Shares or Class B Shares.

The Founders (including the Sponsor) have agreed pursuant to an exchange agreement and undertaking not to transfer any of their Founders' Shares or Class B Units (or any Class B Shares or Warrants forming part of the Class B Units) until after the QA Closing, in each case other than transfers required due to the structuring of the qualifying acquisition or unless otherwise permitted by the Exchange. Any Class A Restricted Voting Shares purchased by our Founders would not be subject to the restrictions set out in such agreement.

The Founders' Shares purchased by the Founders and certain third parties and the Class B Shares which formed part of the Class B Units (or any shares acquired upon exercise of the Warrants which formed part of such Class B Units) purchased by the Sponsors and certain third parties will not be subject to relinquishment based on performance.

Upon the Closing, an aggregate of $100,000,000 from the sale of the Class A Restricted Voting Units, or $10.00 per Class A Restricted Voting Unit sold to the public, was deposited with TSX Trust Company, as escrow agent, in an escrow account in Canada at a Canadian chartered bank or subsidiary thereof, in accordance with an escrow agreement. Subject to applicable law and payment of certain taxes, permitted redemptions and certain expenses, as further described in the Prospectus, none of the funds held in the escrow account will be released to the Corporation prior to the QA Closing.

Following the QA Closing, the Corporation will use the portion of the escrow account representing consideration for the Class A Restricted Voting Shares that have not been redeemed (less tax liabilities on amounts earned on the escrowed funds and certain expenses directly related to redemptions) subject to availability, failing which any shortfall shall be made up from other sources, to pay the Underwriters the Deferred Underwriting Commission (as defined below). The per share amount the Corporation will distribute to holders of Class A Restricted Voting Shares who properly redeem their shares will not be reduced by the Deferred Underwriting Commission that the Corporation will pay to the Underwriters.

As 100% of the gross proceeds of the Offering and any additional equity raised pursuant to a rights offering are held by the escrow agent in the escrow account, shareholder approval of a qualifying acquisition is not required pursuant to the Exchange rules. As such, and unless shareholder approval is otherwise required under applicable law, we will: (a) prepare and file with applicable securities regulatory authorities a prospectus containing disclosure regarding the Corporation and its proposed qualifying acquisition; (b) mail a notice of redemption to the holders of the Class A Restricted Voting Shares and make the final prospectus publicly available; and (c) send by prepaid mail or otherwise deliver the prospectus to the holders of the Class A Restricted Voting Shares, as described in the Prospectus.

The escrowed funds are held to enable the Corporation to: (a) satisfy redemptions made by holders of Class A Restricted Voting Shares (including in the event of a qualifying acquisition or an extension to the Permitted Timeline, or in the event a qualifying acquisition does not occur within the Permitted Timeline); (b) fund the qualifying acquisition with the net proceeds following payment of any such redemptions and the Deferred Underwriting Commission; and/or (c) pay taxes on amounts earned on the escrowed funds and certain permitted expenses. Such escrowed funds and all amounts earned thereon, subject to such obligations and applicable law, will be assets of the Corporation. As noted above, the escrowed funds will also be used to pay the Deferred Underwriting Commission, which (subject to availability, failing which any shortfall shall be made up from other sources) will be payable by the Corporation to the Underwriters upon the QA Closing provided that a discretionary portion of the Deferred Underwriting Commission may be used to pay other parties of the Corporation's choosing, as described in the Prospectus.

Consummation of the qualifying acquisition will require approval by a majority of the Corporation's directors unrelated to the qualifying acquisition. In connection with seeking to complete a qualifying acquisition, the Corporation will provide holders of Class A Restricted Voting Shares with the opportunity to redeem all or a portion of their Class A Restricted Voting Shares, provided that they deposit their shares for redemption prior to the deadline specified by the Corporation, following public disclosure of the details of the qualifying acquisition and prior to the QA Closing, of which prior notice had been provided to the holders of the Class A Restricted Voting Shares by any means permitted by the Exchange, not less than 21 days nor more than 60 days in advance of such deadline, in each case, with effect, subject to applicable law, immediately prior to the QA Closing, for an amount per share, payable in cash, equal to the pro-rata portion (per Class A Restricted Voting Share) of: (a) the escrowed funds available in the escrow account at the time immediately prior to the redemption deposit deadline, including interest and other amounts earned thereon; less (b) an amount equal to the total of (i) any applicable taxes payable by the Corporation on such interest and other amounts earned in the escrow account, and (ii) actual and expected expenses directly related to the redemption, each as reasonably determined by the Corporation, subject to the limitations described in the Prospectus.

Notwithstanding the foregoing redemption rights, each holder of Class A Restricted Voting Shares, together with any affiliate of such holder or other person with whom such holder or affiliate is acting jointly or in concert, will not be permitted to redeem a number of Class A Restricted Voting Units that is more than 15% of the aggregate number of Class A Restricted Voting Shares issued and outstanding following the Closing. This limitation will not apply in the event a qualifying acquisition does not occur within the Permitted Timeline, or in the event of an extension to the Permitted Timeline.

If approval of the qualifying acquisition by shareholders is otherwise required under applicable law, holders of Class A Restricted Voting Shares shall have the option to redeem their Class A Restricted Voting Shares irrespective of whether they vote for or against, or do not vote on, the qualifying acquisition. Holders of Class A Restricted Voting Shares will be given not less than 21 days' notice of the shareholders meeting (if such meeting is required under applicable law) and of the corresponding redemption deposit deadline if such meeting is required. Participants through CDS Clearing and Depositary Services Inc. ("**CDS**") may have earlier deadlines for beneficial holders to make deposits of Class A Restricted Voting Shares for redemption. If a CDS participant's deadline is not met by a holder of Class A Restricted Voting Shares, such holder's Class A Restricted Voting Shares may not be eligible for redemption.

Following completion of the qualifying acquisition, the Proportionate Voting Shares into which the Founders' Shares and Class B Shares which formed part of the Class B Units are convertible, the Warrants which formed part of the Class B Units, and the shares issuable on exercise of such Warrants may be subject to certain sale or transfer restrictions in accordance with applicable securities laws.

Our Founders and other holders of the Founders' Shares and/or Class B Shares will not be entitled to redeem the Founders' Shares or Class B Shares in connection with a qualifying acquisition or an extension to the Permitted Timeline or entitled to access the escrow account should a qualifying acquisition not occur within the Permitted Timeline, as further described in the Prospectus. Our Founders and other holders of the Founders' Shares and/or Class B Shares will, however, participate in any liquidation distribution with respect to any Class A Restricted Voting Shares they may acquire in connection with or following the Offering through possible purchases on the secondary market.

On December 7, 2021, the Corporation announced a proposed qualifying acquisition (the "**Former Proposed Qualifying Acquisition**") of a portfolio of five premier hotels consisting of 2,079 keys in four cities and two countries – (1) the Battery Wharf in Boston, Massachusetts, (2) the Hyatt Regency in Cleveland, Ohio, (3) the Renaissance in Cleveland, Ohio, (4) the Sheraton Centre in Montreal, Quebec and (5) the Sheraton Golf & Spa in Panama City Beach, Florida – to create an initial cross-border North American portfolio of high-quality hotel properties (the "**Former Proposed Initial Portfolio**"), which was to constitute Corporation's qualifying acquisition.

On February 23, 2022, the Corporation announced that it had determined not to proceed with the acquisition of the Battery Wharf and the Sheraton Centre hotels. Subsequently, on March 14, 2022, the Corporation also terminated its agreement with respect to the Sheraton Golf & Spa hotel. The Corporation is currently working with stakeholders to determine how to best proceed with the acquisition of the remaining assets comprising the Former Proposed Initial Portfolio, being the Hyatt Regency and the Renaissance hotels. Notwithstanding the foregoing, we intend to continue our search for target business(es) or assets with a focus on hotel and resort properties and/or related assets and/or businesses. However, we are not limited to a particular industry or geographic region for purposes of completing our qualifying acquisition.

## SELECT FINANCIAL INFORMATION

As at December 31, 2021 the Corporation had total assets of $100,874,620 and liabilities of $104,272,825, consisting primarily of liabilities associated with Class A Restricted Voting Shares subject to redemption of $98,252,482, Warrants liability of $2,846,250 and accounts payable and accrued liabilities of $2,511,368. Included in total assets are restricted cash held in escrow of $100,067,087, deposits of $385,000 and cash of $192,905.

## RESULTS OF OPERATIONS

Below is selected information from the statements of loss and comprehensive loss for the three months and the year ended December 31, 2021.

| | Three months ended December 31, 2021 | Year ended December 31, 2021 |
|---|---|---|
| Revenue: | | |
| Interest | $ 20,175 | $ 67,097 |
| Expenses: | | |
| Interest | 31,863 | 78,775 |
| Net unrealized loss on change in value of warrant liabilities | 1,293,750 | 1,588,040 |
| General and administrative | 70,041 | 314,591 |
| Transaction costs | 2,711,649 | 2,711,649 |
| Amortization of issuance costs on Class A Restricted Voting Shares | 663,700 | 2,230,200 |
| | 4,711,003 | 6,923,255 |
| Loss and comprehensive loss | $ 4,750,828 | $ 6,856,168 |
| Loss and comprehensive loss per share: | | |
| Basic and diluted | $ 1.62 | $ 2.67 |
| Weighted average number of Class B Shares outstanding: | | |
| Basic and diluted | 2,937,500 | 2,572,610 |

During the three months and the year ended December 31, 2021, the Corporation did not conduct commercial activities and was focused on identifying and evaluating potential businesses and assets to acquire.

During the three months and the year ended December 31, 2021 the Corporation realized a net loss of $4,750,828 ($1.62 per share) and $6,856,168 ($2.67 per share), respectively, primarily as a result of the transactions costs incurred with respect to identifying and evaluating businesses and assets to acquire and amortization of issuance costs on Class A Restricted Voting Shares. Interest income was earned on the cash balance held in escrow from the issuance of Class A Restricted Voting Shares with corresponding amounts recognized as an expense as this interest income is due to holders of the Class A Restricted Voting Shares. In addition, the Corporation incurred interest expenses of $11,688 during the three months and the year ended December 31, 2021.

Transaction costs directly related to the Offering consist mainly of legal, accounting, printing, filing and Underwriters' fees. Transaction costs incurred were allocated amongst Class A Restricted Voting Shares subject to redemption, Warrants and Class B Shares on the following basis:

| | Class A Restricted Voting Shares | Warrants | Class B Shares | Total |
|---|---|---|---|---|
| Professional fees - legal, accounting, etc. | $ 653,395 | $ 8,219 | $ 23,387 | $ 684,901 |
| Underwriters' commissions | 1,901,011 | 25,039 | – | 1,926,050 |
| Exchange listing | 160,834 | 2,118 | – | 162,952 |
| Other | 12,478 | 164 | – | 12,642 |
| | $ 2,727,718 | $ 35,540 | $ 23,287 | $ 2,786,545 |

Pursuant to the underwriting agreement for the Offering, the Corporation's Underwriters were entitled to an underwriting commission equal up to $5,500,000 or 5.5% of the gross proceeds of the Class A Restricted Voting Units issued under the Offering. The Underwriters and the Corporation agreed that the commission payable on Closing would be reduced as mutually agreed between the Underwriters and the Corporation for certain investors in the Class A Restricted Voting Units. The Corporation paid $1,926,050 to the Underwriters at the Closing. The balance of the agreed underwriting commission, being $3,370,588, or 3.5% of the gross proceeds of the Class A Restricted Voting Units as reduced for certain investors as mutually agreed between the Underwriters and the Corporation, (the "**Deferred Underwriting Commission**") has been deferred and will only be payable upon successful completion of a qualifying acquisition. In addition, 30% of the Deferred Underwriting Commission is payable by the Corporation to such parties as it sees fit, including the Underwriters or to advisors who have assisted with the qualifying acquisition. If no qualifying acquisition is consummated within the Permitted Timeline, such amounts shall not be payable. Due to its association with an uncertain future qualifying acquisition, the contingent liability of the Deferred Underwriting Commission balance has not been recorded in the Financial Statements. Transaction costs were prorated between Class A Restricted Voting Shares, Warrants and Class B Shares by the amount of proceeds received.

The Corporation had the following general and administrative expenses for the three months and the year ended December 31, 2021:

| | Three months ended December 31, 2021 | Year ended December 31, 2021 |
|---|---|---|
| Retainer and administrative fees | $ 30,000 | $ 100,000 |
| Fees to escrow agent | - | 9,537 |
| Professional fees | (6,481) | 96,523 |
| Other | 46,522 | 108,531 |
| | $ 70,041 | $ 314,951 |

## CAPITAL MANAGEMENT

The Corporation defines the capital that it manages as its cash and restricted cash held in escrow.

The Corporation's primary objective in managing capital is to ensure capital preservation in order to benefit from acquisition opportunities as they arise and to fund redemptions should they occur.

To the extent that the Corporation requires additional funding for general ongoing expenses and expenditures incurred or in connection with sourcing a qualifying acquisition, the Corporation may seek funding by way of unsecured loans from the Sponsors and/or their affiliates. The lender under the loans would not have recourse against the funds held in the escrow account, and thus the loans will not reduce the value thereof. Such loans will collectively be subject to a maximum aggregate principal amount equal to 10% of the escrowed funds and may be repayable in cash no earlier than the QA Closing. Such loans may only be convertible into shares and/or Warrants in connection with the QA Closing.

During the year ended December 31, 2021, an affiliate of one of our Sponsors and a related party of the Corporation (the "**Lender**") agreed to provide unsecured loan advances (the "**Loan Advances**") to the Corporation for the purpose of satisfying obligations related to general ongoing expenses and expenditures incurred in connection with the Corporation's sourcing of a qualifying acquisition. The Loan Advances bear interest of 12% per annum and the Lender has no recourse against the restricted cash held in an escrow account by the Corporation. The Loan Advances and accrued interest are payable in cash or may be converted into shares and/or warrants as agreed upon by the Corporation and the Lender, however no such payment or conversion shall occur prior to the QA Closing. During the three months and the year ended December 31, 2021, the Corporation received $650,000 in Loan Advances. On January 20, 2022, the Corporation received an additional $360,000 of Loan Advances.

In the future, the Corporation may seek to raise additional funds through a rights offering in respect of shares available to its shareholders, in accordance with the requirements of applicable securities legislation and the Exchange's rules, and subject to the consent of the Underwriters and to the conditions outlined further in the Prospectus.

## SHARE CAPITAL

The Corporation, as at the date of this MD&A had 10,000,000 Class A Restricted Voting Shares, 2,937,500 Class B Shares and 5,175,000 Warrants issued and outstanding.

## RELATED PARTY TRANSACTIONS

During the year ended December 31, 2021, the Lender agreed to provide the Loan Advances to the Corporation for the purpose of satisfying obligations related to general ongoing expenses and expenditures incurred in connection with the Corporation's sourcing of a qualifying acquisition. The Loan Advances bear interest of 12% per annum and the Lender has no recourse against the restricted cash held in an escrow account by the Corporation. The Loan Advances and accrued interest are payable in cash or may be converted into shares and/or warrants as agreed upon by the Corporation and the Lender, however no such payment or conversion shall occur prior to the QA Closing. During the three months and the year ended December 31, 2021, the Corporation received $650,000 in Loan Advances. On January 20, 2022, the Corporation received an additional $360,000 of Loan Advances.

The Corporation will pay $10,000 (plus applicable taxes) per month to an affiliate of one of our Sponsors for administrative and related services. The Corporation further reimburses an affiliate of one of our Sponsors for any out-of-pocket expenses incurred that relate to certain activities on the Corporation's behalf, including identifying and negotiating a qualifying acquisition. For the three months and the year ended December 31, 2021, the Corporation accrued and paid $30,000 and $100,000, respectively, for administrative and related services. The Sponsors incurred regulatory, filing, and other fees, in the normal course, on behalf of the Corporation prior to the successful completion of the Offering in the amount of $1,037, which remain due and payable. These amounts are non-interest bearing and have no fixed terms of repayment.

The grant of the Founder Shares by the Corporation to the Founders is in the scope of IFRS 2 – Share-based Payment. These shares have been designated as with equity-classified awards and is measured at fair value upon the grant date, with the associated value and to be recognized over the requisite service period. These Founder Shares were granted subject to a non-market performance condition. Compensation expense related to these Founder Shares is recognized only when the performance condition is deemed probable of occurrence. As of December 31, 2021, the Corporation determined that the performance condition was not considered probable, and, therefore, no share-based compensation expense has been recognized during the period ended December 31, 2021. Unrecognized share-based compensation expense of approximately $23,000,000 would be recognized at the date a qualifying acquisition is considered probable, being upon consummation.

## SUBSEQUENT EVENT

Subsequent to December 31, 2021, the Corporation terminated conditional purchase and sale agreements with respect to the acquisition of the Battery Wharf located in Boston, Massachusetts, the Sheraton Centre located in Montreal, Quebec and the Sheraton Golf & Spa located in Panama City Beach, Florida. The acquisition of these three properties were originally intended to form part of the Former Proposed Qualifying Acquisition.

## SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

For further information about the accounting policies used by the Corporation, please refer to the Financial Statements and notes thereto as at and for the period ended December 31, 2021, which have been prepared in accordance with IFRS and with interpretations of the IFRIC. The Financial Statements have been prepared on a historical cost basis, except for certain financial instruments which are carried at fair value.

The preparation of Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Certain assumptions were used in determining the fair value of the Class A Restricted Voting Shares and the Warrants at inception.

Critical accounting estimates represent estimates made by management that are, by their very nature, uncertain. Management evaluates its estimates on an ongoing basis. Such estimates are based on assumptions that management believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amounts of revenues and expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. A summary of the significant accounting policies used by management in the preparation of its financial information is provided in Note 2 to the Financial Statements.

## CONTROLS AND PROCEDURES

Disclosure controls and procedures (as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, "**DC&P**") are designed to ensure that information required to be disclosed by the Corporation in the reports it files or submits under securities legislation is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and reported to management, including the Corporation's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow required disclosures to be made in a timely fashion. Internal controls over financial reporting ("**ICFR**") are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

In the design of its ICFR, the Corporation used the principles set out in the Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission. The Corporation did not make any changes in its ICFR during the quarter ended December 31, 2021 that have had, or are reasonably likely to have, a material effect on its ICFR.

An evaluation was carried out under the supervision, and with the participation, of management of the effectiveness of the Corporation's DC&P and ICFR as at December 31, 2021 and for the period from January 1, 2021 through December 31, 2021. Based on the evaluation, management concluded that the Corporation's design and operation of the DC&P and ICFR were effective as of December 31, 2021. Based on the evaluation, management also concluded that there was no material weakness in the ICFR.

Management recognizes that DC&P, regardless of how well they are designed, cannot provide absolute assurance that desired objectives will be achieved. If an unforeseen event occurs in the future relating to DC&P or ICFR, the Corporation intends to take the necessary actions to minimize potential consequences. The Corporation also intends to continue to review and evaluate its DC&P on an ongoing basis, and to implement revisions with respect thereto that it deems appropriate.

## MANAGING RISK

Except as otherwise disclosed in this MD&A, the Financial Statements and the Annual Information Form of the Corporation, there have been no significant changes to the nature and scope of the risks faced by the Corporation as described in the Prospectus, which is available on the Corporation's profile on SEDAR at www.sedar.com. Such business risks should be considered by interested parties when evaluating the Corporation's performance and its outlook.

**APPENDIX C**
**HGI INDUSTRIES INC.**

## APPENDIX C-1

The audited consolidated balance sheets of HGI Industries Inc. as of December 31, 2021 and December 31, 2020 and the audited consolidated statements of operations, shareholders' equity and cash flows of HGI Industries Inc. for each of the 12 months ended December 31, 2021, December 31, 2020 and December 31, 2019, and the auditors' report thereon and the notes thereto.

**HGI Industries Inc.**

Consolidated financial statements

For the years ended December 31, 2021, 2020 and 2019

[Expressed in United States dollars]

Deloitte & Touche LLP
Certified Public Accountants
Brickell World Plaza
600 Brickell Avenue
Suite 3700
Miami, FL, 33131
USA

Tel: +1 305 372 3100
Fax: +1 305 372 3160
www.deloitte.com

# Independent Auditor's Report

To the Board of Directors of HGI Industries, Inc.

## Opinion

We have audited the consolidated financial statements of HGI Industries, Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity (deficiency) and cash flows for the years ended December 31, 2021, 2020, and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years ended December 31, 2021, 2020, and 2019 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS") and auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and the United States of America, and 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.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has an accumulated deficit, generated net losses, does not have sufficient liquidity and there exists an uncertainty as to the Company's ability to raise additional funds. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## 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 identified above 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 on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. 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 and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS or U.S. GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS or U.S. GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit.  We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion.

- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 and material weaknesses in internal control that we identify during our audit.

