Navigator Acquisition Corp.

Financial Statements

December 31, 2020

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Navigator Acquisition Corp.

Opinion

We have audited the accompanying financial statements of Navigator Acquisition Corp. (the "Company"), which are comprised of the statements of financial position as at December 31, 2020 and 2019, and the statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that the Company has events and conditions that indicate 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 obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or 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 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 these 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Erez Bahar.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

February 19, 2021

Navigator Acquisition Corp.

Statements of Financial Position
(Expressed in Canadian Dollars)

As at December 31, 2020 and December 31, 2019

	Note	**December 31, 2020 $**	December 31, 2019 $
Assets			
Current assets			
Cash		313,205	473,493
Sales tax recoverable		187	1,005
Prepaid expenses		870	885
		314,262	475,383
Non-current assets			
Due from related party	5	5,910	4,658
Total assets		**320,172**	480,041
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	5	72,416	77,545
Total liabilities		**72,416**	77,545
Shareholders' equity			
Share capital	3	1,066,792	1,039,400
Reserves	3	127,200	153,800
Deficit		(946,236)	(790,704)
Total shareholders' equity		**247,756**	402,496
Total liabilities and shareholders' equity		**320,172**	480,041
Nature and continuance of operations	1		
Proposed transaction	1		

Approved on behalf of the Board of Directors on February 19, 2021:

"Kyle Shostak" Director *"Alex Lyamport"* Director

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

Navigator Acquisition Corp.

Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and December 31, 2019

	Note	**December 31, 2020 $**	December 31, 2019 $
Expenses			
Consulting		81,614	73,170
Foreign exchange loss		1,661	4,491
General and administrative	5	6,404	65,227
Professional fees		22,123	209,108
Transfer agent and filing fees		15,873	15,023
Travel and meals		27,857	85,315
Loss and comprehensive loss for the year		**(155,532)**	(452,334)
Loss per share			
Weighted average number of common shares outstanding			
- Basic #	3	**6,935,670**	6,930,000
- Diluted #	3	**6,935,670**	6,930,000
Basic loss per share $	3	**(0.02)**	(0.07)
Diluted loss per share $	3	**(0.02)**	(0.07)

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

Navigator Acquisition Corp.

Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and December 31, 2019

	Number of shares #	**Share capital $**	**Reserves $**	**Deficit $**	**Total $**
December 31, 2018	16,930,000	1,039,400	153,800	(338,370)	854,830
Loss and comprehensive loss for the year	-	-	-	(452,334)	(452,334)
December 31, 2019	16,930,000	1,039,400	153,800	(790,704)	402,496
December 31, 2019	16,930,000	1,039,400	153,800	(790,704)	402,496
Warrants exercised	7,920	792	-	-	792
Re-allocation on exercise of warrants	-	421	(421)	-	-
Re-allocation on expiry of warrants	-	26,179	(26,179)	-	-
Loss and comprehensive loss for the year	-	-	-	(155,532)	(155,532)
December 31, 2020	**16,937,920**	**1,066,792**	**127,200**	**(946,236)**	**247,756**

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

Navigator Acquisition Corp.

Statements of Cash Flows

(Expressed in Canadian Dollars)

For the years ended December 31, 2020 and December 31, 2019

	Note	**December 31, 2020 $**	December 31, 2019 $
Operating activities			
Loss and comprehensive loss for the year		(155,532)	(452,334)
Changes in non-cash working capital items:			
Sales tax recoverable		818	(1,005)
Prepaid expenses		15	(885)
Due from related party		(1,252)	(4,658)
Accounts payable and accrued liabilities		(5,129)	34,115
		(161,080)	(424,767)
Financing activities			
Proceeds from issuance of common shares		792	-
		792	-
Change in cash		(160,288)	(424,767)
Cash, beginning of year		473,493	898,260
Cash, end of year		**313,205**	473,493
Supplemental cash flow information	7		

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Navigator Acquisition Corp. (the "Company") was incorporated as a private company by Certificate of Incorporation issued pursuant to the provisions of the British Columbia Business Corporations Act on January 15, 2018. The Company completed an initial public offering ("IPO") of its common shares on September 18, 2018, and its common shares began trading on the TSX Venture Exchange (the "Exchange" or "TSX-V") under the symbol "NAQ.P" on September 20, 2018. The Company is classified as a Capital Pool Company as defined in the Exchange Policy 2.4. The Company's head office is located at 450 – 1090 West Georgia Street, Vancouver, BC, V6E 3V7. The Company's registered and records office is located at Suite 400 – 725 Granville Street, P.O. Box 10325, Vancouver, British Columbia, Canada, V7Y 1G5.