Miami, Florida
[●]

**HGI Industries Inc.**

Consolidated statements of financial position
(expressed in United States dollars, except number of shares and per share amounts)

| **As at,** | **Notes** | **December 31, 2021** | **December 31, 2020** |
|---|---|---|---|
| | | **$** | $ |
| **Assets** | | | |
| **Current assets** | | | |
| Cash | | **197,297** | 3,731,419 |
| Restricted cash | | **50,004** | — |
| Trade and other receivables | 19 | **1,216,530** | 1,671,049 |
| Inventories | 4 | **9,592,847** | 2,879,529 |
| Prepaid expenses and deposits | | **872,640** | 512,613 |
| | | **11,929,318** | 8,794,610 |
| **Non-current assets** | | | |
| Deposits | | **67,400** | 67,400 |
| Right-of-use asset, net | 5 | **473,848** | 665,086 |
| Property and equipment, net | 6 | **254,379** | 95,957 |
| **Total assets** | | **12,724,945** | 9,623,053 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | **3,270,047** | 1,237,245 |
| Customer deposits | | **94,032** | 318,879 |
| Borrowings | 7 | **400,000** | — |
| Lease obligations | 5 | **207,139** | 182,838 |
| | | **3,971,218** | 1,738,962 |
| **Non-current liabilities** | | | |
| Borrowings | 7 | **5,703,307** | 3,920,789 |
| Lease obligations | 5 | **356,348** | 563,488 |
| **Total liabilities** | | **10,030,873** | 6,223,239 |
| **Shareholders’ equity** | | | |
| Share capital | 8 | **35,993** | 33,634 |
| Contributed surplus | | **21,654,478** | 17,611,123 |
| Deficit | | **(20,029,526)** | (15,609,659) |
| Equity attributable to shareholders' of the Company | | **1,660,945** | 2,035,098 |
| Non-controlling interests | 9 | **1,033,127** | 1,364,716 |
| | | **2,694,072** | 3,399,814 |
| **Total liabilities and shareholders’ efficiency** | | **12,724,945** | 9,623,053 |

Contingencies (Note 16)
Subsequent events (Note 20)

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

**HGI Industries Inc.**

Consolidated statements of income (loss) and comprehensive income (loss)
(expressed in United States dollars, except number of shares and per share amounts)

| | Notes | For the years ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|---|
| | | **$** | **$** | **$** |
| Revenues | 13 | **10,793,132** | 10,031,137 | 4,397,356 |
| Cost of revenues | 4 | **5,215,463** | 4,468,638 | 2,180,284 |
| **Gross profit** | | **5,577,669** | 5,562,499 | 2,217,072 |
| **Operating expenses** | | | | |
| Sales and marketing | | **2,467,840** | 672,189 | 456,707 |
| Research and development | | **1,818,331** | 581,429 | 85,052 |
| General and administrative | | **6,429,342** | 3,135,470 | 2,597,516 |
| | | **10,715,513** | 4,389,088 | 3,139,275 |
| **(Loss) income from operations** | | **(5,137,844)** | 1,173,411 | (922,203) |
| Foreign exchange loss | | **5,095** | 3,990 | 6,735 |
| Finance expense, net | 7 | **875,857** | 609,139 | 509,224 |
| Other income | | **(232,830)** | (13,118) | (146,377) |
| **(Loss) income before income taxes** | | **(5,785,966)** | 573,400 | (1,291,785) |
| Income tax expense | 15 | **—** | — | — |
| **Net (loss) income and comprehensive (loss) income for the year** | | **(5,785,966)** | 573,400 | (1,291,785) |
| **Net (loss) income attributable to**: | | | | |
| Equity owners of the Company | | **(4,419,867)** | 646,682 | (1,291,785) |
| Non-controlling interests | 9 | **(1,366,099)** | (73,282) | — |
| | | **(5,785,966)** | 573,400 | (1,291,785) |
| (Loss) income per share - basic | 12 | **(0.13)** | 0.02 | (0.04) |
| (Loss) income per share - diluted | 12 | **(0.13)** | 0.02 | (0.04) |
| Weighted average number of common shares outstanding - basic | 12 | **34,812,563** | 33,633,853 | 33,633,853 |
| Weighted average number of common shares outstanding - diluted | 12 | **34,812,563** | 36,932,945 | 33,633,853 |

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

**HGI Industries Inc.**
Consolidated statements of changes in shareholders' equity (deficiency)
(expressed in United States dollars, except number of shares and per share amounts)

| | Notes | Common shares | | Contributed surplus | Deficit | Total equity HGI | Noncontrolling interests | Total |
|---|---|---|---|---|---|---|---|---|
| | | # | $ | $ | $ | $ | | $ |
| Balance as at January 1, 2019 | | 33,633,853 | 33,634 | 13,368,584 | (14,964,556) | (1,562,338) | — | (1,562,338) |
| Share-based compensation | 11 | — | — | 155,694 | — | 155,694 | — | 155,694 |
| Issuance of convertible promissory notes | | — | — | 65,476 | — | 65,476 | — | 65,476 |
| Net income and comprehensive income for the year | | — | — | — | (1,291,785) | (1,291,785) | — | (1,291,785) |
| Balance as at December 31, 2019 | | 33,633,853 | 33,634 | 13,589,754 | (16,256,341) | (2,632,953) | — | (2,632,953) |
| Pyure legacy warrants issued | 11 | — | — | (592,340) | — | (592,340) | 592,340 | — |
| Pyure warrants issued | 11 | — | — | — | — | — | 82,536 | 82,536 |
| Contributions from non-controlling interests | 9 | — | — | 3,727,682 | — | 3,727,682 | 572,318 | 4,300,000 |
| Conversion of debt | 9 | — | — | 780,213 | — | 780,213 | 119,787 | 900,000 |
| Share-based compensation | 11 | — | — | 105,814 | — | 105,814 | 71,017 | 176,831 |
| Net income (loss) and comprehensive income (loss) for the year | | — | — | — | 646,682 | 646,682 | (73,282) | 573,400 |
| Balance as at December 31, 2020 | | 33,633,853 | 33,634 | 17,611,123 | (15,609,659) | 2,035,098 | 1,364,716 | 3,399,814 |
| Issuance of common shares | 8 | **2,358,824** | **2,359** | **1,734,806** | **—** | **1,737,165** | **267,835** | **2,005,000** |
| Contributions from non-controlling interests | 9 | **—** | **—** | **2,308,549** | **—** | **2,308,549** | **(799)** | **2,307,750** |
| Warrants issued | 11 | **—** | **—** | **—** | **—** | **—** | **64,297** | **64,297** |
| Share-based compensation | 11 | **—** | **—** | **—** | **—** | **—** | **703,177** | **703,177** |
| Net loss and comprehensive loss for the year | | **—** | **—** | **—** | **(4,419,867)** | **(4,419,867)** | **(1,366,099)** | **(5,785,966)** |
| **Balance as at December 31, 2021** | | **35,992,677** | **35,993** | **21,654,478** | **(20,029,526)** | **1,660,945** | **1,033,127** | **2,694,072** |

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

**HGI Industries Inc.**

Consolidated statements of cash flows

(expressed in United dollars, except number of shares and per share amounts)

| | For the years ended December 31, | | |
|---|---|---|---|
| | **2021** | **2020** | **2019** |
| | **$** | $ | $ |
| **Cash flows (used in) provided by operating activities** | | | |
| Net (loss) income and comprehensive income (loss) for the year | **(5,785,966)** | 573,400 | (1,291,785) |
| Adjustment to reconcile net (loss) income to net cash (used in) provided by operating activities | | | |
| Amortization and depreciation | **211,005** | 161,453 | 157,045 |
| Share-based compensation | **703,177** | 176,831 | 155,694 |
| Write-off of property and equipment and inventory | **—** | — | 508,079 |
| Non-cash finance expense | **177,569** | 244,851 | 192,418 |
| PPP loan forgiveness | **—** | (215,400) | — |
| | **(4,694,215)** | 941,135 | (278,549) |
| **Changes in non-cash working capital items:** | | | |
| Trade and other receivables | **454,519** | (1,373,420) | (164,692) |
| Prepaid expense and deposits | **(360,027)** | (473,079) | 74,127 |
| Inventories | **(6,649,572)** | (1,903,301) | 871,046 |
| Trade and other payables | **2,729,222** | 814,855 | 352,264 |
| Customer deposits | **(224,847)** | 288,603 | (241,764) |
| Deferred revenue | **—** | — | (875,000) |
| **Cash flows used in operating activities** | **(8,744,920)** | (1,705,207) | (262,568) |
| | | | |
| **Cash flows used in investing activities** | | | |
| Purchase of property and equipment | **(241,935)** | (102,584) | (16,779) |
| **Cash flows used in investing activities** | **(241,935)** | (102,584) | (16,779) |
| | | | |
| **Cash flows provided by financing activities** | | | |
| Proceeds from issuance of common shares | **2,005,000** | — | — |
| Contributions from non-controlling interests | **2,307,750** | 4,300,000 | — |
| Proceeds from notes payable | **400,000** | 491,257 | 650,040 |
| Repayment of notes payable | **—** | (3,546,297) | (275,000) |
| Proceeds from issuance of term loans | **1,727,100** | 4,000,000 | — |
| Proceeds from PPP loan | **—** | 215,400 | — |
| Proceeds from issuance of convertible promissory notes | **—** | 100,000 | 800,000 |
| Interest paid | **(696,420)** | (831,541) | (118,571) |
| Payment of lease obligation | **(240,693)** | (230,931) | (217,970) |
| **Cash flows provided by financing activities** | **5,502,737** | 4,497,888 | 838,499 |
| | | | |
| **Net (decrease) increase in cash during the year** | **(3,484,118)** | 2,690,097 | 559,152 |
| Cash and cash equivalents, beginning of the year | **3,731,419** | 1,041,322 | 482,170 |
| **Cash and cash equivalents, end of the year** | **247,301** | 3,731,419 | 1,041,322 |
| | | | |
| **Reconciliation to cash and restricted cash** | | | |
| Cash | **197,297** | 3,731,419 | 741,322 |
| Restricted Cash | **50,004** | | 300,000 |
| Total | **247,301** | 3,731,419 | 1,041,322 |

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

## 1 Nature of business

HGI Industries, Inc. ("HGI" or the "Company") was incorporated on April 1, 1997, in the state of Nevada under the name Lionheart Investments, Inc. On May 14, 2007, the Company changed its name to HGI Industries, Inc. and on June 7, 2007, was registered and authorized to transact business in the state of Florida. Pursuant to an asset purchase agreement effective September 30, 2007, the Company agreed to acquire the assets of Odorox, Inc., a manufacturer and marketer of air cleaning systems. On September 2, 2020, HGI incorporated a wholly owned subsidiary in the state of Delaware. The subsidiary was registered with the name The PYURE Company Inc. ("PYURE"). On October 16, 2020 HGI signed an assignment and assumption agreement with PYURE, through which PYURE assumed all of HGI's assets, liabilities and contracts, the exception being a $215,400 Paycheck Protection Program ("PPP") loan that HGI had received from the United States Government in April 2020, under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) administered by the U.S. Small Business Administration. In exchange HGI received 33,633,853 common shares in PYURE. HGI's PPP loan was forgiven on November 5, 2020.

On October 16, 2020, PYURE issued additional shares to third parties in exchange for cash contributions of $4,300,000 and $900,000 of existing convertible debt which was assumed from HGI. HGI continues to consolidate PYURE as it retained control and owns approximately 77% (2020 – 80%) of PYURE, with noncontrolling interests owning approximately 23% (2020 – 20%).

The Company operates as one reportable segment, as the chief operating decision maker reviews operating results at this level to assess financial performance and make resource allocation decisions. PYURE headquarters, research and development, finance, manufacturing and warehousing operates from its 32,000 square foot facility located in Boynton Beach, Florida. PYURE holds several patents and trademarks for its UV-based air purification technology. PYURE products consist of portable units, in-duct units and HVAC integrated systems. PYURE sells its portable and induct units through resellers and offers custom solutions to end users. PYURE targets several markets, including healthcare, senior living facilities, commercial (real estate, small and medium businesses, retail and large employers), education, hospitality, food and agriculture and other industrial applications.

The Company's registered office is located at 2055 High Ridge Road, Boynton Beach, Florida 33426.

### *Impact of COVID-19*

The outbreak of the recent novel strain of coronavirus ("COVID-19") resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused disruption to businesses globally; as a result, there is significant economic uncertainty and the effectiveness of government and central bank interventions to stabilize economic conditions remains uncertain. While the impact of COVID-19 on the Company has been minimal to date, there is uncertainty around its duration and the impact on future business conditions. If the outbreak were to cause disruption to the Company's supply chain or its service capabilities in the future, it would have a negative impact on revenue, which could be material. In addition, any material negative impact on revenue would impact profitability, as well as liquidity and capital resources.

The COVID-19 pandemic also had a positive impact on the Company. During the years ended December 31, 2021 and 2020, demand for air purification in North America increased, particularly for portable and stand alone air purifiers that could be rapidly deployed in schools, government buildings and retail outlets. The Company benefited from this increase in demand for its products and the Company experienced an increase in the sale of portable units as a result. This increased demand for portable units was short-lived and the Company experienced a drop in demand in the second half of the year ended December 31, 2021 and into fiscal 2022, as vaccination rates increased, restrictions eased and general concern for the pandemic fell. The more significant positive impact of the COVID-19 pandemic has been the education of the general public about the importance of indoor air quality and the role of airborne transmission in the propagation of outbreaks such as COVID-19 and influenza.

### *Going concern uncertainty*

The consolidated financial statements of the Company for the years ended December 31, 2021, 2020 and 2019 (the "financial statements") have been prepared on the basis of accounting principles applicable to a going concern, which 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 operations. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

As at December 31, 2021, the Company has an accumulated deficit of $20.0 million, a net loss of $5.8 million and a working capital surplus of $2.3 million. In addition, the Company does not have sufficient liquidity as the Company's debt obligations become due in October and November of 2023. Whether, and when, the Company can attain profitability and positive cash flows from operations is subject to material uncertainty. The application of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and obtain necessary financing to do so. The Company will need to raise additional capital in order to fund its planned operations and meet its obligations, including the repayment of borrowings at maturity. While the Company has been successful in obtaining financing to date and believes it will be able to obtain sufficient funds in the future and ultimately achieve profitability and positive cash flows from operations, there can be no assurance that the Company will achieve profitability or obtain additional financing and be able to do so on terms favourable for the Company. The above events and conditions indicate there is a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern.

## 2 Basis of preparation

***Statement of compliance***

These financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies set out below have been consistently applied to all periods presented, unless otherwise noted.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on November ●, 2022.

***Basis of measurement***

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value through profit and loss ("FVTPL"). Historical costs are generally based on the fair value of the consideration given in exchange for goods and services received.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, Share-based Payments ("IFRS 2") and measurements that have some similarities to fair value but are not fair value, such as value in use in International Accounting Standard 36, Impairment of Assets ("IAS 36").

***Basis of consolidation***

The consolidated financial statements comprise the financial statements of the Company and its subsidiary. The subsidiary is fully consolidated from the date the Company obtains control and continues to be consolidated until the date when such control ceases. Control is achieved when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate there are changes to one or more of the three elements of control listed above. The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany balances, transactions, unrealized gains and losses resulting from intercompany transactions and dividends are eliminated on consolidation.

***Functional currency and presentation currency***

These financial statements are presented in United States dollars. HGI's functional currency is the United States dollar, and the functional currency of the Company's subsidiary is also the United States dollar.

***Use of estimates and judgments***

The preparation of these financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- Going concern

At each reporting period, management assesses the basis of preparation of the financial statements. These financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

- Depreciation of property and equipment

Depreciation of property and equipment is dependent on estimates of useful lives and residual values, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent on estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

- Share-based payments

The Company uses the Black-Scholes valuation model to determine the fair value of equity-settled stock options. Estimates are required for inputs to this model including the fair value of the underlying shares, the expected life of the option, volatility, expected dividend yield and the risk-free interest rate. Variation in actual results for any of these inputs will result in a different value of the stock option realized from the original estimate. The assumptions and estimates used are further outlined in the share-based compensation note (Note 12).

- Leases - Estimating the incremental borrowing rate

When the Company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. Judgement is required when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as a subsidiary's stand-alone credit rating) as well as taking into consideration the nature and type of asset being leased.

- Inventories

Inventories consist of raw materials and finished goods recorded at the lower of cost and net realizable value. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or slow moving. Actual net realizable value can vary from the estimated provision.

The cost of inventories also involve estimates in determining the allocation of fixed and variable production overhead. These estimates include determination of normal production capacity and nature of expenses to be allocated.

## 3 Summary of significant accounting policies

***Revenue recognition***

The Company recognizes revenue to depict the transfer of promised goods to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods by applying the following steps:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations; and
- Recognize revenue when, or as, the Company satisfies a performance obligation.

When a single sales transaction requires the delivery of more than one product or service (separate performance obligations), the revenue recognition criteria are applied to the separately identifiable components. A component is considered to be separately identifiable if the product or service delivered has standalone value to that customer and the fair value associated with the product or service can be measured reliably. The amount recognized as revenue for each component is the fair value of the element in relation to the fair value of the arrangement as a whole.

The Company contracts with its customers for the sale of products through fixed price purchase orders. Each quantity of product is generally a performance obligation. The Company has concluded that revenue from sale of products should be recognized at the point in time when control of the asset is transferred to the customer, which is generally on either shipment or delivery of the product, depending on the underlying terms with the customer.

The Company allows its customers to return defective products for exchange or credit based on the warranty of the original manufacturer. The Company's estimate for returns, based on the Company's past experience for actual returns, is immaterial.

When the Company receives consideration from a customer prior to transferring the goods or services under the terms of a sales contract, the Company records customer deposits, which represents a contract liability as presented in the accompanying consolidated balance sheets.

The Company recognizes the costs incurred for transportation of products to customers as a component of cost of revenue in the accompanying consolidated statements of operations.

***Cash and Restricted Cash***

Cash includes deposits held with major financial institutions. The Company, at times, has cash in the bank in excess of the Federal Deposit Insurance Corporation insurance limit. The Company places its cash with a larger financial institution in order to minimize this risk. The Company has not experienced any losses to date related to this risk.

Restricted cash represents cash held in escrow for the Company's secured corporate credit card.

***Inventories***

Inventories are measured at the lower of cost and net realizable value. The cost of raw materials and supplies are determined on a first-in, first-out basis. The cost of finished goods and work-in-process are determined on a standard cost basis. Net realizable value represents the estimated selling price for inventories less estimated costs necessary to make the sale.

The cost of inventories, which includes raw materials, direct labour and indirect manufacturing costs, comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The cost of purchase comprises the purchase price, non-recoverable taxes, transport, handling, and other costs directly attributable to the acquisition of goods.

Inventories are written down to net realizable value if the net realizable is less than the carrying amount of that inventory item at the reporting date. If the net realizable value subsequently increases, the amount of any reversal is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

***Property and equipment***

The Company's property and equipment are measured at cost less accumulated depreciation and impairment losses.

The cost of an item of property and equipment includes expenditures that are directly attributable to the acquisition or construction of the asset and bringing the asset to the location and installing it in working condition for its intended use, including:

- Additions to, and betterments and renewals of existing assets;
- Borrowing costs incurred during construction; and
- A reduction of income derived from the asset during the construction.

Construction in progress represents machinery and equipment under construction and is stated at cost. Cost comprises of directly attributable costs of acquisition or construction, net of any income received towards the construction in progress. Assets under construction are not depreciated. Completed items are transferred from construction in progress to proper categories of property and equipment when they are ready for their intended use. The Company did not have any construction in progress for the years ended December 31, 2021, 2020 and 2019.

Depreciation is recorded on a straight-line basis over the following useful lives:

| | |
|---|---|
| Machinery and equipment | 5-7 years |
| Computer equipment | 5 years |
| Furniture and fixtures | 7 years |
| Leasehold improvements | Lesser of the term of the lease and the useful life of the asset |

The Company assesses an asset's residual value, useful life and depreciation method on an annual basis, and if any events have indicated a change, and makes adjustments if appropriate.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property and equipment and are recognized in the consolidated statements of income (loss) and comprehensive income (loss).

***Impairment of non-financial assets***

The carrying amounts of the Company's non-financial assets are reviewed for impairment at each consolidated statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value, less cost to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been recognized previously.

***Government assistance***

Government assistance is recognized when there is reasonable assurance it will be received and all related conditions will be complied with. When the government assistance relates to an expense item, it is recognized as a reduction of expense over the period necessary to match the government assistance on a systematic basis to the costs it is intended to subsidize. When the government assistance relates to depreciable assets, the value of the grant is deducted from the carrying amount of the asset. The grant is recognized over the life of the depreciable asset as a reduced depreciation expense.

Government assistance includes government loans received at a below-market rate of interest. When loans are received at rates below market rates, the benefit is measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9, *Financial Instruments* ("IFRS 9") and the proceeds received.

***Foreign currency translation***

Foreign currency transactions are translated into functional currencies at exchange rates in effect on the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into functional currencies at the foreign exchange rate applicable at that period-end date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Revenues and expenses are translated at the exchange rates that approximate those in effect on the date of the transaction. Realized and unrealized exchange gains and losses are recognized in the consolidated statements of income (loss) and comprehensive income (loss).

***Research and development***

Expenditures on research activities undertaken with the prospect of gaining technical knowledge and understanding are recognized in the consolidated statements of income (loss) and comprehensive income (loss) as incurred unless they meet the criteria for capitalization. The Company has not capitalized any expenditures incurred on research and development activities.

***Provisions***

Provisions are recognized when the Company has a present obligation (legal or constructive) (a) as a result of a past event; (b) when it is more probable than not an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) when a reliable estimate can be made of the amount of the obligation.

***Income taxes***

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "income (loss) before income taxes" as reported in the consolidated statements of income (loss) and comprehensive income (loss) because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the year.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent it is probable taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each year and reduced to the extent it is not probable sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the year.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the year, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income (loss) or directly in equity, in which case the current and deferred taxes are also recognized in other comprehensive income (loss) or directly in equity, respectively.

The Company has not recognized deferred income tax assets as at December 31, 2021 and 2020, as it is not considered probable at this time that the assets can be recovered.

***Share-based payments***

For equity-settled plans, expense is based on the fair value of the awards granted, calculated on the grant date, with a corresponding increase in equity. The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied.

The Company uses the Black-Scholes valuation model to determine the fair value of equity-settled stock options. Estimates are required for inputs to this model including the fair value of the underlying shares, the expected life of the option, volatility, expected dividend yield and the risk-free interest rate. Variation in actual results for any of these inputs will result in a different value of the stock option realized from the original estimate.

***Income (loss) per share***

The Company presents basic and diluted income (loss) per share data for its ordinary shares. Basic income (loss) per ordinary share is calculated by dividing the net income (loss) attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted income (loss) per ordinary share is determined by adjusting the income (loss) attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, which consist of additional shares from the assumed exercise or conversion of share options, warrants and convertible debt instruments.

***Financial instruments***

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

- Financial assets

  On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (''FVOCI''), or FVTPL. The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

  A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

  - It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
  - Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

  The following accounting policies apply to the subsequent measurement of financial assets.

| | |
|---|---|
| Financial assets at FVTPL | Subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. |
| Financial assets at amortized cost | Subsequently measured at amortized cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. |

- Financial liabilities

  The Company initially recognizes financial liabilities at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument.

  The Company classifies its financial liabilities as either financial liabilities at FVTPL or amortized cost.

  Subsequent to initial recognition, other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at FVTPL are stated at fair value with changes being recognized in profit or loss.

  The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

- Financial liabilities and equity instruments

  - Classification as debt or equity

    Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

  - Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

- Classification of financial instruments

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics and management intent as outlined below:

**Classification**

| | |
|---|---|
| Cash | Amortized cost |
| Restricted cash | Amortized cost |
| Trade and other receivables | Amortized cost |
| Trade and other payables | Amortized cost |
| Customer deposits | Amortized cost |
| Borrowings | Amortized cost |

- Impairment of financial assets

An expected credit loss ("ECL") model applies to financial assets measured at amortized cost. The Company's financial assets measured at amortized cost and subject to the ECL model consist primarily of trade receivables. The Company applies the simplified approach to impairment for trade and other receivables by recognizing lifetime expected losses on initial recognition through both the analysis of historical defaults and a reassessment of counterparty credit risk in revenue contracts on an annual basis.

- Modification of financial instruments

When there is a contractual modification to financial assets, the Company analyzes whether the modification is substantial. When the modification is deemed substantial, the Company derecognizes the original financial instrument and recognizes the new financial instrument at fair value.

When the modification is not substantial, the Company adjusts the carrying value of the modified instrument with the present value of the future contractual cash flows discounted using the original effective interest rate. Consequently, the Company recognizes any difference immediately as a gain or loss on modification in the consolidated statements of income (loss) and comprehensive income (loss).

***Leases***

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease obligation at the lease commencement date. The right-of-use ("ROU") asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The ROU assets are depreciated to the earlier of the end of useful life of the ROU asset or the lease term using the straight-line method as this most closely reflects the expected pattern of the consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the ROU asset can be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation. The lease obligation is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease obligation is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from the change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease obligation is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, unless it has been reduced to zero.

The Company has elected to apply the practical expedient to not recognize ROU assets and lease obligations for short-term leases that have a lease term of twelve months or less and for leases of low value assets. The lease payments associated with those leases are recognized as an expense on a straight-line basis over the lease term.

**New standards, amendments and interpretations not yet adopted by the Company**

*IAS 1, Presentation of financial statements ("IAS 1")*

In January 2020, the IASB issued Classification of Liabilities as Current or Non-current (Amendments to IAS 1). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the consolidated statements of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company is still assessing the impact of adopting these amendments on its financial statements.

*IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37")*

In May 2020, the IASB issued Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37). The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract and can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The amendment adoption is not expected to have a significant impact on the Company's financial statements.

*IAS 16, Property, Plant and Equipment ("IAS 16")*

In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16). The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The amendment adoption is not expected to have a significant impact on the Company's financial statements.

*IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")*

In February 2021, the IASB issued Definition of Accounting Estimates, which amends IAS 8. The amendment will require the disclosure of material accounting policy information rather than disclosing significant accounting policies and clarifies how to distinguish changes in accounting policies from changes in accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates.

The amendments are effective for annual periods beginning on or after January 1, 2023. The Company is still assessing the impact of adopting these amendments on its financial statements.

*IAS 12, Income Taxes ("IAS 12")*

In May 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12). The amendment narrows the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal taxable and deductible temporary differences. As a result, companies will need to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition of transactions such as leases and decommissioning obligations.

(expressed in United States dollars, except share amounts)

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is still assessing the impact of adopting these amendments on its financial statements.

*IFRS 9, Financial Instruments ("IFRS 9")*

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022, with earlier adoption permitted. The amendment adoption is not expected to have a significant impact on the Company's financial statements.

All other IFRSs and amendments issued but not yet effective have been assessed by the Company and are not expected to have a material impact on the financial statements.

## 4 Inventories

The Company's inventories include the following:

| | **December 31, 2021** | December 31, 2020 |
|---|---|---|
| | **$** | $ |
| Raw materials | **5,266,905** | 1,754,151 |
| Work in process | — | 14,111 |
| Finished goods | **4,597,893** | 1,211,959 |
| Allowance | **(271,951)** | (100,692) |
| | **9,592,847** | 2,879,529 |

The Company recognized inventory write-offs of $nil (2020 – $nil, 2019 – $657,000) during the year ended December 31, 2021, relating to finished goods inventory considered to be unsalable. The Company also recognized a loss of $171,259 during the year ended December 31, 2021, due to the change in the inventory allowance for obsolete materials (2020 – loss of $50,692, 2019 – gain of $225,000). The inventory write-offs and change in the inventory allowance are recognized in cost of revenue on the consolidated statements of income (loss) and comprehensive income (loss).

## 5 Leases

*Right-of-use assets*

| **Costs** | **$** |
|---|---|
| December 31, 2019 | 1,012,910 |
| Additions | 25,593 |
| **Balance, December 31, 2021 and 2020** | **1,038,503** |
| | |
| **Accumulated depreciation** | |
| Balance – December 31, 2019 | 184,844 |
| Depreciation | 188,573 |
| Balance – December 31, 2020 | 373,417 |
| Depreciation | 191,238 |
| **Balance – December 31, 2021** | **564,655** |
| | |
| Net balance – December 31, 2020 | 665,086 |
| **Net balance – December 31, 2021** | **473,848** |

The Company's leases relate primarily to its facility located in Boynton Beach and equipment.

(expressed in United States dollars, except share amounts)

*Lease obligations*

| | $ |
|---|---|
| Balance – December 31, 2019 | 879,251 |
| Additions | 25,593 |
| Interest accretion | 72,413 |
| Lease payments | (230,931) |
| Balance – December 31, 2020 | 746,326 |
| Interest accretion | 57,854 |
| Lease payments | (240,693) |
| **Balance – December 31, 2021** | **563,487** |
| **Current** | **207,139** |
| **Non-current** | **356,348** |

The Company did not have any short-term or low value leases during the years ended December 31, 2021, 2020 and 2019.

The maturity analysis of lease liabilities as of December 31, 2021 and 2020 is disclosed below:

| | **2021** | 2020 |
|---|---|---|
| | **$** | $ |
| Year 1 | **247,577** | 240,693 |
| Year 2 | **252,761** | 247,577 |
| Year 3 | **126,610** | 252,761 |
| Year 4 and beyond | **—** | 126,610 |
| **Total lease payments** | **626,948** | 867,641 |
| Less: present value impact | **(63,461)** | (121,315) |
| **Balance** | **563,487** | 746,326 |

## 6 Property and equipment

| | **Machinery and equipment** | **Computer equipment** | **Furniture and fixtures** | **Leasehold improvements** | **Total** |
|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** |
| **Cost** | | | | | |
| Balance, December 31, 2019 | 60,615 | 108,879 | 32,149 | 203,953 | 405,596 |
| Additions | 37,637 | 64,947 | — | — | 102,584 |
| Balance, December 31, 2020 | 98,252 | 173,826 | 32,149 | 203,953 | 508,180 |
| Additions | 59,509 | 174,731 | 2,619 | 5,075 | 241,934 |
| **Balance, December 31, 2021** | **157,761** | **348,557** | **34,768** | **209,028** | **750,114** |
| | | | | | |
| **Accumulated depreciation** | | | | | |
| Balance, December 31, 2019 | 59,009 | 81,374 | 32,149 | 203,953 | 376,485 |
| Depreciation | 4,345 | 31,393 | — | — | 35,738 |
| Balance, December 31, 2020 | 63,354 | 112,767 | 32,149 | 203,953 | 412,223 |
| Depreciation | 20,029 | 61,747 | 1,340 | 396 | 83,512 |
| **Balance, December 31, 2021** | **83,383** | **174,514** | **33,489** | **204,349** | **495,735** |
| | | | | | |
| **Carrying value** | | | | | |
| Balance, December 31, 2020 | 34,898 | 61,059 | — | — | 95,957 |
| **Balance, December 31, 2021** | **74,378** | **174,043** | **1,279** | **4,679** | **254,379** |

(expressed in United States dollars, except share amounts)

## 7 Borrowings

The following table presents the borrowings of the Company:

| | **December 31, 2021** | December 31, 2020 |
|---|---|---|
| | **$** | $ |
| Term loan – Senior (2020) [i] | **1,081,291** | 1,000,000 |
| Term loan – Junior (2020) [ii] | **2,944,496** | 2,920,789 |
| Term loan – Junior (2021) [iii] | **1,677,520** | — |
| Short-term note [iv] | **400,000** | — |
| **Total** | **6,103,307** | 3,920,789 |

**[i] Term loan – Senior (2020)**

On October 16, 2020, PYURE entered into a $1,000,000 loan and security agreement (the “Senior Loan”) with a related party. The Senior Loan matures on October 16, 2023 and carries an annual interest rate of 10%, payable monthly. The lender has a security interest on all of PYURE’s assets, excluding the intellectual property. On July 30, 2021, PYURE and the lender agreed to a prospective modification to the Senior Loan resulting in an increase in the annual interest rate to 15%. The Company recognized a loss of $98,965 on modification. Interest expense on the Senior Loan was $104,405 for the year ended December 31, 2021 (2020 – $21,142). The agreement contains certain covenants which include required periodic reporting and limits on additional indebtedness.

**[ii] Term loan – Junior (2020)**

On November 13, 2020, PYURE entered into a loan and security agreement with a third party for an amount of $3,000,000 (the “Junior Loan”). The Junior Loan will mature on November 13, 2023 and carries an annual interest rate of 15%, payable monthly. PYURE granted the lender a security interest on all of PYURE’s assets, excluding the intellectual property. The Junior Loan is subordinated to the Senior Loan. As part of the Junior Loan, PYURE issued the lender 714,286 warrants to purchase common shares in PYURE at a price of $0.63 per share. The Company concluded that the warrants met the criteria for equity classification. The debt host liability was measured at fair value on initial recognition of $2,917,464, with the residual amount of $82,536 being allocated to the warrants and recognized in non-controlling interest. PYURE incurred transaction costs of $77,500 in connection with the Junior Loan. Interest expense on the Junior Loan was $473,708 for the year ended December 31, 2021 (2020 – $63,324). The Junior Loan affirmative covenants required the Company to issue the lender audited consolidated annual financial statements no later than 180 days after the Company’s fiscal year-end (See Note 20).

**[iii] Term loan – Junior (2021)**

On July 30, 2021, PYURE entered into an amendment to the loan and security agreement previously entered into with the lenders of the Senior Loan and Junior Loan. Pursuant to the agreement, PYURE received a term loan in the amount of $1,750,000 (the “2021 Junior Loan”), of which $250,000 was contributed by a related party. The Company received total proceeds of $1,727,100 after incurring transaction costs of $22,900. The 2021 Junior Loan matures on November 13, 2023, and carries an annual interest rate of 15%, payable monthly. In addition to the 2021 Junior Loan, the Company also issued 264,706 warrants to a third party and 44,118 warrants to a related party, respectively, proportionate to the respective amounts borrowed from each lender under the 2021 Junior Loan agreement. The warrants provide the holder with a right to acquire a share of PYURE Class A common shares at a price of $0.85 per share and expire on July 30, 2026. The debt host liability was measured at fair value on initial recognition of $1,662,803 and the residual amount of $64,297 was allocated to the warrants and recognized in non-controlling interest. Interest expense on the 2021 Junior Loan was $124,092 for the year ended December 31, 2021. The 2021 Junior Loan has the same covenants as the 2020 Junior Loan.

**[iv] Short-term note**

On November 3, 2021, PYURE entered into a promissory note with a related party for $400,000. The promissory note is required to be repaid in full by June 30, 2022 and carries interest at a rate of 2% per month on the unpaid balance. Interest is payable monthly. The promissory note can be repaid at any time without penalty and is secured by trade receivables. Interest expense on the promissory note was $14,800 for the year ended December 31, 2021. The promissory note was repaid in full on April 21, 2022.

(expressed in United States dollars, except share amounts)

Finance expense for the years ended December 31, 2021, 2020 and 2019 consists of the following:

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| | **$** | $ | $ |
| Interest on borrowings | **717,005** | 480,697 | 422,108 |
| Fair value loss on 2019 Convertible notes | **—** | 65,476 | — |
| Loss on debt modification | **98,965** | — | — |
| Interest accretion on lease obligations | **57,854** | 72,413 | 84,311 |
| Other | **2,033** | (9,447) | 2,805 |
| | **875,857** | 609,139 | 509,224 |

## 8 Share capital

### [a] Authorized

The Company is authorized to issue 50,000,000 common shares, at par value of $0.001 and 10,000,000 preferred shares, at par value of $0.001.

All common shares have the same voting rights. The preferred shares do not have voting rights to elect directors, but will have preferential rights to be granted by the Company's Board of Directors. There are no issued or outstanding preferred shares of HGI.

### [b] Issued and outstanding

| | **Common shares** | |
|---|---|---|
| | **#** | **$** |
| As at December 31, 2019 and December 31, 2020 | 33,633,853 | 33,634 |
| Share issuances [i] | 2,358,824 | 2,359 |
| **As at December 31, 2021** | **35,992,677** | **35,993** |

[i] Share issuances

During the year ended December 31, 2021, the Company issued 2,358,824 common shares at a price of $0.85 per share, for total proceeds of $2,005,000.

### [c] Preferred Stock of PYURE

*Series 1 Preferred Stock*

On October 16, 2020, PYURE issued 100 Series 1 Preferred Stock to two related parties. The Series 1 Preferred Stocks are nonvoting and are not entitled to dividends. However, upon a liquidation or redemption event, which is generally defined as a sale or merger of PYURE, the holders will be entitled to preferential distributions before any other class of shares. The distributions will be equal to 20% of the portion of the value created above and beyond the market value of all outstanding shares on October 16, 2020, compounded by an annualized rate of return. The Company allocates net income on the basis of a hypothetical liquidation at book value basis, which would not result in any distributions due to the Series 1 Preferred Stockholders as of December 31, 2021. As such, no amount of net income for the year ended December 31, 2021, has been allocated to the Series 1 Preferred Stockholders.

Upon any transaction (initial public offering, merger, reverse merger, etc.) which would result in PYURE becoming a public company, the Series 1 Preferred Stock will be converted into common stock immediately before the transaction is effective. The conversion will be calculated using a formula that would yield the same value in common shares consistent with the distributions that would have been received under a liquidation or redemption event as described above.

*Series 2 Preferred Stock*

On October 16, 2020, PYURE issued 8,253,967 of Series 2 Preferred Stocks at $0.63 per share. The Series 2 Preferred Stocks are voting and are entitled to dividends. In the event of a voluntary or involuntary liquidation, dissolution or winding up of PYURE as a result of or in connection with an insolvency event, the holders of Series 2 Preferred Stock then outstanding are entitled to be paid out of the assets of PYURE available for distribution to its shareholders their original contribution of $5,200,000, before any payment is to be made to the holders of any other class or series of stock of PYURE. As such, the noncontrolling balance for the Series 2 Preferred Stock includes this initial preferential contribution. The Company allocates net income on the basis of ownership percentage of the Series 2 Preferred Stockholders as there are no other preferential distributions to this class of shares.

(expressed in United States dollars, except share amounts)

Upon any transaction (initial public offering, merger, reverse merger, etc.) which would result in PYURE becoming a public company, the Series 2 Preferred Stock will be converted into common stock immediately before the transaction is effective at the initial issuance price of $0.63 per share.

On March 31, 2021 PYURE completed an equity financing by issuing 2,715,000 PYURE Series 2 Preferred Stock to existing and new investors, at a price of $0.85 per share, resulting in gross proceeds of $2,307,750.

## 9 Non-controlling interests

The Company has an 76.64% (2020 - 80.3%) ownership interest in PYURE. The non-controlling interests represent holders of preferred shares in PYURE.

Reconciliation of non-controlling interest is as follows:

| | $ |
|---|---|
| Balance as at December 31, 2019 | — |
| PYURE legacy warrants issued (Note 10) | 592,340 |
| PYURE warrants issued (Note 10) | 82,536 |
| Contributions from non-controlling interests | 572,318 |
| Conversion of debt | 119,787 |
| Share-based compensation (Note 11) | 71,017 |
| Net income (loss) and comprehensive income (loss) for the year | (73,282) |
| Balance as at December 31, 2020 | 1,364,716 |
| Warrants issued (Note 7) | 64,297 |
| Contributions from non-controlling interests (Note 8) | 267,036 |
| Share-based compensation (Note 11) | 703,177 |
| Net income (loss) and comprehensive income (loss) for the year | (1,366,099) |
| **Balance as at December 31, 2021** | **1,033,127** |

## 10 Warrants

On October 16, 2020, as a result of the formation of PYURE as described in Note 1 above, all outstanding warrants and stock options granted by HGI were cancelled and replaced by “legacy” warrants issued by PYURE. The terms and strike price of the instruments were unchanged, but the legacy warrants provide the holders with the right to purchase common stock in PYURE, rather than HGI. The Company determined that the fair value of the legacy warrants in PYURE was not in excess of the fair value of the original awards, and as such, no incremental cost was recorded related to the legacy warrants issued in 2020.

On November 13, 2020, in connection with the Junior Loan (Note 7), the Company issued 714,286 warrants to acquire common stock of PYURE with an exercise price per share of $0.63 and an expiry date of November 13, 2025. The proceeds received under the Junior Loan were first allocated to the fair value of the debt and the residual value of $82,536 was allocated to the warrants.

The changes in the numbers of warrants outstanding during the years ended December 31, 2021 and 2020 were as follow:

| | **Number of warrants** | **Weighted average** |
|---|---|---|
| | **#** | **$** |
| Outstanding as at December 31, 2019 | 880,347 | 1.25 |
| Expired/Cancelled | (880,347) | 1.25 |
| Granted | 4,877,967 | 0.87 |
| Outstanding as at December 31, 2020 | 4,877,967 | 0.87 |
| Expired/Cancelled | **(1,413,681)** | **1.03** |
| Granted (Note 7) | **308,824** | **0.85** |
| **Outstanding as at December 31, 2021** | **3,773,110** | **0.81** |

(expressed in United States dollars, except share amounts)

The following table is a summary of the Company's warrants outstanding as at December 31, 2021:

| Expiration date | Warrants outstanding | Weighted average exercise price |
|---|---|---|
| | # | $ |
| November 1, 2023 | 150,000 | 0.85 |
| November 13, 2025 | 714,286 | 0.63 |
| December 31, 2025 | 900,000 | 0.85 |
| July 30, 2026 | 308,824 | 0.85 |
| December 31, 2026 | 300,000 | 0.85 |
| January 1, 2027 | 400,000 | 0.85 |
| December 31, 2027 | 400,000 | 0.85 |
| April 1, 2029 | 300,000 | 0.85 |
| June 30, 2029 | 300,000 | 0.85 |
| | **3,773,110** | **0.81** |

The following table is a summary of the Company's warrants outstanding as at December 31, 2020:

| Expiration date | Warrants outstanding | Weighted average exercise price |
|---|---|---|
| | # | $ |
| October 17, 2021 | 735,347 | 1.25 |
| December 1, 2021 | 145,000 | 1.25 |
| December 31, 2021 | 83,334 | 1.00 |
| December 31, 2021 | 450,000 | 0.60 |
| December 31, 2021 | 300,000 | 0.85 |
| January 1, 2023 | 400,000 | 0.85 |
| November 1, 2023 | 150,000 | 0.85 |
| April 1, 2024 | 300,000 | 0.85 |
| June 30, 2024 | 300,000 | 0.85 |
| November 13, 2025 | 714,286 | 0.63 |
| December 31, 2025 | 900,000 | 0.85 |
| December 31, 2027 | 400,000 | 0.85 |
| | **4,877,967** | **0.87** |

## 11 Share-based compensation

*2020 Incentive Stock Plan*

On October 16, 2020, PYURE adopted a Stock Incentive Plan (the "PYURE Plan"), which provides for the issuance of up to 8,000,000 incentive and non-statutory stock options. The Plan is administered by the Board of Directors and will continue in effect until it is terminated. The PYURE Plan may be amended, modified, suspended, or discontinued, with the approval of PYURE shareholders.

Under the PYURE Plan, PYURE may grant options to purchase common stock to employees, consultants and members of the board. In general, any option granted to an employee of the Company shall become fully exercisable after a four-year period and will have a ten year term. Options granted to board members shall become fully exercisable after a two-year period.

*2010 Incentive Stock Plan*

Prior to October 16, 2020, the 2010 Incentive Stock Plan (the "HGI Plan") was in effect. The HGI Plan provided for the issuance of up to 8,000,000 incentive stock options, non-statutory options, stock awards, or restricted stock purchase offers. The HGI Plan was administered by the Board of Directors.

Under the HGI Plan, HGI granted options to purchase common stock to employees, consultants and members of the board. In general, any option granted to an employee of the Company were to become exercisable over a period of no longer than five years.

On October 16, 2020, and upon the adoption of the PYURE Plan, all outstanding stock options in the HGI Plan were cancelled and the HGI Plan was terminated.

(expressed in United States dollars, except share amounts)

During the year ended December 31, 2020, the Company modified 400,000 employment options that were fully vested with an exercise price of $0.85 to extend the expiry date from May 17, 2020 to January 15, 2026. The Company also modified 500,000 performance share options with an exercise price of $0.85 that were not vested to vest immediately on January 15, 2020, with an expiry date of January 15, 2026. The incremental grant date fair value of the modified options was determined to be $98,608 and was immediately recognized in share-based compensation expense. The Company had not previously recognized any share-based compensation expense relating to the performance options as the performance conditions were not expected to be met. The fair value of the modified options was determined on the date of modification using the Black-Scholes option pricing model with the following inputs: risk free rate – 1.55% to 1.56%, expected life – 6 years, exercise price – $0.85, underlying share price – $0.63, annualized volatility – 26%, and annual dividend yield – nil.

The changes in the number of stock options during the years ended December 31, 2021, 2020 and 2019 were as follows:

| | **2021** | | **2020** | | **2019** | |
|---|---|---|---|---|---|---|
| | **Number of options** | **Weighted average exercise price** | **Number of options** | **Weighted average exercise price** | **Number of options** | **Weighted average exercise price** |
| | **#** | **$** | **#** | **$** | **#** | **$** |
| Options outstanding – beginning of the year | **3,125,000** | **0.63** | 2,783,334 | 0.81 | 2,183,334 | 0.75 |
| Options granted | **3,861,000** | **0.71** | 3,125,000 | 0.63 | 600,000 | 0.85 |
| Options forfeited / cancelled | **(915,000)** | **0.66** | (2,783,334) | 0.81 | — | — |
| Options outstanding – end of the year | **6,071,000** | **0.67** | 3,125,000 | 0.63 | 2,783,334 | 0.81 |
| Options exercisable – end of the year | **670,313** | **0.63** | — | — | 2,608,334 | 0.81 |

The weighted average fair value of share options granted during the years ended December 31, 2021, 2020 and 2019 was estimated at the date of grant using the Black-Scholes option pricing model using the following inputs:

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| Grant date share price | **$0.63 – 0.85** | $0.63 | $0.85 |
| Exercise price | **$0.63 – 0.85** | $0.63 | $0.85 |
| Expected dividend yield | **—** | — | — |
| Risk-free interest rate | **0.92% – 1.61%** | 0.86% | 2.31% |
| Expected option life | **10 years** | 10 years | 5 years |
| Expected volatility | **26%** | 26% | 21% |

The expected volatility was estimated using the volatility of publicly traded companies that the Company considered to be comparable. The expected option life represents the period of time that options granted are expected to be outstanding. The risk-free interest rate is based on the government bonds with a term equal to the expected life of the options.

(expressed in United States dollars, except share amounts)

The following table is a summary of the Company's share options outstanding as at December 31, 2021:

| Options outstanding | | | Options exercisable | |
|---|---|---|---|---|
| **Exercise price** | **Number outstanding** | **Weighted average remaining contractual life (years)** | **Exercise price** | **Number exercisable** |
| **$** | **#** | **#** | **$** | **#** |
| 0.63 | 4,901,000 | 8.97 | 0.63 | 670,313 |
| 0.85 | 1,170,000 | 9.67 | 0.85 | — |
| **0.67** | **6,071,000** | **9.11** | **0.63** | **670,313** |

The following table is a summary of the Company's share options outstanding as at December 31, 2020:

| Options outstanding | | | Options exercisable | |
|---|---|---|---|---|
| **Exercise price** | **Number outstanding** | **Weighted average remaining contractual life (years)** | **Exercise price** | **Number exercisable** |
| **$** | **#** | **#** | **$** | **#** |
| 0.63 | 3,125,000 | 9.83 | — | — |
| **0.63** | **3,125,000** | **9.83** | **—** | **—** |

Share-based compensation expense for the year ended December 31, 2021 was $703,177 (2020 – $176,831 and 2019 – $155,694).

## 12 Income (loss) per share

Net income (loss) per ordinary share represents net income (loss) attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the year.

For the year ended December 31, 2021, diluted loss per ordinary share equals basic loss per share as the Company does not have outstanding any type of securities that could potentially dilute basic loss per share.

For the year ended December 31, 2020, diluted common shares included potential ordinary shares outstanding consisting of warrants and options. Warrants and options were included in the calculation of diluted common shares, on a weighted average basis, from the beginning of the year until the date they were cancelled. Potential ordinary shares outstanding did not include the effects of convertible notes, as they were antidilutive.

For the year ended December 31, 2019, diluted loss per share equals basic loss per share due to the anti-dilutive effect of convertible debt instruments, warrants and share options.

## 13 Disaggregation of Revenue

Revenue for the years ended December 31, 2021, 2020 and 2019 is as follows:

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| | **$** | $ | $ |
| Product sales | **10,663,273** | 9,928,070 | 3,830,989 |
| Shipping and delivery | **144,931** | 104,485 | 50,581 |
| Licensing revenue | **—** | — | 875,000 |
| Gross revenue | **10,808,204** | 10,032,555 | 4,756,570 |
| Less: Discounts | **(15,072)** | (1,418) | (359,214) |
| | **10,793,132** | 10,031,137 | 4,397,356 |

During the year ended December 31, 2019, the company recognized $875,000 of revenue relating to the cancellation of an exclusive licensing agreement with an unrelated third party. The Company received an upfront payment of $875,000 in 2018 which was recognized as deferred revenue as of January 1, 2019. The exclusive licensing agreement was cancelled on December 5, 2019, and the unrelated third party forfeited the advance payment which was recognized in revenue in its entirety by the Company.

(expressed in United States dollars, except share amounts)

Sales to significant customers representing more than 10% of total sales during the years ended December 31, 2021, 2020 and 2019 and related accounts receivables as at December 31, 2021 and 2020, were as follows:

| | | **2021** | | |
|---|---|---|---|---|
| **Customers** | **Sales amount** | **Percent** | **Accounts receivable** | **Percent** |
| | **$** | **%** | **$** | **%** |
| **A** | **6,896,466** | **64** | **160,771** | **16** |

| | | 2020 | | |
|---|---|---|---|---|
| Customers | Sales amount | Percent | Accounts receivable | Percent |
| | $ | % | $ | % |
| A | 4,759,921 | 47 | 1,142,843 | 68 |
| B | 1,147,977 | 11 | 18,554 | 1 |

| | | 2019 | | |
|---|---|---|---|---|
| Customers | Sales amount | Percent | Accounts receivable | Percent |
| | $ | % | $ | % |
| A | 1,282,968 | 36% | 262,588 | 88% |
| B | 929,727 | 26% | — | — |

## 14 Employee compensation

Employee compensation costs, consisting of salaries and benefits, were included in the following expenses for the years ended December 31, 2021, 2020 and 2019:

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| | **$** | $ | $ |
| Cost of revenue | **1,013,446** | 317,665 | 58,688 |
| Sales and marketing | **755,800** | 222,229 | 312,973 |
| Research and development | **169,117** | 16,995 | 49,214 |
| General and administrative | **2,299,180** | 1,556,347 | 1,208,861 |
| | **4,237,543** | 2,113,236 | 1,629,736 |

## 15 Income taxes

The reconciliation of income tax expense for the years ended December 31, 2021, 2020 and 2019 consists of the following:

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| | **$** | $ | $ |
| Income (loss) before income taxes | **(5,785,966)** | 573,400 | (1,291,785) |

(expressed in United States dollars, except share amounts)

| | | | |
|---|---|---|---|
| Statutory tax rate | **23.8%** | 24.5% | 24.5% |
| Expected income tax provision (recovery) | **(1,376,635)** | 140,609 | (316,771) |
| Non-deductible (expense) benefit | **(18,641)** | (57,459) | 17,516 |
| Change in enacted income tax rates and other items | **68,810** | 5,190 | 193,042 |
| Change in tax benefits not recognized | **1,326,466** | (88,340) | 106,213 |
| | **—** | — | — |

Deferred income tax assets in excess of deferred income tax liabilities have not been recognized in respect of the following attributes because it is not probable that future taxable profit will be available against which the Company can use the benefits.

| | **December 31, 2021** | December 31, 2020 |
|---|---|---|
| | **$** | $ |
| Non-capital loss carry forwards | **4,433,908** | 3,417,994 |
| Research and development and employee retention credits | **367,621** | 263,349 |
| Basis difference in property and equipment | **20,890** | 19,956 |
| Other temporary differences | **509,068** | 294,849 |
| Total deferred tax assets | **5,331,487** | 3,996,148 |
| Less: Deferred tax assets not recognized | **(5,331,487)** | (3,996,148) |
| | **—** | — |

The Company has non-capital loss carry forwards of approximately $18,636,000 (2020 – $13,938,000, 2019 – $15,136,000), of which $10,579,000 (2020 – $10,640,000, 2019 – $11,838,000) may be carried forward to apply against future year income tax, subject to the final determination by taxation authorities, which expire between the years 2031 and 2037, and $8,057,000 (2020 – $3,298,000, 2019 – $3,299,000) will carry forward indefinitely.

The Company has research and development and employee retention credits of $361,000 and $6,000 (2020 – $257,000 and $6,000, 2019 – $249,000 and $6,000), respectively. The credits will begin to expire in 2027.

## 16 Contingencies

In the ordinary course of business, from time to time, the Company is involved in various claims related to operations, rights, commercial, employment or other claims. Although such matters cannot be predicted with certainty, management does not consider the Company’s exposure to these claims to be material to these financial statements.

## 17 Related party transactions

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly including the Chief Executive Officer, Chief Financial Officer and equivalent and Directors.

Compensation expense for the Company’s key management personnel for the years ended December 31, 2021, 2020 and 2019 is as follows:

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| | **$** | $ | $ |
| Cash compensation | **655,989** | 330,337 | 203,000 |
| Share-based compensation | **321,397** | 28,189 | 66,544 |
| | **977,386** | 358,526 | 269,544 |

The total amount included in trade and other receivables owing from related parties as at December 31, 2021 was $17,995 (2020 – $413,888).

The total amount included in trade and other payables owing to related parties as at December 31, 2021 was $71,008 (2020 – $nil).

(expressed in United States dollars, except share amounts)

During the year ended December 31, 2021, the Company recognized revenue of $217,396 (2020 – $906,610 and 2019 – $96,277) from sales to a company that is a related party to a member of the Company's Board of Directors. Transaction prices for sales to related parties are based on transaction prices for sales to third parties. Refer to Note 7 and Note 8 for additional disclosures regarding transactions with related parties.

## 18 Capital management

The Company's capital management objectives are to maintain financial flexibility in order to pursue its strategy of organic growth and to provide returns to its shareholders. The Company defines capital as the aggregate of its share capital and borrowings.

Total managed capital is as follows:

| | **December 31, 2021** | December 31, 2020 |
|---|---|---|
| | **$** | $ |
| Borrowings | **6,103,307** | 3,920,789 |
| Share capital | **35,993** | 33,634 |
| | **6,139,300** | 3,954,423 |

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay financial liabilities, issue shares, repurchase shares, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances. The Company is not subject to any externally imposed capital requirements.

## 19 Financial instruments and risk management

***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 contractual obligations, and arises principally from deposits with banks and outstanding receivables. The Company trades only with recognized, creditworthy third parties. The Company performs credit checks for all customers who wish to trade on credit terms. As at December 31, 2021, one customer represented 16% of the outstanding receivable balance (2020 – one customer represented 68%).

The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

The aging of trade receivables is as follows:

| | **December 31, 2021** | December 31, 2020 |
|---|---|---|
| | **$** | $ |
| Current | **179,354** | 752,030 |
| 1 – 30 days past due | **60,940** | 866,213 |
| 31 – 60 days past due | **79,031** | 102,250 |
| Greater than 60 days past due | **697,359** | 13,474 |
| Less: allowance for bad debt | **(40,667)** | (62,918) |
| | **976,017** | 1,671,049 |

As at December 31, 2021 the Company also recognized $240,513 (2020 – $nil) in trade and other receivables related to government remittances recoverable.

***Liquidity risk***

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they come due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows, the issuance of share capital and, if desired, the issuance of debt. The Company's trade and other payables are all due within 12 months from the date of these financial statements.

(expressed in United States dollars, except share amounts)

The Company is obligated to the following contractual maturities of undiscounted cash flows as at December 31, 2021:

| | Carrying amount | Year 1 | Year 2 | Year 3 | Year 4 and beyond | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| Trade and other payables | 3,270,047 | 3,270,047 | — | — | — | **3,270,047** |
| Lease obligations | 563,487 | 247,577 | 252,761 | 126,610 | — | **626,948** |
| Borrowings | 6,103,307 | 1,262,500 | 6,487,977 | — | — | **7,750,477** |
| | **9,936,841** | **4,780,124** | **6,740,738** | **126,610** | **—** | **11,647,472** |

***Market risk***

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk.

- Foreign currency risk

Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company's primary exposure with respect to foreign currencies is from Canadian dollar denominated trade and other receivables, and trade and other payables. A 1% change in foreign exchange rates would not result in any significant impact to the financial statements.

- Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk as at December 31, 2021 as a result of its operating loan facility, as the interest rate varies based on the bank's prime rate. The Company has determined that a 1% change in rates would not have a material impact on these financial statements.

- Other price risk

Other price risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risk as at December 31, 2021.

***Fair values***

The risk of material change in fair value is not considered to be significant. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.

- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

- Level 3 – Significant unobservable inputs that are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. During the year, there were no transfers of amounts between levels.

**20 Subsequent events**

On April 30, 2022, PYURE completed an equity financing by issuing 3,200,000 PYURE Series 2 Preferred Stock to new investors, at a price of $1.25 per share, resulting in gross proceeds of $4,000,000, which was recognized in non-controlling interests in the statement of shareholders' equity. In connection with financing PYURE incurred transaction costs of $100,000 and issued an additional 16,000 PYURE Series 2 Preferred Stock as compensation.

On June 26, 2022, PYURE completed an equity financing by issuing 120,000 PYURE Series 2 Preferred Stock to new investors, at a price of $1.25 per share, resulting in gross proceeds of $150,000, which was recognized in non-controlling interests in the statement of shareholders' equity.

On June 30, 2022, the Company breached an affirmative covenant under the Junior Loan which required the Company to issue the lender audited consolidated annual financial statements no later than 180 days after the Company's fiscal year-end. The Company subsequently received a waiver from the lender in September of 2022.

On September 13, 2022, PYURE issued a promissory note in the principal amount of $500,000 to a related party. The promissory note bears interest at a rate of 2% per month on the unpaid balance. The promissory note is secured by PYURE's receivables from a specific customer. The note matures on March 31, 2023 and can be prepaid at any time, in whole or in part, without penalty.

On September 22, 2022, the Company entered into a business combination agreement with VM Hotel Acquisition Corp ("VMH"), a publicly traded special purpose acquisition company. VMH intends that the acquisition will constitute its qualifying acquisition under Part X of the Toronto Stock Exchange. Through a series of transactions, VMH will acquire all of the issued and outstanding shares of PYURE. The transaction is subject to certain customary closing conditions, as well as the condition that PYURE completes a debt or equity financing round of at least USD $15 million prior to the closing of the transaction.

Between July and October of 2022, PYURE granted a net total of 1,665,105 stock options to employees, management and directors of the Company at exercise prices ranging from $1.25 to $1.60 per share.

**APPENDIX C-**28

The unaudited consolidated balance sheets of HGI Industries Inc. as of June 30, 2022 and the unaudited consolidated statement of operations, shareholders' equity and cash flows of HGI Industries Inc. as at and for the three and six months then ended June 30, 2022 and 2021.

## HGI Industries Inc.

Unaudited condensed consolidated interim financial statements

For the three and six months ended June 30, 2022 and 2021
[unaudited] [Expressed in United States dollars]

## HGI Industries Inc.

Unaudited condensed consolidated interim statements of financial position
(expressed in United States dollars, except number of shares and per share amounts)

| As at, | Notes | June 30, 2022 | Dec. 31, 2021 |
|---|---|---|---|
| | | **$** | $ |
| **Assets** | | | |
| **Current assets** | | | |
| Cash | | **1,907,652** | 197,297 |
| Restricted cash | | **30,008** | 50,004 |
| Trade and other receivables | | **1,569,984** | 1,216,530 |
| Inventories | 3 | **9,125,519** | 9,592,847 |
| Prepaid expenses and deposits | | **768,102** | 872,640 |
| | | **13,401,265** | 11,929,318 |
| **Non-current assets** | | | |
| Deposits | | **67,400** | 67,400 |
| Right-of-use asset, net | 4 | **379,014** | 473,848 |
| Property and equipment, net | 5 | **222,022** | 254,379 |
| **Total assets** | | **14,069,701** | 12,724,945 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | **1,249,585** | 3,270,047 |
| Customer deposits | | **9,433** | 94,032 |
| Borrowings | 6 | **5,709,564** | 400,000 |
| Lease obligations | 4 | **220,147** | 207,139 |
| | | **7,188,729** | 3,971,218 |
| **Non-current liabilities** | | | |
| Borrowings | 6 | **—** | 5,703,307 |
| Lease obligations | | **243,661** | 356,348 |
| **Total liabilities** | | **7,432,390** | 10,030,873 |
| **Shareholders' equity** | | | |
| Share capital | 7 | **35,993** | 35,993 |
| Contributed surplus | | **25,339,598** | 21,654,478 |
| Deficit | | **(20,195,099)** | (20,029,526) |
| Equity attributable to shareholders' of the Company | | **5,180,492** | 1,660,945 |
| Non-controlling interests | 8 | **1,456,819** | 1,033,127 |
| | | **6,637,311** | 2,694,072 |
| **Total liabilities and shareholders' equity** | | **14,069,701** | 12,724,945 |

Contingencies (Note 14)
Subsequent events (Note 16)

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

**HGI Industries Inc.**

Unaudited condensed consolidated interim statements of loss and comprehensive loss
(expressed in United States dollars, except number of shares and per share amounts)

| | Notes | Three months ended June 30, 2022 | Three months ended June 30, 2021 | Six months ended June 30, 2022 | Six months ended June 30, 2021 |
|---|---|---|---|---|---|
| | | **$** | **$** | **$** | **$** |
| Revenues | 12 | **3,447,906** | 2,367,639 | **7,243,357** | 7,965,494 |
| Cost of revenues | | **931,559** | 1,877,619 | **1,930,606** | 4,680,390 |
| **Gross profit** | | **2,516,347** | 490,020 | **5,312,751** | 3,285,104 |
| **Operating expenses** | | | | | |
| Sales and marketing | | **916,749** | 609,513 | **1,591,877** | 958,575 |
| Research and development | | **706,405** | 598,381 | **1,114,502** | 1,242,765 |
| General and administrative | | **1,229,466** | 1,973,854 | **2,324,977** | 4,260,941 |
| | | **2,852,620** | 3,181,748 | **5,031,356** | 6,462,281 |
| **(Loss) income from operations** | | **(336,273)** | (2,691,728) | **281,395** | (3,177,177) |
| Foreign exchange gain | | **1,546** | 868 | **8,921** | 3,042 |
| Finance expense, net | 6 | **236,570** | 158,088 | **515,180** | 315,328 |
| Other expense (income) | | **2,763** | (6,454) | **2,244** | (6,454) |
| **Loss before income taxes** | | **(577,152)** | (2,844,230) | **(244,950)** | (3,489,093) |
| Income tax expense | | **—** | — | **—** | — |
| **Net loss and comprehensive loss for the period** | | **(577,152)** | (2,844,230) | **(244,950)** | (3,489,093) |
| **Net loss attributable to**: | | | | | |
| Equity owners of the Company | | **(420,182)** | (2,144,761) | **(165,573)** | (2,662,554) |
| Non-controlling interests | 8 | **(156,970)** | (699,469) | **(79,377)** | (826,539) |
| | | **(577,152)** | (2,844,230) | **(244,950)** | (3,489,093) |
| Loss per share - basic | 11 | **(0.02)** | (0.08) | **(0.01)** | (0.10) |
| Loss per share - diluted | 11 | **(0.02)** | (0.08) | **(0.01)** | (0.10) |
| Weighted average number of common shares outstanding - basic | 11 | **35,992,677** | 33,633,853 | **35,992,677** | 33,633,853 |
| Weighted average number of common shares outstanding - diluted | 11 | **35,992,677** | 33,633,853 | **35,992,677** | 33,633,853 |

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

**HGI Industries Inc.**
Unaudited condensed consolidated interim statements of changes in shareholders' equity
(expressed in United States dollars, except number of shares and per share amounts)

| | Notes | Common shares | | Contributed surplus | Deficit | Total equity HGI | Noncontrolling interests | Total |
|---|---|---|---|---|---|---|---|---|
| | | # | $ | $ | $ | $ | | $ |
| Balance as at December 31, 2020 | | 33,633,853 | 33,634 | 17,611,123 | (15,609,659) | 2,035,098 | 1,364,716 | 3,399,814 |
| Contributions from non-controlling interests | 8 | — | — | 2,308,549 | — | 2,308,549 | (799) | 2,307,750 |
| Share-based compensation | 10 | — | — | — | — | — | 326,038 | 326,038 |
| Net loss and comprehensive loss for the period | | — | — | — | (2,662,554) | (2,662,554) | (826,539) | (3,489,093) |
| Balance as at June 30, 2021 | | 33,633,853 | 33,634 | 19,919,672 | (18,272,213) | 1,681,093 | 863,416 | 2,544,509 |
| | | | | | | | | |
| Balance as at December 31, 2021 | | 35,992,677 | 35,993 | 21,654,478 | (20,029,526) | 1,660,945 | 1,033,127 | 2,694,072 |
| Contributions from non-controlling interests | 8 | **—** | **—** | **3,685,120** | **—** | **3,685,120** | **364,880** | **4,050,000** |
| Share-based compensation | 10 | **—** | **—** | **—** | **—** | **—** | **138,189** | **138,189** |
| Net loss and comprehensive loss for the period | | **—** | **—** | **—** | **(165,573)** | **(165,573)** | **(79,377)** | **(244,950)** |
| **Balance as at June 30, 2022** | | **35,992,677** | **35,993** | **25,339,598** | **(20,195,099)** | **5,180,492** | **1,456,819** | **6,637,311** |

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

## HGI Industries Inc.

Unaudited condensed consolidated interim statements of cash flows
(expressed in United States dollars, except number of shares and per share amounts)

| | For the six months ended June 30, | |
|---|---|---|
| | **2022** | **2021** |
| | **$** | $ |
| **Cash flows used in operating activities** | | |
| Net loss and comprehensive loss for the year | **(244,950)** | (3,489,093) |
| Adjustment to reconcile net loss to net cash provided by (used in) operating activities | | |
| Amortization and depreciation | **104,086** | 104,190 |
| Share-based compensation | **138,189** | 326,038 |
| Non-cash finance expense | **28,620** | 40,153 |
| | **25,945** | (3,018,712) |
| **Changes in non-cash working capital items:** | | |
| Trade and other receivables | **(353,454)** | 512,865 |
| Prepaid expense and deposits | **104,538** | (1,009,530) |
| Inventories | **498,940** | (6,242,077) |
| Trade and other payables | **(1,525,324)** | 5,121,443 |
| Customer deposits | **(84,599)** | (289,827) |
| **Cash flows used in operating activities** | **(1,333,954)** | (4,925,838) |
| **Cash flows used in investing activities** | | |
| Purchase of property and equipment | **(8,507)** | (200,508) |
| **Cash flows used in investing activities** | **(8,507)** | (200,508) |
| **Cash flows provided by financing activities** | | |
| Proceeds from notes payable | **700,000** | — |
| Repayment of notes payable | **(1,100,000)** | — |
| Proceeds from non-controlling interests | **4,050,000** | 2,307,750 |
| Interest paid | **(495,138)** | (237,500) |
| Payment of lease obligation | **(122,042)** | (118,650) |
| **Cash flows provided by financing activities** | **3,032,820** | 1,951,600 |
| **Net increase (decrease)** | **1,690,359** | (3,174,746) |
| Cash and cash equivalents, beginning of the period | **247,301** | 3,731,419 |
| **Cash and cash equivalents, end of the period** | **1,937,660** | 556,673 |
| **Reconciliation to cash and restricted cash** | | |
| Cash | **1,907,652** | 197,297 |
| Restricted Cash | **30,008** | 50,004 |
| Total | **1,937,660** | 247,301 |

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

## 1 Nature of business

HGI Industries, Inc. ("HGI" or the "Company") was incorporated on April 1, 1997, in the state of Nevada under the name Lionheart Investments, Inc. On May 14, 2007, the Company changed its name to HGI Industries, Inc. and on June 7, 2007, was registered and authorized to transact business in the state of Florida. Pursuant to an asset purchase agreement effective September 30, 2007, the Company agreed to acquire the assets of Odorox, Inc., a manufacturer and marketer of air cleaning systems. On September 2, 2020, HGI incorporated a wholly owned subsidiary in the state of Delaware. The subsidiary was registered with the name The PYURE Company Inc. ("PYURE"). On October 16, 2020 HGI signed an assignment and assumption agreement with PYURE, through which PYURE assumed all of HGI's assets, liabilities and contracts, the exception being a $215,400 Paycheck Protection Program ("PPP") loan that HGI had received from the United States Government in April 2020, under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) administered by the U.S. Small Business Administration. In exchange HGI received 33,633,853 common shares in PYURE. HGI's PPP loan was forgiven on November 5, 2020.

On October 16, 2020, PYURE issued additional shares to third parties in exchange for cash contributions of $4,300,000 and $900,000 of existing convertible debt which was assumed from HGI. HGI continues to consolidate PYURE as it retained control and as of June 30, 2022 owns approximately 72% (June 30, 2021 – 75%) of PYURE, with noncontrolling interests owning approximately 28% (June 30, 2021 – 25%).

The Company operates as one reportable segment, as the chief operating decision maker reviews operating results at this level to assess financial performance and make resource allocation decisions. PYURE headquarters, research and development, finance, manufacturing and warehousing operates from its 32,000 square foot facility located in Boynton Beach, Florida. PYURE holds several patents and trademarks for its UV-based air purification technology. PYURE products consist of portable units, in-duct units and HVAC integrated systems. PYURE sells its portable and induct units through resellers and offers custom solutions to end users. PYURE targets several markets, including healthcare, senior living facilities, commercial (real estate, small and medium businesses, retail and large employers), education, hospitality, food and agriculture and other industrial applications.

The Company's registered office is located at 2055 High Ridge Road, Boynton Beach, Florida 33426.

***Impact of COVID-19***

The outbreak of the recent novel strain of coronavirus ("COVID-19") resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused disruption to businesses globally; as a result, there is significant economic uncertainty and the effectiveness of government and central bank interventions to stabilize economic conditions remains uncertain. While the impact of COVID-19 on the Company has been minimal to date, there is uncertainty around its duration and the impact on future business conditions. If the outbreak were to cause disruption to the Company's supply chain or its service capabilities in the future, it would have a negative impact on revenue, which could be material. In addition, any material negative impact on revenue would impact profitability, as well as liquidity and capital resources.

The COVID-19 pandemic also had a positive impact on the Company. During the years ended December 31, 2021 and 2020, demand for air purification in North America increased, particularly for portable and stand alone air purifiers that could be rapidly deployed in schools, government buildings and retail outlets. The Company benefited from this increase in demand for its products and the Company experienced an increase in the sale of portable units as a result. This increased demand for portable units was short-lived and the Company experienced a drop in demand in the second half of the year ended December 31, 2021 and into fiscal 2022, as vaccination rates increased, restrictions eased and general concern for the pandemic fell. The more significant positive impact of the COVID-19 pandemic has been the education of the general public about the importance of indoor air quality and the role of airborne transmission in the propagation of outbreaks such as COVID-19 and influenza.

***Going concern uncertainty***

The unaudited condensed consolidated interim financial statements of the Company for the three and six months ended June 30, 2022 and 2021 (the "financial statements") have been prepared on the basis of accounting principles applicable to a going concern, which 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 operations. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

As at June 30, 2022, the Company has an accumulated deficit of $20.2 million, a net loss of $0.2 million and a working capital surplus of $6.2 million. In addition, the Company does not have sufficient liquidity as the Company's debt obligations become due in October and November of 2023. Whether, and when, the Company can attain profitability and positive cash flows from operations is subject to material uncertainty. The application of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and obtain necessary financing to do so. The Company will need to raise additional capital in order to fund its planned operations and meet its obligations, including the repayment of borrowings at maturity. While the Company has been successful in obtaining financing to date and believes it will be able to obtain sufficient funds in the future and ultimately achieve profitability and positive cash flows from operations, there can be no assurance that the Company will achieve profitability or obtain additional financing and be able to do so on terms favourable for the Company. The above events and conditions indicate there is a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern.

## 2 Basis of preparation

***Statement of compliance***

These financial statements were prepared using the same accounting policies and methods as those used in the Company's audited consolidated financial statements for the year ended December 31, 2021. These financial statements have been prepared in compliance with IAS 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. These financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2021.

These financial statements were approved and authorized for issuance by the Board of Directors of the Company on November ●, 2022.

***Functional currency and presentation currency***

These financial statements are presented in United States dollars. HGI's functional currency is the United States dollar, and the functional currency of the Company's subsidiary is also the United States dollar.

***Use of estimates and judgments***

The preparation of these financial statements in conformity with IFRS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, consistent with those disclosed in the audited consolidated financial statements for the year ended December 31, 2021 and described in these financial statements. Actual results could differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**New standards, amendments and interpretations not yet adopted by the Company**

*IAS 1, Presentation of financial statements ("IAS 1")*

In January 2020, the IASB issued Classification of Liabilities as Current or Non-current (Amendments to IAS 1). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the consolidated statements of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company is still assessing the impact of adopting these amendments on its financial statements.

*IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")*

In February 2021, the IASB issued Definition of Accounting Estimates, which amends IAS 8. The amendment will require the disclosure of material accounting policy information rather than disclosing significant accounting policies and clarifies how to distinguish changes in accounting policies from changes in accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates.

The amendments are effective for annual periods beginning on or after January 1, 2023. The Company is still assessing the impact of adopting these amendments on its financial statements.

*IAS 12, Income Taxes ("IAS 12")*

In May 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12). The amendment narrows the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal taxable and deductible temporary differences. As a result, companies will need to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition of transactions such as leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is still assessing the impact of adopting these amendments on its financial statements.

**New standards, amendments and interpretations recently adopted by the Company**

*IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37")*

In May 2020, the IASB issued Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37). The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract and can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The Company has assessed the impact of these amendments and they have no material impact on the financial statements.

*IAS 16, Property, Plant and Equipment ("IAS 16")*

In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16). The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company has assessed the impact of these amendments and they have no material impact on the financial statements.

*IFRS 9, Financial Instruments ("IFRS 9")*

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022, with earlier adoption permitted. The Company has assessed the impact of these amendments and they have no material impact on the financial statements.

All other IFRSs and amendments issued but not yet effective have been assessed by the Company and are not expected to have a material impact on the financial statements

(expressed in United States dollars, except share amounts)

## 3 Inventories

The Company's inventories include the following:

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| | **$** | **$** |
| Raw materials | **5,088,511** | 5,266,905 |
| Work in process | **9,717** | — |
| Finished goods | **4,299,242** | 4,597,893 |
| Allowance | **(271,951)** | (271,951) |
| | **9,125,519** | 9,592,847 |

## 4 Leases

*Right-of-use asset*

| | |
|---|---|
| **Costs** | **$** |
| **Balance, December 31, 2021 and June 30, 2022** | **1,038,503** |
| | |
| **Accumulated depreciation** | |
| Balance – December 31, 2021 | 564,655 |
| Depreciation | 94,834 |
| **Balance – June 30, 2022** | **659,489** |
| | |
| Net balance – December 31, 2021 | 473,848 |
| **Net balance – June 30, 2022** | **379,014** |

The Company's leases relate primarily to its facility located in Boynton Beach and equipment.

*Lease obligations*

| | |
|---|---|
| | **$** |
| Balance – December 31, 2021 | 563,487 |
| Interest accretion | **22,363** |
| Lease payments | **(122,042)** |
| **Balance – June 30, 2022** | **463,808** |
| Current | **220,147** |
| Non-current | **243,661** |

(expressed in United States dollars, except share amounts)

## 5 Property and equipment

| | Machinery and equipment | Computer equipment | Furniture and fixtures | Leasehold improvements | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Cost** | | | | | |
| Balance, December 31, 2021 | 157,761 | 348,557 | 34,768 | 209,028 | 750,114 |
| Additions | **2,525** | **2,544** | **3,438** | **—** | **8,507** |
| **Balance, June 30, 2022** | **160,286** | **351,101** | **38,206** | **209,028** | **758,621** |
| **Accumulated depreciation** | | | | | |
| Balance, December 31, 2021 | 83,383 | 174,514 | 33,489 | 204,349 | 495,735 |
| Depreciation | **12,609** | **27,545** | **456** | **254** | **40,864** |
| **Balance, June 31, 2022** | **95,992** | **202,059** | **33,945** | **204,603** | **536,599** |
| **Carrying value** | | | | | |
| Balance, December 31, 2021 | 74,378 | 174,043 | 1,279 | 4,679 | 254,379 |
| **Balance, June 30, 2022** | **64,294** | **149,042** | **4,261** | **4,425** | **222,022** |

## 6 Borrowings

The following table presents the borrowings for the Company:

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| | $ | $ |
| Term loan – Senior (2020) [i] | **1,060,253** | 1,081,291 |
| Term loan – Junior (2020) [ii] | **2,955,886** | 2,944,496 |
| Tern loan – Junior (2021) [iii] | **1,693,425** | 1,677,520 |
| Short-term notes [iv] | **—** | 400,000 |
| | **5,709,564** | 6,103,307 |

**[i] Term loan – Senior (2020)**

On October 16, 2020, PYURE entered into a $1,000,000 loan and security agreement (the “Senior Loan”) with a related party. The Senior Loan matures on October 16, 2023 and carries an annual interest rate of 10%, payable monthly. The lender has a security interest on all of PYURE’s assets, excluding the intellectual property. On July 30, 2021, PYURE and the lender agreed to a prospective modification to the Senior Loan resulting in an increase in the annual interest rate to 15%. Interest expense on the Senior Loan was $26,690 and $53,345 (2021 - $24,988 and $49,701) for the three and six months ended June 30, 2022. The agreement contains certain covenants which include required periodic reporting and limits on additional indebtedness. The covenant breach in connection with the Junior Loan resulted in a covenant breach for the 2020 Senior Loan and therefore the debt has been classified as current as of June 30, 2022.

**[ii] Term loan – Junior (2020)**

On November 13, 2020, PYURE entered into a loan and security agreement with a third party for an amount of $3,000,000 (the “Junior Loan”). The Junior Loan will mature on November 13, 2023 and carries an annual interest rate of 15%, payable monthly. PYURE granted the lender a security interest on all of PYURE’s assets, excluding the intellectual property. The Junior Loan is subordinated to the Senior Loan. As part of the Junior Loan, PYURE issued the lender 714,286 warrants to purchase common shares in PYURE at a price of $0.63 per share. The Company concluded that the warrants met the criteria for equity classification. The debt host liability was measured at fair value on initial recognition of $2,917,464, with the residual amount of $82,536 being allocated to the warrants and recognized in non-controlling interest. PYURE incurred transaction costs of $77,500 in connection with the Junior Loan. Interest expense on the Junior Loan was $118,957 and $236,389 (2021 - $117,950 and $234,424) for the three and six months ended June 30, 2022. The Junior Loan affirmative covenants required the Company to issue the lender audited consolidated annual financial statements no later than 180 days after the Company’s fiscal year-end. This covenant was breached and therefore the Company was considered to be in default. As such, the debt has been classified as current as of June 30, 2022. On September 28, 2022, the Company obtained a waiver from the lender in respect of the covenant breach.

(expressed in United States dollars, except share amounts)

**[iii] Term loan – Junior (2021)**

On July 30, 2021, PYURE entered into an amendment to the loan and security agreement previously entered into with the lenders of the Senior Loan and Junior Loan. Pursuant to the agreement, PYURE received a term loan in the amount of $1,750,000 (the “2021 Junior Loan”), of which $250,000 was contributed by a related party. The Company received total proceeds of $1,727,100 after incurring transaction costs of $22,900. The 2021 Junior Loan matures on November 13, 2023, and carries an annual interest rate of 15%, payable monthly. In addition to the 2021 Junior Loan, the Company also issued 264,706 to a third party and 44,118 warrants to a related party, respectively, proportionate to the respective amounts borrowed from each lender under the 2021 Junior Loan agreement. The warrants provide the holder with a right to acquire a share of PYURE Class A common shares at a price of $0.85 per share and expire on July 30, 2026. The debt host liability was measured at fair value on initial recognition of $1,662,803 and the residual amount of $64,297 was allocated to the warrants and recognized in non-controlling interest. Interest expense on the 2021 Junior Loan was $74,155 and $147,156 (2021 - $nil and $nil) for the three and six months ended June 30, 2022. The covenant breach in connection with the Junior Loan resulted in a covenant breach for the 2021 Junior Loan and therefore the debt has been classified as current as of June 30, 2022.

**[iv] Short-term notes**

On November 3, 2021, PYURE entered into a promissory note with a related party for $400,000. The promissory note is required to be repaid in full by June 30, 2022 and carries interest at a rate of 2% per month on the unpaid balance. Interest is payable monthly. The promissory note can be repaid at any time without penalty and is secured by trade receivables. The promissory note was repaid in full on April 21, 2022. Interest expense on the promissory note was $5,867 and $29,867 for the three and six months ended June 30, 2022, respectively.

The Company also entered into a promissory note on February 10, 2022 with the same related party for total proceeds of $500,000 and another promissory note on March 15, 2022 with the same related party for total proceeds of $200,000. Both promissory notes were repaid in full on April 4, 2022. The Company recognized interest expense of $25,000 in relation to the two promissory notes for the six months ended June 30, 2022.

Finance expense for the three and six months ended June 30, 2022 and 2021 consists of the following:

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | **$** | **$** | **$** | **$** |
| Interest on borrowings | **225,669** | 142,938 | **491,757** | 284,125 |
| Interest accretion on lease obligations | **10,692** | 14,963 | **22,363** | 30,729 |
| Other | **209** | 187 | **1,060** | 474 |
| | **236,570** | 158,088 | **515,180** | 315,328 |

(expressed in United States dollars, except share amounts)

## 7 Share capital

### [a] Authorized

The Company is authorized to issue 50,000,000 common shares, at par value of $0.001 and 10,000,000 preferred shares, at par value of $0.001.

All common shares have the same voting rights. The preferred shares do not have voting rights to elect directors, but will have preferential rights to be granted by the Company's Board of Directors. There are no issued or outstanding preferred shares of HGI.

### [b] Issued and outstanding

| | Common shares | |
|---|---|---|
| | # | $ |
| As at December 31, 2020 | 33,633,853 | 33,634 |
| As at June 30, 2021 | 33,633,853 | 33,634 |
| | | |
| As at December 31, 2021 | 35,992,677 | 35,993 |
| **As at June 30, 2022** | **35,992,677** | **35,993** |

### [c] Preferred Stock of PYURE

*Series 1 Preferred Stock*

On October 16, 2020, PYURE issued 100 Series 1 Preferred Stock to two related parties. The Series 1 Preferred Stocks are nonvoting and are not entitled to dividends. However, upon a liquidation or redemption event, which is generally defined as a sale or merger of PYURE, the holders will be entitled to preferential distributions before any other class of shares. The distributions will be equal to 20% of the portion of the value created above and beyond the market value of all outstanding shares on October 16, 2020, compounded by an annualized rate of return. The Company allocates net income on the basis of a hypothetical liquidation at book value basis, which would not result in any distributions due to the Series 1 Preferred Stockholders as of December 31, 2021. As such, no amount of net income for the year ended December 31, 2021 or the six months ended June 30, 2022, has been allocated to the Series 1 Preferred Stockholders.

Upon any transaction (initial public offering, merger, reverse merger, etc.) which would result in PYURE becoming a public company, the Series 1 Preferred Stock will be converted into common stock immediately before the transaction is effective. The conversion will be calculated using a formula that would yield the same value in common shares consistent with the distributions that would have been received under a liquidation or redemption event as described above.

*Series 2 Preferred Stock*

On October 16, 2020, PYURE issued 8,253,967 of Series 2 Preferred Stocks at $0.63 per share. The Series 2 Preferred Stocks are voting and are entitled to dividends. In the event of a voluntary or involuntary liquidation, dissolution or winding up of PYURE as a result of or in connection with an insolvency event, the holders of Series 2 Preferred Stock then outstanding are entitled to be paid out of the assets of PYURE available for distribution to its shareholders their original contribution of $5,200,000, before any payment is to be made to the holders of any other class or series of stock of PYURE. As such, the noncontrolling balance for the Series 2 Preferred Stock includes this initial preferential contribution. The Company allocates net income on the basis of ownership percentage of the Series 2 Preferred Stockholders as there are no other preferential distributions to this class of shares.

Upon any transaction (initial public offering, merger, reverse merger, etc.) which would result in PYURE becoming a public company, the Series 2 Preferred Stock will be converted into common stock immediately before the transaction is effective at the initial issuance price of $0.63 per share.

On March 31, 2021, PYURE completed an equity financing by issuing 2,715,000 PYURE Series 2 Preferred Stock to existing and new investors, at a price of $0.85 per share, resulting in gross proceeds of $2,307,750, which was recognized in non-controlling interests in the statement of shareholders' equity.

On April 30, 2022, PYURE completed an equity financing by issuing 3,200,000 PYURE Series 2 Preferred Stock to new investors, at a price of $1.25 per share, resulting in gross proceeds of $4,000,000. In connection with the financing PYURE incurred transaction costs of $100,000 and issued an additional 16,000 PYURE Series 2 Preferred Stock as compensation.

(expressed in United States dollars, except share amounts)

On June 26, 2022, PYURE completed an equity financing by issuing 120,000 PYURE Series 2 Preferred Stock to new investors, at a price of $1.25 per share, resulting in gross proceeds of $150,000.

## 8 Non-controlling interests

The Company has a 71.56% (December 31, 2021 – 76.64%) ownership interest in PYURE. The non-controlling interests represent holders of preferred shares in PYURE.

Reconciliation of non-controlling interest is as follow:

| | **$** |
|---|---|
| Balance as at December 31, 2020 | 1,364,716 |
| Contributions from non-controlling interests | (799) |
| Share-based compensation | 326,038 |
| Net loss and comprehensive loss for the period | (826,539) |
| Balance as at June 30, 2021 | 863,416 |
| | |
| Balance as at December 31, 2021 | **1,033,127** |
| Contributions from non-controlling interests | **364,880** |
| Share-based compensation | **138,189** |
| Net loss and comprehensive loss for the period | **(79,377)** |
| **Balance as at June 30, 2022** | **1,456,819** |

## 9 Warrants

On October 16, 2020, as a result of the formation of PYURE as described in Note 1 above, all outstanding warrants and stock options granted by HGI were cancelled and replaced by "legacy" warrants issued by PYURE. The terms and strike price of the instruments were unchanged, but the legacy warrants provide the holders with the right to purchase common stock in PYURE, rather than HGI. The Company determined that the fair value of the legacy warrants in PYURE was not in excess of the fair value of the original awards, and as such, no incremental cost was recorded related to the legacy warrants issued in 2020.

The changes in the number of warrants outstanding during the period ended June 30, 2022 were as follows:

| | **Weighted average exercise price** | **Number of warrants** |
|---|---|---|
| | **$** | **#** |
| Outstanding as at December 31, 2021 and June 30, 2022 | 0.81 | 3,773,110 |

The changes in the number of warrants outstanding during the period ended June 30, 2021 were as follows:

| | **Weighted average exercise price** | **Number of warrants** |
|---|---|---|
| | $ | # |
| Outstanding as at December 31, 2020 and June 30, 2021 | 0.87 | 4,877,967 |

(expressed in United States dollars, except share amounts)

The following table is a summary of the Company's warrants outstanding as at June 30, 2022:

| Expiration date | Weighted average exercise price | Number of warrants |
|---|---|---|
| | $ | # |
| November 1, 2023 | 0.85 | 150,000 |
| November 13, 2025 | 0.63 | 714,286 |
| December 31, 2025 | 0.85 | 900,000 |
| July 30, 2026 | 0.85 | 308,824 |
| December 31, 2026 | 0.85 | 300,000 |
| January 1, 2027 | 0.85 | 400,000 |
| December 31, 2027 | 0.85 | 400,000 |
| April 1, 2029 | 0.85 | 300,000 |
| June 30, 2029 | 0.85 | 300,000 |
| | **0.81** | **3,773,110** |

The following table is a summary of the Company's warrants outstanding as at June 30, 2021:

| Expiration date | Weighted average exercise price | Number of warrants |
|---|---|---|
| | $ | # |
| October 17, 2021 | 1.25 | 735,347 |
| December 1, 2021 | 1.25 | 145,000 |
| December 31, 2021 | 1.00 | 83,334 |
| December 31, 2021 | 0.60 | 450,000 |
| December 31, 2021 | 0.85 | 300,000 |
| January 1, 2023 | 0.85 | 400,000 |
| November 1, 2023 | 0.85 | 150,000 |
| April 1, 2024 | 0.85 | 300,000 |
| June 30, 2024 | 0.85 | 300,000 |
| November 13, 2025 | 0.63 | 714,286 |
| December 31, 2025 | 0.85 | 900,000 |
| December 31, 2027 | 0.85 | 400,000 |
| | **0.87** | **4,877,967** |

## 10 Share-based compensation

*2020 Incentive Stock Plan*

On October 16, 2020, PYURE adopted a Stock Incentive Plan (the "PYURE Plan"), which provides for the issuance of up to 8,000,000 incentive and non-statutory stock options. The PYURE Plan is administered by the Board of Directors and will continue in effect until it is terminated. The PYURE Plan may be amended, modified, suspended, or discontinued, with the approval of PYURE shareholders.

Under the PYURE Plan, PYURE may grant options to purchase common stock to employees, consultants and members of the board. In general, any option granted to an employee of the Company shall become fully exercisable after a four-year period and will have a ten year term. Options granted to board members shall become fully exercisable after a two-year period.

(expressed in United States dollars, except share amounts)

The changes in the number of stock options during the periods ended June 30, 2022 and 2021 were as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| | # | $ | # | $ |
| Options outstanding – January 1 | **6,071,000** | **0.67** | 3,125,000 | 0.63 |
| Options granted | **1,245,000** | **0.95** | 2,681,000 | 0.63 |
| Options cancelled | **(2,125,000)** | **0.71** | (620,000) | 0.63 |
| Options outstanding – June 30 | **5,191,000** | **0.73** | 5,186,000 | 0.63 |
| Options exercisable – June 30 | **1,591,375** | **0.63** | — | — |

The weighted average fair value of share options granted during the periods ended June 30, 2022 and 2021 was estimated at the date of grant using the Black-Scholes option pricing model using the following inputs:

| | **2022** | 2021 |
|---|---|---|
| Grant date share price | **0.85 – 1.25** | 0.63 |
| Exercise price | **0.85 – 1.25** | 0.63 |
| Expected dividend yield | **—** | — |
| Risk-free interest rate | **1.63% - 2.98%** | 0.92% -1.61% |
| Expected option life | **10 years** | 10 years |
| Expected volatility | **25%** | 26% |

The expected volatility was estimated using the volatility of publicly traded companies that the Company considered to be comparable. The expected option life represents the period of time that options granted are expected to be outstanding. The risk-free interest rate is based on the government bonds with a term equal to the expected life of the options.

The following table is a summary of the Company's share options outstanding as at June 30, 2022:

| Options outstanding | | | Options exercisable | |
|---|---|---|---|---|
| Exercise price | Number outstanding | Weighted average remaining contractual life (years) | Exercise price | Number exercisable |
| $ | # | # | $ | # |
| 0.63 | 3,461,000 | 8.44 | 0.63 | 1,568,458 |
| 0.85 | 1,415,000 | 9.29 | 0.85 | 22,917 |
| 1.25 | 315,000 | 9.82 | 1.25 | — |
| **0.73** | **5,191,000** | **8.76** | **0.63** | **1,591,375** |

The following table is a summary of the Company's share options outstanding as at June 30, 2021:

| Options outstanding | | | Options exercisable | |
|---|---|---|---|---|
| Exercise price | Number outstanding | Weighted average remaining contractual life (years) | Exercise price | Number exercisable |
| $ | # | # | $ | # |
| 0.63 | 5,186,000 | 9.47 | — | — |

(expressed in United States dollars, except share amounts)

| | | | | |
|---|---|---|---|---|
| **0.63** | **5,186,000** | **9.47** | **—** | **—** |

Share-based compensation expense for the three and six months ended June 30, 2022 was $31,468 and $138,189 (2021 – $156,649 and $326,038).

## 11 Income (loss) per share

Net income (loss) per ordinary share represents net income (loss) attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the year.

For all the periods presented, diluted loss per ordinary share equals basic loss per ordinary share as the Company does not have outstanding any type of securities that could potentially dilute basic loss per share.

## 12 Disaggregation of Revenue

Revenue for the three and six months ended June 30, 2022 and 2021 is as follows:

| | **For the three months ended June 30,** | | **For the six months ended June 30,** | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | 2021 |
| | **$** | **$** | **$** | $ |
| Product sales | **3,508,492** | 2,335,151 | **7,256,066** | 7,850,477 |
| Shipping and delivery | **36,224** | 32,488 | **65,073** | 115,017 |
| Gross revenue | **3,544,716** | 2,367,639 | **7,321,139** | 7,965,494 |
| Less: Discounts | **(96,810)** | — | **(77,782)** | — |
| | **3,447,906** | 2,367,639 | **7,243,357** | 7,965,494 |

Sales to significant customers representing more than 10% of total sales during the three and six months ended June 30, 2022 and 2021, were as follows:

| | **For the three months ended June 30,** | | **For the six months ended June 30,** | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | 2021 |
| **Customers:** | **%** | **%** | **%** | % |
| A | **64** | — | **48** | — |
| B | **12** | 59 | **14** | 64 |

## 13 Employee compensation

The net employee compensation comprising salaries and benefits for the three and six months ended June 30, 2022, was $947,405 and $1,906,801 (2021 – $1,205,776 and $2,734,317), respectively.

Employee compensation costs were included in the following expenses:

| | **For the three months ended June 30,** | | **For the six months ended June 30,** | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | **$** | $ | **$** | $ |
| Cost of revenue | **181,029** | 136,408 | **275,259** | 808,511 |
| Sales and marketing | **296,420** | 178,592 | **578,136** | 319,390 |
| Research and development | **90,461** | 40,000 | **173,141** | 84,506 |
| General and administrative | **379,495** | 850,776 | **880,265** | 1,521,910 |
| | **947,405** | 1,205,776 | **1,906,801** | 2,734,317 |

## 14 Contingencies

In the ordinary course of business, from time to time, the Company is involved in various claims related to operations, rights, commercial, employment or other claims. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to these claims to be material to these financial statements.

(expressed in United States dollars, except share amounts)

## 15 Related party transactions

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly including the Chief Executive Officer, Chief Financial Officer and equivalent and Directors.

Compensation expense for the Company's key management personnel for the three and six months ended June 30, 2022 and 2021 is as follows:

| | **For the three months ended June 30,** | | **For the six months ended June 30,** | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | **$** | $ | **$** | $ |
| Cash compensation | **204,000** | 164,166 | **377,000** | 268,333 |
| Share-based compensation | **(37,008)** | 77,365 | **5,834** | 154,256 |
| | **166,992** | 241,531 | **382,834** | 422,589 |

The total amount included in trade and other receivables owing from related parties as at June 30, 2022 was $4,034 (December 31, 2021 – $17,995).

The total amount included in trade and other payables owing to related parties as at June 30, 2022 was $3,127 (December 31, 2021 – $71,008).

During the three and six month ended June 30, 2022, the Company recognized revenue of $19,432 and $66,592 (2021 – $125,931 and $167,511) from sales to a company that is a related party to a member of the Company's Board of Directors. Transaction prices for sales to related parties are based on transaction prices for sales to third parties. Refer to Note 7 and Note 8 for additional disclosures regarding transactions with related parties.

## 16 Subsequent events

On September 13, 2022, PYURE issued a promissory note in the principal amount of $500,000 to a related party. The promissory note bears interest at a rate of 2% per month on the unpaid balance. The promissory note is secured by PYURE's receivables from a specific customer. The note matures on March 31, 2023 and can be prepaid at any time, in whole or in part, without penalty.

On September 22, 2022, the Company entered into a business combination agreement with VM Hotel Acquisition Corp ("VMH"), a publicly traded special purpose acquisition company. VMH intends that the acquisition will constitute its qualifying acquisition under Part X of the Toronto Stock Exchange. Through a series of transactions, VMH will acquire all of the issued and outstanding shares of PYURE. The transaction is subject to certain customary closing conditions, as well as the condition that PYURE completes a debt or equity financing round of at least USD $15 million prior to the closing of the transaction.

Between July and October of 2022, PYURE granted a net total of 1,665,105 stock options to employees, management and directors of the Company at exercise prices ranging from $1.25 to $1.60 per share.

# APPENDIX D
# HGI INDUSTRIES INC. MANAGEMENT’S DISCUSSION & ANALYSIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2019, DECEMBER 31, 2020, DECEMBER 31, 2021, AND THE THREE AND SIX MONTHS ENDED JUNE 30, 2021, AND JUNE 30, 2022

*This management's discussion and analysis ("**MD&A**") contains financial information about the financial condition and results of operation of HGI Industries, Inc., comprising The Pyure Company Inc. (collectively, referred to as "**Pyure**"). This MD&A provides readers with a view and analysis, from the perspective of management, of the financial condition and results of operations of (a) Pyure as of June 30, 2022 and for the three and six months ended June 30, 2022 and 2021, and (b) Pyure as at and for the years ended December 31, 2021, 2020 and 2019. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements and the audited annual consolidated financial statements, along with the related notes thereto, included elsewhere in this prospectus.*

*The financial information specific to Pyure that is presented in this MD&A is derived from Pyure's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2022 and 2021 and from the Company's audited annual consolidated financial statements as at and for the years ended December 31, 2021, 2020 and 2019, all of which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**ISAB**").*

*This MD&A is presented as of the date of this prospectus and is current to that date unless otherwise stated. Pyure's functional and presentation currency is the United States dollar ("**US dollar**"). As such, all amounts below are presented in US dollars unless otherwise noted.*

### Forward Looking Statements

This MD&A contains certain information and statements that may be deemed forward looking and/or forward-looking statements (collectively "forward looking statements") within the meaning of applicable securities laws, including statements regarding developments in Pyure's operations in future periods, adequacy of financial resources, and future plans and objectives of Pyure. Forward looking statements are necessarily based on a number of opinions, estimated, anticipates results and assumptions that we consider appropriate and reasonable as of the date such statements were made, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information.

Forward looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as "anticipate," "expect," "believe,", "could," "estimate," "forecast," "intend." "may," "plan," "potential," "should," "will," "would," and similar words, phrase or expressions and variations or negatives of these words in this prospectus. We have based these forward-looking statements on our current views with respect to future events and financial performance. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed under "Risk Factors". Forward-looking statements represent our estimates and assumptions only as of the date that they were made. We do not undertake any duty to update the forward-looking statements, and the applicable securities laws. There can be no assurance that such forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, prospective investors should not place undue reliance on forward-looking statements, which speak only to Pyure's position as of the date such statements are made. See "Cautionary Regarding Forward-Looking Statements" for further details.

### Overview

We are a U.S. based manufacturer and innovator of solutions that improve indoor air quality. Our vision is to provide indoor air quality solutions that improve health and wellness and deliver economic value to our customers. We improve health and wellness by lowering the levels of volatile pollutants, reducing the presence of pathogens, thereby lowering their risk of transmission. We deliver economic value to customers by reducing energy consumption, generating cost savings, increasing revenues and extending the life of capital equipment. Our strength lies in our ability to scale our technology and deliver cost effective air purification products that can treat entire buildings. Our products are rated to treat thousands to hundreds of thousands of square feet and are designed to easily integrate into existing HVAC systems. Our solutions complement existing HVAC equipment, do not hinder their performance or shorten equipment life, and can help generate energy savings by providing dynamic air purification. Our solutions are delivered through forced air HVAC systems and are less costly on a square foot basis than treating a building with multiple, stand-alone units.

We manufacture and sell a broad range of air purification devices that can meet the needs of any building or setting. These include stand alone induct units that are ideal for smaller spaces (under 10,000 square feet) where a forced air system exists, but no control and monitoring is needed. For larger spaces (from 10,000 to millions of square feet), we offer controlled solutions that are integrated into HVAC systems. Our solutions consist of various sizes of air purification equipment, along with sensors and controllers. The equipment is sized and placed to optimally purify the air in large spaces. We have a dedicated team of engineers that review HVAC plans and building layouts and specify the design and equipment needed.

Our commercial efforts target the owners, managers and occupants of buildings with HVAC systems. We target all building types: any indoor space where people work, live, learn or play. Given the limitations of ventilation and filtration solutions in managing indoor air quality, we believe the addressable market for our air purification solutions are most buildings erected over the past 60 years with forced air systems, and all new building construction underway or planned. We focus on six North American markets: healthcare, long-term care, hospitality, commercial real estate, food & agriculture and industrial applications. Our go-to-market strategy consists of three distinct channels: (i) direct sales to strategic customers; (ii) partnerships with companies that have strong reputations, business relationships and reach into specific markets segments; and (iii) and a network of distributors and resellers that supply and service the commercial, industrial and residential HVAC market.

**Non-IFRS Measures**

This MD&A makes reference to certain non-IFRS measures used by management. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore not necessarily comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing understanding of our results of operations from management’s perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. These non-IFRS measures are used to provide investors with supplemental measures of our operating performance and liquidity and thus highlight trends in our business that may not otherwise be apparent when relying solely on-IFRS measures in the evaluation of companies in the HVAC industry. Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, and the preparation of annual operating budgets and forecasts.

We use Adjusted EBITDA and Adjusted EBITDA Margin to evaluate our operating performance and to provide a more complete understanding of factors and trends affecting our business. We believe that Adjusted EBITDA and Adjusted EBITDA Margin are useful measures of operating performance and our ability to generate cash-based earnings, as they provide a more relevant picture of operating results by excluding the effects of financing and investing activities which removes the effects of interest, depreciation and amortization expenses as non-cash items that are not reflective of our underlying business performance, and other expenses that are not expected to recur on a regular basis. Accordingly, we believe that Adjusted EBITDA and Adjusted EBITDA Margin provide useful information to investors and others in understanding and evaluating our operating results, enhancing the overall understanding of our past performance and future prospects, allowing for greater transparency with respect to key financial metrics used by our management in its financial and operational decision making.

We define Adjusted EBITDA as net loss for the period, adjusted to exclude: finance expense, net, income tax expense, depreciation and amortization, share-based compensation expense, transaction costs, expenses related to non-routine legal matters, and other expense (income), net. Additionally, we define Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of revenue.

We have presented Adjusted EBITDA and Adjusted EBITDA Margin because they are key measures used by our management and Board to understand and evaluate our operating performance, generate future operating plans, and make strategic decisions regarding the allocation of capital. In particular, we believe that the exclusion of certain items in calculating Adjusted EBITDA and Adjusted EBITDA Margin can produce useful measures for period-to-period comparisons of our business.

See below for a reconciliation of Adjusted EBITDA and Adjusted EBITDA Margin to its most directly comparable IFRS measure, net loss, for the periods indicated:

| | **The three months ended** | | **The six months ended** | | **For the twelve months ended,** | | |
|---|---|---|---|---|---|---|---|
| | **June 30, 2022** | **June 30, 2021** | **June 30, 2022** | **June 30, 2021** | **December 31, 2021** | **December 31, 2020** | **December 31, 2019** |
| Net (loss) income for the period | (577,152) | (2,844,230) | (244,950) | (3,489,093) | (5,785,966) | 573,400 | (1,291,785) |
| Finance expense, net | 236,570 | 158,088 | 515,180 | 315,328 | 875,857 | 609,139 | 509,224 |
| Income tax expense | — | — | — | — | — | — | — |
| Amortization and depreciation | 51,175 | 55,263 | 104,086 | 104,190 | 211,005 | 161,453 | 157,045 |
| Share-based compensation | 31,468 | 156,649 | 138,189 | 326,038 | 703,177 | 176,831 | 155,694 |
| Other expenses (income) | 2,763 | (6,454) | 2,244 | (6,454) | (232,830) | (13,118) | (146,377) |
| Total Adjusted EBITDA | **(255,176)** | **(2,480,684)** | **514,749** | **(2,749,991)** | **(4,228,757)** | **1,507,705** | **(616,199)** |
| Adjusted EBITDA Margin | **-7%** | **-105%** | **7%** | **-35%** | **-39%** | **15%** | **-14%** |

## COVID-19 Pandemic Disclosures

The outbreak of the recent novel strain of coronavirus ("COVID-19") resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused disruption to businesses globally; as a result, there is significant economic uncertainty and the effectiveness of government and central bank interventions to stabilize economic conditions remains uncertain. While the negative impact of COVID-19 on our company has been limited to date, there is uncertainty around its duration and the impact on future business conditions. If the outbreak were to cause disruption to our supply chain or our service capabilities in the future, it would have a negative impact on revenue, which could be material. In addition, any material negative impact on revenue would impact profitability, as well as liquidity and capital resources.

The COVID-19 pandemic also had a positive impact on Pyure. In 2020 and 2021, demand for air purification in North America increased sharply, particularly portable and stand alone air purifiers that could be rapidly deployed in schools, government buildings and retail outlets. Our company benefited from this increase in demand for our products and we saw an increase in the sale of portable units. This increased demand for our portable units was short-lived and we saw a sharp drop in demand in the second half of 2021 and 2022, as vaccination rates increased, restrictions eased and general concern for the pandemic fell. The more significant positive impact of the COVID-19 pandemic has been the education of the general public about the importance of indoor air quality and the role of airborne transmission in the propagation of outbreaks such as COVID-19 and influenza. We believe that this greater awareness of air quality and its role in health and well-being will provide a long-term benefit for our business and help generate sustained growth for our HVAC integrated air purification solutions.

## Components of Results of Operations

*Revenue*

We generate the majority of our revenue through the sale of our UV-based air purification products. We sell induct units, HVAC integrated systems that include sensors and controls, a portable product registered as a class II medical device with the US FDA, and other portable devices. We also generate revenues from the sale of replacement UV lamps for our products. The lamps should be replaced annually to ensure effective operation of our devices.

Revenue is recognized at a point in time when the products are sold to the customer and control of the products is transferred to the customer, typically on shipment of the product, and Pyure has fulfilled all of its obligations.

*Cost of Revenue*

Cost of revenue primarily consists of costs incurred, directly or indirectly, related to the production process. These costs include the costs of raw materials and consumables required to assemble our products, the direct labour needed to assemble these products, and indirect manufacturing costs, including the allocation of overhead.

***Operating Expenses***

*Sales and marketing*

Sales and marketing expenses include advertising and promotional expenses, salaries and benefits, and distribution selling costs, as well as bad debt provisions.

*Research and development*

Research and development expenses include personnel costs and related expenses, services performed by third party engineering and software firms in the design and development of new products, consulting fees incurred in the design of scientific studies, fees paid to third party laboratories undertaking controlled air pollutant or pathogen reduction studies, and consulting fees paid to subject matter experts in fields such as computational fluid dynamics, atmospheric hydroxyls and atmospheric chemistry.

*General and administrative*

General and administrative expense consist of costs resulting from accounting, finance, legal, marketing, human resources, executive and other administrative activities. These costs include personnel-related expenses, legal and other professional service fees, costs related to enterprise resource management (ERP) software, certain non-product costs related to third party manufacturing and office administrative expenses. We expect these costs to increase as we continue to scale our business and incur costs associated with operating as a public company, including costs incurred to comply with securities laws, costs related to compliance and reporting, investor relations and other professional services. However over time, we expect these expenses to decline as a percentage of total revenue.

*Share-based compensation*

Share-based compensation expense relates to share-options granted as part of Pyure's incentive stock plans.

*Amortization and depreciation*

Amortization and depreciation expenses consist of amortization and depreciation on property and equipment and right-of-use assets. Property and equipment are comprised of machinery and equipment, computer equipment, furniture and fixtures and leasehold improvements. Right-of-use assets relate to leases for Pyure's facility located in Boynton Beach, Florida, and leases of equipment.

*Finance expenses, net*

Finance expense, net consists mainly of interest on borrowings and finance leases.

*Other income*

Other income consists mainly of miscellaneous gains and income and including proceeds received from an arbitration settlement with a former distributor.

**Executive Summary**

- Between 2019 and 2021 revenue grew from $4.4 million to $10.8 million, representing an increase of 145%. Sales growth was most significant in the second half of 2020 and the first half of 2021, when the COVID-19 pandemic drove increased demand for our portable products.
- Gross profit also increased significantly, in line with the increase in sales. Gross profit as a percentage of sales has increased in the first six months of 2022 as Pyure sales shifted away from portable units to more HVAC integrated solutions and replacement UV lamps. Portable units face significant price competition and sales generate lower margins than the other products.
- Between 2019 and 2020, operating income increased by $2.1 million, from a loss of $0.9 million in 2019 to income of $1.2 million in 2020.
- Between 2020 and 2021, operating income decreased by $6.3 million, due principally to a $6.3M increase in operating expenses in 2021, compared to 2020. This increase in operating expenses was the result of a $1.8M increase in sales and marketing expenses, a $1.2M increase in R&D expenses, and a $3.3 million increase in general and administrative expenses. These expenses were incurred to strengthen the team, the back-end systems, the company processes, the products and the value propositions needed to generate demand and execute growth.
- Operating expenses in the first six months of 2022 were $1.4 million lower than the same period in 2021, despite a $0.6 million increase in sales and marketing expenses. This was due to non-recurring storage, warehousing and distribution costs incurred in the first half of 2021 that resulted from contract manufacturing activities not directly attributable to cost of sales.
- Operating income in the first six months of 2022 was $3.5M higher than the same period in 2021, from a loss of $3.2 million in 2021 to income of $0.3M in 2022. This was due principally to higher gross margins and lower operating expenses in 2022, partially offset by $0.7M decrease in sales.

**Results of Operations**

| | **The three months ended** | | **The six months ended** | | **For the twelve months ended,** | | |
|---|---|---|---|---|---|---|---|
| | **June 30, 2022** | **June 30, 2021** | **June 30, 2022** | **June 30, 2021** | **December 31, 2021** | **December 31, 2020** | **December 31, 2019** |
| Revenue | 3,447,906 | 2,367,639 | 7,243,357 | 7,965,494 | 10,793,132 | 10,031,137 | 4,397,356 |
| Cost of revenue | 931,559 | 1,877,619 | 1,930,606 | 4,680,390 | 5,215,463 | 4,468,638 | 2,180,284 |
| Gross Profit | 2,516,347 | 490,020 | 5,312,751 | 3,285,104 | 5,577,669 | 5,562,499 | 2,217,072 |
| **Operating expenses** | | | | | | | |
| Sales and marketing | 916,749 | 609,513 | 1,591,877 | 958,575 | 2,467,840 | 672,189 | 456,707 |
| Research and development | 706,405 | 598,381 | 1,114,502 | 1,242,765 | 1,818,331 | 581,429 | 85,052 |
| General and administrative | 1,229,466 | 1,973,854 | 2,324,977 | 4,260,941 | 6,429,342 | 3,135,470 | 2,597,516 |
| | 2,852,620 | 3,181,748 | 5,031,356 | 6,462,281 | 10,715,513 | 4,389,088 | 3,139,275 |
| Operating (loss) income | (336,273) | (2,691,728) | 281,395 | (3,177,177) | (5,137,844) | 1,173,411 | (922,203) |
| Foreign exchange gain | 1,546 | 868 | 8,921 | 3,042 | 5,095 | 3,990 | 6,735 |
| Finance expense, net | 236,570 | 158,088 | 515,180 | 315,328 | 875,857 | 609,139 | 509,224 |
| Other loss (income) | 2,763 | (6,454) | 2,244 | (6,454) | (232,830) | (13,118) | (146,377) |
| **(Loss) income before income taxes** | **(577,152)** | **(2,844,230)** | **(244,950)** | **(3,489,093)** | **(5,785,966)** | **573,400** | **(1,291,785)** |
| Income tax expense | — | — | — | — | — | — | — |
| **Net (loss) income and comprehensive (loss) income** | **(577,152)** | **(2,844,230)** | **(244,950)** | **(3,489,093)** | **(5,785,966)** | **573,400** | **(1,291,785)** |
| **Net (loss) income attributable to:** | | | | | | | |
| Equity owners of the Company | (420,182) | (2,144,761) | (165,573) | (2,662,554) | (4,419,867) | 646,682 | (1,291,785) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Non-controlling interests | (156,970) | (699,469) | (79,377) | (826,539) | (1,366,099) | (73,282) | — |
| | (577,152) | (2,844,230) | (244,950) | (3,489,093) | (5,785,966) | 573,400 | (1,291,785) |
| **(Loss) income per share – basic and diluted** | **(0.02)** | **(0.08)** | **(0.01)** | **(0.10)** | **(0.13)** | **0.02** | **(0.04)** |
| **Weighted average number of common shares outstanding – basic** | **35,992,677** | **33,633,853** | **35,992,677** | **33,633,853** | **34,812,563** | **33,633,853** | **33,633,853** |
| **Weighted average number of common shares outstanding – diluted** | **35,992,677** | **33,633,853** | **35,992,677** | **33,633,853** | **34,812,563** | **36,932,945** | **33,633,853** |

**Discussion for the three and six months ended June 30, 2022 as compared to the three and six months ended June 30, 2021**

*Revenue*

Revenue for the three months ended June 30, 2022, increased $1,080,267 to $3,447,906 compared with $2,367,639 in the prior period. The increase was due to new customers secured in 2022 that purchased our HVAC integrated solutions, partially offset by reduced sales of our portable units. Revenue for the six months ended June 30, 2022, decreased $722,137 to $7,243,357 compared with $7,965,494 in the prior period. This decrease was due to a significant drop in portable unit sales to our existing distributors, largely offset by an increase in HVAC integrated solution sales to new customers and to increased replacement UV lamp sales to customers who had purchased portable units in 2020 and 2021.

*Gross profit*

Gross profit for the three months ended June 30, 2022, increased $2,026,327 to $2,516,347 compared with $490,020 in the prior period. This increase was due to the increase in sales in 2022 compared to the prior period, and to a significant increase in the ratio of HVAC integrated solution sales relative to portable unit sales. Gross profit for the six months ended June 30, 2022, increased $2,027,647 to $5,312,751 compared with $3,285,104 in the prior period. This increase was due to a significant increase in the ratio of HVAC integrated solution sales relative to portable unit sales, partially offset by a reduction in sales in 2022 compared with the prior period.

*Sales and marketing*

Sales and marketing expense for the three months ended June 30, 2022, increased $307,236 to $916,749 compared with $609,513 in the prior period. Sales and marketing expense for the six months ended June 30, 2022, increased $633,302 to $1,591,877 compared with $958,575 in the prior period. The increase was due to the hiring of additional experienced personnel and to programs initiated with third party firms to develop corporate and product branding and refine product positioning.

*Research and development*

Research and development expenses for the three months ended June 30, 2022, increased $108,024 to $706,405 compared with $598,381 in the prior period. The increase was due to certain new product development projects that had not been initiated in the prior period. Research and development expense for the six months ended June 30, 2022, decreased $128,263 to $1,114,502 compared with $1,242,765 in the prior period. The decrease was due to certain scientific studies undertaken in the prior period that were not incurred in the current period.

*General and administrative*

General and administrative expense for the three months ended June 30, 2022, decreased $744,388 to $1,229,466 compared with $1,973,854 in the prior period. General and administrative expense for the six months ended June 30, 2022, decreased $1,935,964 to $2,324,977 compared with $4,260,941 in the prior period. The decrease was due principally to several non-recurring expenses incurred in the prior periods that were not incurred in the current periods, including costs associated with a new ERP system, external recruiter fees and non-product costs associated with certain contract manufacturing activities.

*Finance expense, net*

Finance expense for the three months ended June 30, 2022, increased $78,482 to $236,570 compared with $158,088 in the prior period. Finance expense for the six months ended June 30, 2022, increased $199,852 to $515,180 compared with $315,328 in the prior period. The increase is primarily related to cost incurred related to borrowings.

*Other expense (income)*

Other expense (income) for the three months ended June 30, 2022, increased $9,217 to $2,763 compared with ($6,454) in the prior period. Other expense (income) for the six months ended June 30, 2022, increased $8,698 to $2,244 compared with ($6,454) in the prior period.

**Discussion for the years ended December 31, 2021, 2020 and 2019**

*Revenue*

Revenue for the year ended December 31, 2021, increased $761,995 to $10,793,132 compared with $10,031,137 in the prior period. Revenue for the year ended December 31, 2020, increased $5,633,781 to $10,031,137 compared with $4,397,356 in the prior period. The increase was due to growing demand for our portable units in the second half of 2020 and the first half of 2021, as a result of the COVID-19 pandemic. This demand fell in the second half of 2021 but was partially offset by sales of our HVAC integrated solutions.

*Gross profit*

Gross profit for the year ended December 31, 2021, increased $15,170 to $5,577,669 compared with $5,562,499 in the prior period. Gross profit for the year ended December 31, 2020, increased $3,345,427 to $5,562,499 compared with $2,217,072 in the prior period. The increase was due principally to the increase in sales, and we also benefited from better raw material prices due to volume discounts provided by certain suppliers.

*Sales and marketing*

Sales and marketing expense for the year ended December 31, 2021, increased $1,795,651 to $2,467,840 compared with $672,189 in the prior period. Sales and marketing expense for the year ended December 31, 2020, increased $215,482 to $672,189 compared with $456,707 in the prior period. The increase in 2021 compared to the prior year was due to the hiring of additional commercial personnel in 2021 and marketing expenses incurred to rebrand and reposition the company.

*Research and development*

Research and development expense for the year ended December 31, 2021, increased $1,236,902 to $1,818,331 compared with $581,429 in the prior period. Research and development expense for the year ended December 31, 2020, increased $496,377 to $581,429 compared with $85,052 in the prior period. The increase in 2020 compared to the prior period was due principally to scientific studies undertaken to assess the impact of our technology on the COVID-19 virus and other pathogens. The increase in 2021 compared to the prior period was due principally to new product development (hardware and software) costs incurred through development programs managed by third parties, as well as the funding of scientific studies to assess the impact of our technology on pathogens and airborne pollutants.

*General and administrative*

General and administrative expense for the year ended December 31, 2021, increased $3,293,782 to $6,429,342 compared with $3,135,470 in the prior period. General and administrative expense for the year ended December 31, 2020 increased $537,954 to $3,135,470 compared with $2,597,516 in the prior period. The increase in 2020 compared to the prior period was due to additional personnel hired to help manage the growth, accounting and auditing fees, legal costs incurred to restructure Pyure and establish a legal entity in Delaware, and other administrative expenses resulting from the increase in sales. The increase in 2021 compared to the previous period was the result of the recruitment of additional personnel, certain non-capitalized costs related to the ERP system, expenses incurred in the use of contract manufacturing services to fulfill additional orders, increases in insurance costs and other administrative costs resulting from the increase in sales, and the creation of an obsolescence reserve.

*Finance expense, net*

Finance expense for the year ended December 31, 2021, increased $266,718 to $875,857 compared with $609,139 in the prior period. Finance expense for the year ended December 31, 2020, increased $99,915 to $609,139 compared with $509,224 in the prior period. The increase is primarily related to cost incurred related to borrowings. The increase in 2020 compared to the prior period was due to loans totalling $4,000,000 that we secured in October and November, as well as bridge financing of $900,000 that we secured in January of 2020 and converted to equity in October of 2020. The increase in 2021 compared to the prior period was due to an additional $1,750,000 borrowed in July of 2021, as well as receivables financing secured in the second half of the year.

*Other expense (income)*

Other expense (income) for the year ended December 31, 2021, increased $219,712 to ($232,830) compared with ($13,118) in the prior period. Other expense (income) for the year ended December 31, 2020, decreased $133,259 to ($13,118) compared with ($146,377) in the prior period. Other income during the year ended December 31, 2021, primarily consisted of approximately $160,000 in fees received as part of an arbitration settlement and $72,000 in non-refundable fees recognized on cancelled contracts. Other income during the year ended December 31, 2019, primarily consisted of approximately $116,000 in non-refundable fees recognized on cancelled contracts.

**Selected Annual Information**

The following table presents selected annual information for the periods denoted below:

| | For the years ended December 31, 2021 | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| | $ | $ | $ |
| Revenue | 10,793,132 | 10,031,137 | 4,397,356 |
| Net (loss) income for the year | (5,785,966) | 573,400 | (1,291,785) |
| (Loss) income per common share – basic and diluted | (0.13) | 0.02 | (0.04) |
| Total assets | 12,724,945 | 9,623,053 | 3,216,432 |
| Total non-current liabilities | 6,059,655 | 4,484,277 | 724,136 |

Refer to "Results of Operations" in this MD&A for detailed discussion of the changes in revenue and net loss for the year.

**Total Assets**

*For the year ended December 31, 2021 compared to the year ended December 31, 2020*

Total assets as at December 31, 2021, increased $3,101,892 to $12,724,945 as compared to $9,623,053 in the prior period. The increase in assets was due primarily to an increase in inventory offset by a decrease in cash and trade and other receivables. Inventory increased by $6,713,318 to $9,592,847 as compared to $2,879,529 in the prior period primarily due to raw materials and finished goods increase as compared to the prior period. These inventory increases were in response to supply chain disruptions and longer lead times from key suppliers, and a decision to build up inventory for certain high volume products produced at third party manufacturing. Cash decreased by $3,484,118 to $247,301 as compared to $3,731,419 and trade and other receivables decreased by $454,519 to $1,216,530 compared to $1,671,049 in the prior period.

*For the year ended December 31, 2020 compared to the year ended December 31, 2019*

Total assets as at December 31, 2020, increased $6,406,621 to $9,623,053 as compared to $3,216,432 in the prior period. The increase in assets was due primarily to increase in inventory and trade, other receivables and prepaid expenses and deposits. Inventory increased by $1,966,159 to $2,879,529 as compared to $913,370 in the prior period primarily due to raw materials and finished goods increase as compared to the prior period. The increase in inventory was in response to the increase in sales and the longer lead times from suppliers that resulted from the pandemic. Cash increased by $2,690,097 to $3,731,419 as compared to $741,322 in the prior period. Trade and other receivables increased by $1,373,420 to $1,671,049 compared to $297,629 in the prior period.

**Total Non-current liabilities**

*For the year ended December 31, 2021 compared to the year ended December 31, 2020*

Total non-current liabilities as at December 31, 2021, increased $1,575,378 to $6,059,655 as compared to $4,484,277 in the prior period. The increase in non-current liabilities was due primarily to an increase in borrowings of $1,782,518 offset by a decrease in the non-current portion of lease obligation of $207,140.

*For the year ended December 31, 2020 compared to the year ended December 31, 2019*

Total non-current liabilities as at December 31, 2020, increased $3,760,141 to $4,484,277 as compared to $724,136 in the prior period. The increase in non-current liabilities was due primarily to an increase in borrowings of $3,920,789. The increase in borrowings was the result of the Company entering into a $1,000,000 loan and security agreement with a related party in October of 2020 and on November 13, 2020, the Company entered into a loan and security agreement with a third party for an amount of $3,000,000.

**Liquidity and Capital Resources**

As at December 31, 2021, the Company had an accumulated deficit of $20.0 million, a net loss of $5.8 million and a working capital surplus of $2.3 million. The Company does not have sufficient liquidity as the Company’s debt obligations become due in October and November of 2023. Whether, and when, the Company can attain profitability and positive cash flows from operations is subject to material uncertainty. The application of the going concern assumption is dependent upon the Company’s ability to generate future profitable operations and obtain necessary financing to do so. The Company will need to raise additional capital in order to fund its planned operations and meet its obligations, including the repayment of borrowings at maturity. While the Company has been successful in obtaining financing to date and believes it will be able to obtain sufficient funds in the future and ultimately achieve profitability and positive cash flows from operations, there can be no assurance that the Company will achieve profitability or obtain additional financing and be able to do so on terms favourable for the Company. The above events and conditions indicate there is a material uncertainty that casts significant doubt about the Company’s ability to continue as a going concern.

Pyure believes it has sufficient liquidity to support continued operations and to meet all of its short-term commitments. We continue to manage all aspects of our business, including monitoring the financial health of our customers, implementing gross margin enhancement strategies, and developing new opportunities for growth. Our principal sources of liquidity are our existing cash and the fundraising effort we are undertaking in the context of the planned business combination with VM Hotel SPAC

**Liquidity**

| | **The six months ended** | | **For the twelve months ended,** | | |
|---|---|---|---|---|---|
| | **June 30, 2022** | **June 30, 2021** | **December 31, 2021** | **December 31, 2020** | **December 31, 2019** |
| Cash provided by (used in) | | | | | |
| Cash used in operating activities | (1,333,954) | (4,925,838) | (8,744,920) | (1,705,207) | (262,568) |
| Cash used in investing activities | (8,507) | (200,508) | (241,935) | (102,584) | (16,779) |
| Cash provided by financing activities | 3,032,820 | 1,951,600 | 5,502,737 | 4,497,888 | 838,499 |
| **Net change in cash** | **1,690,359** | **(3,174,746)** | **(3,484,118)** | **2,690,097** | **559,152** |

**Cash**

*For the six months ended June 30, 2022 compared to the six months ended June 30, 2021*

Cash increased by $1,380,987 to $1,937,660 compared to $556,673 in the prior period.

*For the year ended December 31, 2021 compared to the year ended December 31, 2020*

Cash decreased by $3,484,118 to $247,301 compared to $3,731,419 in the prior period.

*For the year ended December 31, 2020 compared to the year ended December 31, 2019*

Cash increased by $2,690,097 to $3,731,419 compared to $1,041,322 in the prior period.

*Cash used in operating activities*

Cash used in operating activities for the six months ended June 30, 2022, decreased $3,591,884 to $1,333,954 compared to $4,925,838 in the prior period. The decrease in cash used was due primarily to the increase in gross margin and the decrease in operating expenses during the period ended June 30, 2022, resulting in a decrease in net loss compared to the prior period.

Cash used in operating activities for the year ended December 31, 2021, increased $7,039,713 to $8,744,920 compared to $1,705,207 in the prior period. The increase in cash used was due primarily to increase in net loss and purchase of inventories during the year ended December 31, 2021, compared to the prior period.

Cash used in operating activities for the year ended December 31, 2020, increased $1,442,639 to $1,705,207 compared to $262,568 in the prior period. The increase in cash used was due primarily to purchase of inventories during the year ended December 31, 2020, compared to the prior period.

*Cash used in investing activities*

Cash used in investing activities for the six months ended June 30, 2022, decreased $192,001 to $8,507 compared to $200,508 in the prior period. The decrease in cash used was due primarily to decrease in additions to property and equipment during the period ended June 30, 2022, compared to the prior period.

Cash used in investing activities for the year ended December 31, 2021, increased $139,351 to $241,935 compared to $102,584 in the prior period. The increase in cash used was due primarily to increase in additions to property and equipment during the year ended December 31, 2021, compared to the prior period.

Cash used in investing activities for the year ended December 31, 2020, increased $85,805 to $102,584 compared to $16,779 in the prior period. The increase in cash used was due primarily to increase in additions to property and equipment during the year ended December 31, 2020, compared to the prior period.

*Cash provided by financing activities*

Cash provided by financing activities for the six months ended June 30, 2022, increased $1,081,220 to $3,032,820 compared to $1,951,600 in the prior period. The increase in cash provided was due primarily to contribution from non-controlling interests of $4,050,000 for the six months ended June 30, 2022 compared to $2,307,750 in the prior period. Proceeds from notes payable of $700,000 were offset by repayment of $1,100,000 of notes payable during the period ended June 30, 2022, compared to the prior period.

Cash provided by financing activities for the year ended December 31, 2021, increased $1,004,849 to $5,502,737 compared to $4,497,888 in the prior period. The increase in cash provided was due primarily to increase proceeds from issuance of common shares of $2,307,750 compared to $nil in prior period. Contributions from non-controlling interests during the year ended December 31, 2021 were $2,307,750 compared to $4,300,000 in the prior period.

Proceeds from issuance of term loans decreased to $1,727,100 for the year ended December 31, 2021 compared to $4,000,000 in the prior year.

Cash provided by financing activities for the year ended December 31, 2020, increased $3,659,389 to $4,497,888 compared to $838,499 in the prior period. The increase in cash used was due primarily to increase in proceeds from contributions from non-controlling interests of $4,300,000 compared to $nil in the prior year, proceeds from issuance of term loans of $4,000,000 compared to $nil in the prior year, offset by increased repayment of borrowings during the year ended December 31, 2020, compared to the prior period.

**Contractual Commitments and Obligations**

We enter into various contractual obligations with a variety of expiration dates that impact, or could impact, our liquidity. To the extent that our operating cash flows are not sufficient to meet our liquidity needs, we may utilize cash on hand or amounts available under our financing arrangements, if necessary.

Pyure is obligated to the following contractual maturities of undiscounted cash flows as at June 30, 2022:

| | Carrying amount | Year 1 | Year 2 | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Trade and other payables | 1,249,585 | 1,249,585 | — | 1,249,585 |
| Lease obligations | 463,808 | 251,071 | 253,836 | 504,907 |
| Borrowings | 5,709,564 | 862,500 | 6,057,344 | 6,919,844 |
| | **7,422,957** | **2,363,156** | **6,311,180** | **8,674,336** |

On November 13, 2020, the Company entered into a loan and security agreement with a third party for an amount of $3,000,000 (the “Junior Loan”). The Junior Loan affirmative covenants required the Company to issue the lender audited consolidated annual financial statements no later than 180 days after the Company’s fiscal year-end. This covenant was breached on June 29, 2022 when Pyure failed to deliver its audited 2021 financial statements, and therefore the Company was considered to be in default. As such, all of the outstanding debt was required to be classified as current as of June 30, 2022. On September 28, 2022, the Company obtained a waiver from the lender in respect of the covenant breach.

**Critical Accounting Estimates**

The preparation of these financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Estimates are based on management’s best knowledge of current events and actions Pyure may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying Pyure’s accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- Going concern

At each reporting period, management assesses the basis of preparation of the financial statements. These financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

- Depreciation of property and equipment

Depreciation of property and equipment is dependent on estimates of useful lives and residual values, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent on estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

- Share-based payments

Pyure uses the Black-Scholes valuation model to determine the fair value of equity-settled stock options. Estimates are required for inputs to this model including the fair value of the underlying shares, the expected life of the option, volatility, expected dividend yield and the risk-free interest rate. Variation in actual results for any of these inputs will result in a different value of the stock option realized from the original estimate.

- Leases - Estimating the incremental borrowing rate

When Pyure cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (“IBR”) to measure lease liabilities. Judgement is required when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. Pyure estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as a subsidiary’s stand-alone credit rating) as well as taking into consideration the nature and type of asset being leased.

- Inventories

Inventories consist of raw materials and finished goods recorded at the lower of cost and net realizable value. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, or slow moving. Actual net realizable value can vary from the estimated provision.

The cost of inventories also involves estimates in determining the allocation of fixed and variable production overhead. These estimates include determination of normal production capacity and nature of expenses to be allocated.

**Off-balance Sheet Arrangements**

We have no off-balance sheet arrangements as at June 30, 2022. From time to time, we may be contingently liable with respect to litigation and claims that arise in the normal course of operations.

**Related Party Transactions**

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly including the Chief Executive Officer, Chief Financial Officer and equivalent and Directors.

| | **For the three months ended June 30,** | | **For the six months ended June 30,** | | **For the twelve months ended December 31,** | | |
|---|---|---|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** | **2021** | **2020** | **2019** |
| | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| Cash compensation | 204,000 | 164,166 | 377,000 | 268,333 | 655,989 | 330,337 | 203,000 |
| Share-based compensation | (37,008) | 77,365 | 5,834 | 154,256 | 321,397 | 28,189 | 66,544 |
| | **166,992** | **241,531** | **382,834** | **422,589** | **977,386** | **358,526** | **269,544** |

The total amount included in trade and other receivables owing from related parties as at June 30, 2022 was $4,034 (December 31, 2021 – $17,995, 2020 – $413,888 and 2019 – $nil).

The total amount included in trade and other payables owing to related parties as at June 30, 2022 was $3,127 (December 31, 2021 – $71,008, 2020 – $nil and 2019 – $203,000).

During the three and six month ended June 30, 2022, Pyure recognized revenue of $19,432 and $66,592 (2021 – $125,931 and $167,511 and for the year ended December 31, 2021 – $217,396, 2020 – $906,610 and 2019 – $96,277) from sales to a company that is a related party to a member of Pyure's Board of Directors. Tom Charlton, a Director and former CEO of Pyure, is the majority owner of Environmental Air Cleaning Inc. (EAC), a long-time distributor of Pyure products in Western Canada. All EAC purchases from Pyure applied the standard pricing and occasional discounting that was in place for all Pyure distributors. EAC did not benefit from preferential pricing or terms during these periods. EAC sales were higher in 2020 due to COVID-9 related demand.

On October 16, 2020, Pyure issued 100 Series 1 Preferred Stock to two related parties, Aki Georgacacos and Jean-Francois Huc. The Series 1 Preferred Stocks are nonvoting and are not entitled to dividends. However, upon a liquidation or redemption event, which is generally defined as a sale or merger of Pyure, the holders will be entitled to preferential distributions before any other class of shares. The distributions will be equal to 20% of the portion of the value created above and beyond the market value of all outstanding shares on October 16, 2020, compounded by an annualized rate of return. These preferred shares will be converted into common shares of Pyure prior to the closing of the business combination with VM Hotel.

On October 16, 2020, Pyure entered into a $1,000,000 loan and security agreement (the "Senior Loan") with a related party, an entity controlled by Pyure Director Mahyar Khosravi. The Senior Loan matures on October 16, 2023 and carries an annual interest rate of 10%, payable monthly. The lender has a security interest on all of Pyure's assets, excluding the intellectual property. On July 30, 2021, Pyure and the lender agreed to a prospective modification to the Senior Loan resulting in an increase in the annual interest rate to 15%. The Company recognized a loss of $98,965 on modification. Interest expense on the Senior Loan was $104,405 for the year ended December 31, 2021 (2020 – $21,142).

On July 30, 2021, Pyure entered into an agreement, whereby Pyure received a term loan in the amount of $1,750,000 (the "2021 Junior Loan"), of which $250,000 was contributed by a related party, an entity controlled by Pyure Director Mahyar Khosravi. The Company received total proceeds of $1,727,100 after incurring transaction costs of $22,900. The 2021 Junior Loan matures on November 13, 2023, and carries an annual interest rate of 15%, payable monthly. In addition to the 2021 Junior Loan, the Company also issued 264,706 warrants to a third party and 44,118 warrants to the related party, respectively, proportionate to the respective amounts borrowed from each lender under the 2021 Junior Loan agreement. The warrants provide the holder with a right to acquire a share of Pyure Class A common shares at a price of $0.85 per share and expire on July 30, 2026.

On November 3, 2021, Pyure entered into a promissory note with a related party for $400,000, an entity controlled by Pyure Director Mahyar Khosravi. The promissory note was repaid in full on April 21, 2022. Interest expense on the promissory note was $5,867 and $29,867 for the three and six months ended June 30, 2022, respectively.

The Company also entered into a promissory note on February 10, 2022 with a related party, an entity controlled by Pyure Director Mahyar Khosravi for total proceeds of $500,000 and another promissory note on March 15, 2022 with the same related party for total proceeds of $200,000. Both promissory notes were repaid in full on April 4, 2022. The Company recognized interest expense of $25,000 in relation to the two promissory notes for the six months ended June 30, 2022.

**Financial and Other Instruments**

*Credit risk*

Credit risk is the risk of financial loss to Pyure if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits with banks and outstanding receivables. Pyure trades only with recognized, creditworthy third parties. Pyure performs credit checks for all customers who wish to trade on credit terms. As at June 30, 2022, one customer represented 16% of the outstanding receivable balance (December 31, 2021 – one customer represented 16%, 2020 – one customer represented 68% and 2019 one customer represented 88%).

Pyure does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

The aging of trade receivables is as follows:

| | **June 30, 2022** | December 31, 2021 |
|---|---|---|
| | **$** | $ |
| Current | **401,177** | 179,354 |
| 1 – 30 days past due | **975,236** | 60,940 |
| 31 – 60 days past due | **42,985** | 79,031 |
| Greater than 60 days past due | **102,153** | 697,359 |
| Less: allowance for bad debt | **(44,971)** | (40,667) |
| | **1,476,580** | 976,017 |

*Market risk*

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk.

*Foreign currency risk*

Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. Pyure's primary exposure with respect to foreign currencies is from Canadian dollar denominated trade and other receivables, and trade and other payables. A 1% change in foreign exchange rates would not result in any significant impact to the financial statements.

*Interest rate risk*

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Pyure is exposed to interest rate risk as at June 30, 2022 as a result of its operating loan facility, as the interest rate varies based on the bank's prime rate. Pyure has determined that a 1% change in rates would not have a material impact on these financial statements.

*Other price risk*

Other price risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Pyure is not exposed to other price risk as at June 30, 2022.

*Fair values*

The risk of material change in fair value is not considered to be significant. Pyure does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Pyure categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by Pyure's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. During the year, there were no transfers of amounts between levels.

**APPENDIX E**
**NEW PYURE BOARD MANDATE**

(See attached)

**APPENDIX E**
**PYURE ENTERPRISES INC.**

**(the "Corporation")**

**Board of Directors' Mandate**

The Board of Directors is responsible for the stewardship of the Corporation. This stewardship role consists primarily of the duty to manage or supervise the management of the business and affairs of the Corporation, and includes two key functions: decision making and oversight. The decision making function involves the formulation, in conjunction with management, of fundamental policies and strategic goals and the approval of certain significant actions. The oversight function concerns the duty to supervise management's decisions and to ensure the adequacy of systems and controls and the implementation of appropriate policies.

The Board of Directors is responsible for establishing formal delegations of authority, which define the limits of management's power and authority, and delegating to management certain powers to manage the business of the Corporation. Under the Articles of the Corporation, the Board may entrust to and confer on the Chief Executive Officer ("**CEO**") or any officer any of the powers exerciseable by the directors on such terms and conditions and with such restrictions as the directors see fit. Any power or authority not so delegated remains with the Board of Directors.

The Board may also delegate certain of its powers to appropriate Board committees, to the extent permitted under the Corporation's governing legislation.

**Committees of the Board**

The Board has established the following committees to assist in discharging its duties: the Audit Committee, the Nominating and Corporate Governance Committee and the Compensation Committee. Each committee has its own Board-approved mandate. The Board may establish additional Board Committees as circumstances require. The Board is responsible for overseeing the duties delegated to each Board Committee.

**The Board's Duties**

The Board's duties include:

1. **Strategic Planning**

- Providing oversight and guidance on the strategic issues facing the Corporation.
- Requiring the CEO, in collaboration with the Board, to develop and to present to the Board for approval, on at least an annual basis, the Corporation's long-term strategic plan which takes into account the opportunities and risks of the business.
- Supervising the development of the Corporation's operating plan.
- Approving the Corporation's financial objectives and operating plan, including capital allocations, expenditures and transactions which exceed threshold amounts set by the Board.
- Monitoring implementation and effectiveness of the approved strategic and operating plans.
- Approving major business decisions not specifically delegated to management.

2. **Financial Information and Internal Controls**

- Overseeing the financial reporting and disclosure obligations imposed on the Board, the Corporation and senior management by laws, regulations, rules, policies and other applicable requirements.

- Overseeing the integrity of the Corporation's management information systems and the effectiveness of the Corporation's internal controls.

- Overseeing the preparation of and processes relating to management's reports and attestations with respect to the Corporation's internal control and disclosure control procedures.

- Ensuring that due diligence processes and controls in connection with finalization of the Corporation's annual and interim filings/reports are in place, and monitoring their continued effectiveness.

- Approving the Corporation's financial statements, management's discussion and analysis, and news releases prepared by senior management and overseeing the Corporation's compliance with applicable audit, accounting and reporting requirements.

3. **Identification and Management of Risks**

- Ensuring that processes are in place to identify the principal risks inherent in the Corporation's business and operations.

- Overseeing management's implementation of a comprehensive enterprise risk management program and compliance management program.

- Monitoring the Corporation's systems and controls for assessing, managing and monitoring principal risks and management's reports relating to the operation and effectiveness of these systems and controls.

- Approving and monitoring the processes that provide reasonable assurance of compliance with applicable legal and regulatory requirements.

4. **Human Resource Management and Executive Compensation**

- Ensuring that there are policies and practices in place to enable the Corporation to attract, develop and retain the human resources required by the Corporation to meet its business objectives.

- Overseeing the Corporation's executive compensation program and overall compensation philosophy for all other employees.

- Monitoring the Corporation's approach to human resource management.

- Supervising the succession planning processes of the Corporation and approving the selection, appointment. development, evaluation and compensation of the Chairman of the Board, the CEO and other officers.

5. **Integrity, Ethics and Social Responsibility**

- Obtaining reasonable assurance as to the integrity of the CEO and other senior management and that the CEO and other senior management strive to create a culture of integrity throughout the Corporation.

- Approving the Corporation's Whistleblower Policy for employees and directors and monitoring compliance with the Policy.

- Approving other policies and practices for dealing with matters related to integrity, ethics and social responsibility.

6. **Corporate Communications and Public Disclosure**

- Approving the Corporation's corporate communications policies.

- Overseeing the establishment of policies and processes for accurate, timely and appropriate public disclosure.

- Approving and monitoring adherence to the Corporation's Corporate Disclosure Policy and applicable corporate, securities and exchange requirements.

- Approving and monitoring adherence to the Corporation's Insider Trading Policy.

7. **Governance**

- Developing, approving and monitoring the Corporation's approach to corporate governance including a set of corporate governance principles and guidelines.

- Evaluating the structures and procedures established by the Board which allow the Board to function independently of management.

- Establishing Board committees and defining their mandates to assist the Board in carrying out its roles and responsibilities.

- Setting expectations and responsibilities of directors, including attendance at, preparation for, and participation in Board and committee meetings.

- Establishing, maintaining and implementing appropriate formal processes for regularly assessing the effectiveness of the Board, the Chairman of the Board, the committees, each committee chairman and individual directors.

- Monitoring the composition of the Board with a view to the effectiveness and independence of the Board and its members.

- Identifying competencies and skills necessary for the Board as a whole and each individual director.

- Identifying individuals qualified to become new directors.

- Ensuring that each new director engages in a comprehensive orientation process and that all directors are provided with continuing education opportunities.

- Reviewing the Board's mandate annually to ensure it appropriately reflects the Board's stewardship responsibilities.

**APPENDIX F**
**PYURE ENTERPRISES INC. AUDIT COMMITTEE CHARTER**

(See attached)

**APPENDIX F**
**CHARTER OF THE AUDIT COMMITTEE OF PYURE ENTERPRISES INC.**

## SECTION 1. PURPOSE

The audit committee (the "Audit Committee") is a committee of the board of directors (the "Board") of Pyure Enterprises Inc. (the "Corporation"). The primary function of the Audit Committee is to assist the directors of the Corporation in fulfilling their applicable roles by:

(a) recommending to the Board the appointment and compensation of the Corporation's external auditor;

(b) overseeing the work of the external auditor, including the resolution of disagreements between the external auditor and management;

(c) pre-approving all non-audit services (or delegating such pre-approval if and to the extent permitted by law) to be provided to the Corporation by the Corporation's external auditor;

(d) satisfying themselves that adequate procedures are in place for the review of the Corporation's public disclosure of financial information, other than those described in (g) below, extracted or derived from its financial statements, including periodically assessing the adequacy of such procedures;

(e) establishing procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters, and for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;

(f) reviewing and approving any proposed hiring of current or former partner or employee of the current and former auditor of the Corporation; and

(g) reviewing and approving the annual and interim financial statements, related Management Discussion and Analysis ("MD&A") and other financial information provided by the Corporation to any governmental body or the public.

The Audit Committee should primarily fulfill these roles by carrying out the activities enumerated in this Charter. However, it is not the duty of the Audit Committee to prepare financial statements, to plan or conduct internal or external audits, to determine that the financial statements are complete and accurate and are in accordance with International Financial Reporting Standards, to conduct investigations, or to assure compliance with laws and regulations or the Corporation's internal policies, procedures and controls, as these are the responsibility of management, and in certain cases, the external auditor.

## SECTION 2. LIMITATIONS ON AUDIT COMMITTEE'S DUTIES

In contributing to the Audit Committee's discharge of its duties under this Charter, each member of the Audit Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended to be, or may be construed as, imposing on any members of the Audit Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which the directors are subject.

Members of the Audit Committee are entitled to rely, absent actual knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, (iii) representations made by management as to the non-audit services provided to the Corporation by the external auditor, (iv) financial statements of the Corporation represented to them by a member of management or in a written report of the external auditors to present fairly the financial position of the Corporation in accordance with generally accepted accounting principles, and (v) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

## SECTION 3. COMPOSITION AND MEETINGS

The Audit Committee should be comprised of not less than three directors as determined by the Board, all of whom shall be independent within the meaning of NI 52-110 – Audit Committees ("52-110") of the Canadian Securities Administrators (or exempt therefrom), and free of any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Audit Committee. All members of the Audit Committee should have (or should gain within a reasonable period of time after appointment) a working familiarity with basic finance and accounting practices. At least one member of the Audit Committee should have accounting or related financial management expertise and be considered a financial expert. Each member should be "financially literate" within the meaning of 52-110. The Audit Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Corporation or an outside consultant.

The members of the Audit Committee shall be elected by the Board on an annual basis or until their successors shall be duly appointed. Unless a Chair of the Audit Committee (the "Chair") is elected by the full Board, the members of the Audit Committee may designate a Chair by majority vote of the full Audit Committee membership.

In addition, the Audit Committee members should meet all of the requirements for members of audit committees as defined from time to time under applicable legislation and the rules of any stock exchange on which the Corporation's securities are listed or traded.

The Audit Committee should meet at least four times annually, or more frequently as circumstances require. The Audit Committee should meet within 45 days following the end of the first three financial quarters to review and discuss the unaudited financial results for the preceding quarter and the related MD&A, and should meet within 90 days following the end of the fiscal year end to review and discuss the audited financial results for the preceding quarter and year and the related MD&A.

The Audit Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their duties, members of the Audit Committee shall have full access to all corporate information and any other information deemed appropriate by them, and shall be permitted to discuss such information and any other matters relating to the financial position of the Corporation with senior employees, officers and the external auditor of the Corporation, and others as they consider appropriate.

For greater certainty, management is indirectly accountable to the Audit Committee and is responsible for the timeliness and integrity of the financial reporting and information presented to the Board.

In order to foster open communication, the Audit Committee or its Chair should meet at least annually with management and the external auditor in separate sessions to discuss any matters that the Audit Committee or each of these groups believes should be discussed privately. In addition, the Audit Committee or its Chair should meet with management quarterly in connection with the Corporation's interim financial statements.

A quorum for the transaction of business at any meeting of the Audit Committee shall be a majority of the number of members of the Audit Committee or such greater number as the Audit Committee shall by resolution determine.

Meetings of the Audit Committee shall be held from time to time and at such place as any member of the Audit Committee shall determine upon 48 hours' notice to each of its members. The notice period may be waived by all members of the Audit Committee. Each of the Chair of the Board, the external auditor, the Chief Executive Officer, the Chief Financial Officer or the Secretary shall be entitled to request that any member of the Audit Committee call a meeting.

This Charter is subject in all respects to the Corporation's notice of articles and articles from time to time.

## SECTION 4. ROLE

As part of its function in assisting the Board in fulfilling its oversight role (and without limiting the generality of the Audit Committee's role), the Audit Committee should:

(1) Determine any desired agenda items.

(2) Review and recommend to the Board changes to this Charter, as considered appropriate from time to time.

(3) Review the public disclosure regarding the Audit Committee required by 52-110.

(4) Review and seek to ensure that disclosure controls and procedures and internal control over financial reporting frameworks are operational and functional.

(5) Summarize in the Corporation's annual update the Audit Committee's composition and activities, as required.

(6) Submit the minutes of all meetings of the Audit Committee to the Board upon request. Documents / Reports Review.

(7) Review and recommend to the Board for approval the Corporation's annual and interim financial statements, including any certification, report, opinion, undertaking or review rendered by the external auditor and the related MD&A, as well as such other financial information of the Corporation provided to the public or any governmental body as the Audit Committee or the Board require.

(8) Review other financial information provided to any governmental body or the public as they see fit.

(9) Review, recommend and approve any of the Corporation's press releases that contain financial information.

(10) Seek to satisfy itself and ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and related MD&A and periodically assess the adequacy of those procedures.

**External Auditor**

(11) Recommend to the Board the selection of the external auditor, considering independence and effectiveness, and review the fees and other compensation to be paid to the external auditor.

(12) Review and seek to ensure that all financial information provided to the public or any governmental body, as required, provides for the fair presentation of the Corporation's financial condition, financial performance and cash flow.

(13) Instruct the external auditor that its ultimate client is not management and that it is required to report directly to the Audit Committee, and not management.

(14) Monitor the relationship between management and the external auditor including reviewing any management letters or other reports of the external auditor and discussing any material differences of opinion between management and the external auditor.

(15) Review and discuss, on an annual basis, with the external auditor all significant relationships it has with the Corporation to determine the external auditor's independence.

(16) Pre-approve all non-audit services (or delegate such pre-approval as the Audit Committee may determine and as permitted by applicable Canadian securities laws) to be provided by the external auditor.

(17) Review the performance of the external auditor and any proposed discharge of the external auditor when circumstances warrant.

(18) Periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the financial statements, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.

(19) Communicate directly with the external auditor and arrange for the external auditor to be available to the Audit Committee and the full Board as needed.

(20) Review and approve any proposed hiring by the Corporation of current or former partners or employees of the current (and any former) external auditor of the Corporation.

**Audit Process**

(21) Review the scope, plan and results of the external auditor's audit and reviews, including the auditor's engagement letter, the post-audit management letter, if any, and the form of the audit report. The Audit Committee may authorize the external auditor to perform supplemental reviews, audits or other work as deemed desirable.

(22) Following completion of the annual audit and quarterly reviews, review separately with each of management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.

(23) Review any significant disagreements among management and the external auditor in connection with the preparation of the financial statements.

(24) Where there are significant unsettled issues between management and the external auditor that do not affect the audited financial statements, the Audit Committee shall seek to ensure that there is an agreed course of action leading to the resolution of such matters.

**Financial Reporting Processes**

(25) Review the integrity of the financial reporting processes, both internal and external, in consultation with the external auditor as they see fit.

(26) Consider the external auditor's judgments about the quality, transparency and appropriateness, not just the acceptability, of the Corporation's accounting principles and financial disclosure practices, as applied in its financial reporting, including the degree of aggressiveness or conservatism of its accounting principles and underlying estimates, and whether those principles are common practices or are minority practices.

(27) Review all material balance sheet issues, material contingent obligations (including those associated with material acquisitions or dispositions) and material related party transactions.

(28) Review with management and the external auditor the Corporation's accounting policies and any changes that are proposed to be made thereto, including all critical accounting policies and practices used, any alternative treatments of financial information that have been discussed with management, the ramification of their use and the external auditor's preferred treatment and any other material communications with management with respect thereto.

(29) Review the disclosure and impact of contingencies and the reasonableness of the provisions, reserves and estimates that may have a material impact on financial reporting.

(30) If considered appropriate, establish separate systems of reporting to the Audit Committee by each of management and the external auditor.

(31) Periodically consider the need for an internal audit function, if not present.

**Risk Management**

(32) Review program of risk assessment and steps taken to address significant risks or exposures of all types, including insurance coverage and tax compliance.

**General**

(33) With prior Board approval, the Audit Committee may at its discretion retain independent counsel, accountants and other professionals to assist it in the conduct of its activities and to set and pay (as an expense of the Corporation) the compensation for any such advisors.

(34) Respond to requests by the Board with respect to the functions and activities that the Board requests the Audit Committee to perform.

(35) Periodically review this Charter and, if the Audit Committee deems appropriate, recommend to the Board changes to this Charter.

(36) Review the public disclosure regarding the Audit Committee required from time to time by applicable Canadian securities laws, including:

(i) the Charter of the Audit Committee;

(ii) the composition of the Audit Committee;

(iii) the relevant education and experience of each member of the Audit Committee;

(iv) the external auditor services and fees; and

(v) such other matters as the Corporation is required to disclose concerning the Audit Committee.

(37) Review in advance, and approve, the hiring and appointment of the Corporation's senior financial executives by the Corporation, if any.

(38) Perform any other activities as the Audit Committee deems necessary or appropriate including ensuring all regulatory documents are compiled to meet Committee reporting obligations under 52-110.

**SECTION 5. AUDIT COMMITTEE COMPLAINT PROCEDURES**

**Submitting a Complaint**

(1) Anyone may submit a complaint regarding conduct by the Corporation or its employees or agents (including its independent auditors) reasonably believed to involve questionable accounting, internal accounting controls or auditing matters. The Chair should oversee treatment of such complaints.

**Procedures**

(2) The Chair will be responsible for the receipt and administration of employee complaints.

(3) In order to preserve anonymity when submitting a complaint regarding questionable accounting or auditing matters, the employee may submit a complaint confidentially.

**Investigation**

(4) The Chair should review and investigate the complaint. Corrective action will be taken when and as warranted in the Chair's discretion.

**Confidentiality**

(5) The identity of the complainant and the details of the investigation should be kept confidential throughout the investigatory process.

**Records and Report**

(6) The Chair should maintain a log of complaints, tracking their receipt, investigation, findings and resolution, and should prepare a summary report for the Audit Committee.

The Audit Committee is a committee of the Board and is not and shall not be deemed to be an agent of the Corporation's securityholders for any purpose whatsoever. The Board may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability to securityholders of the Corporation or other liability whatsoever.