The principal business of the Company is the identification and evaluation of assets or a business with a view to completing a Qualifying Transaction subject to receipt of shareholder approval and acceptance by regulatory authorities. Until the completion of a Qualifying Transaction, the Company is not permitted to carry on any other business.

These financial statements (the "financial statements") of the Company are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at December 31, 2020, the Company has an accumulated deficit of $946,236 and working capital of $241,846. Management has assessed that this working capital is sufficient for the Company to continue as a going concern beyond one year. The continuation of the Company is dependent upon the continuing financial support of shareholders and the completion of its proposed Qualifying Transaction as described below. These conditions may cast significant doubt about the Company's ability to continue as a going concern. If the going concern assumption were not appropriate for these financial statements, it would be necessary to restate the Company's assets and liabilities on a liquidation basis.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's ability to evaluate and perform due diligence on possible Qualifying Transaction targets within the time frames as specified by the applicable Exchange policies. Moreover, there are travel restrictions and health and safety concerns which may prohibit or delay due diligence and Qualifying Transaction efforts at all stages. Unfortunately, the restricted nature of the Company's activities do not qualify it for the various Government wage and loan subsidies.

Proposed Transaction – Pacto Energy S.A.

On June 26, 2020 (superseded on September 16, 2020), the Company entered into a letter of intent (the "Agreement") to acquire interests in three subsidiaries (the "Target Subsidiaries") of Pacto Energia S.A. ("Pacto") a private Brazilian conglomerate of renewable energy companies. Two of the Target Subsidiaries operate solar plants in Brazil, and the third Target Subsidiary is an energy trading company in Brazil. The interests of the Target Subsidiaries will be held in a newly incorporated holding company wholly-owned by Pacto ("Pacto Holdco") whereby Pacto Holdco will be party to the Agreement. The Agreement is intended to be superseded by a Definitive Agreement between the parties.

Pursuant to the Agreement, the Company will acquire Pacto Holdco in exchange for common shares of the Company in accordance with an exchange ratio to be determined (the "Transaction") by the parties. The Transaction is intended to constitute the Company's Qualifying Transaction and will result in a reverse acquisition of Navigator whereby the shareholders of Pacto Holdco will own a controlling interest in the combined entities upon completion of the Transaction. The Transaction is intended to be completed without a concurrent financing.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standard ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value, and have been prepared using the accrual basis of accounting, except for cash flow information.

All amounts in these financial statements are presented in Canadian dollars, which is the Company's functional currency.

Use of estimates and judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of these financial statements and the reported expenses during the period. Actual results could differ from these estimates. The preparation of these financial statements requires management to make judgments regarding the going concern of the Company, as discussed in Note 1.

Significant sources of estimation uncertainty that management has made at the end of the reporting period are as follows:

Valuation of share-based payments and compensatory warrants

Management uses the Black-Scholes model to determine the fair value of stock options granted to officers and directors, and the fair value of compensatory warrants. This model requires assumptions of the expected future price volatility of the Company's common shares, expected life of options and warrants, future risk-free interest rates, and the dividend yield of the Company's common shares.

Deferred tax assets and liabilities

The measurement of deferred income taxes is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful operations of the Company. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred tax provisions or recoveries could be affected.

Share capital

Common shares are classified as shareholders' equity. Transaction costs directly attributable to the issue of common shares, including the fair value of compensatory warrants, are considered share issue costs, and recognized as a deduction from shareholders' equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their fair value at the date the shares are issued if the fair value of goods or services received cannot be reliably determined.

Proceeds from the issuance of units are allocated between common shares and share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to share capital based on the fair value of the common shares and any residual value is allocated to share purchase warrants.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The Company has a stock option plan that provides for the granting of options to Officers, Directors, and consultants to acquire common shares of the Company. The fair value of the options is measured on grant date and is recognized as an expense with a corresponding increase in reserves as the options vest.

Options granted to employees and others providing similar services are measured on grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model considering the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

Over the vesting period, share-based payments are recorded as an expense with an offset to reserves. When options are exercised, the consideration received is recorded as share capital. In addition, the related share-based payment amounts originally recorded as reserves is transferred to share capital. When options are cancelled or expire, the initial recorded value is reversed from reserves and credited to deficit.

Loss per share

Basic loss per share is determined by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the period, excluding seed shares which are held in escrow. Diluted loss per share is calculated based on the weighted average number of common shares and dilutive common share equivalents outstanding. 10,000,000 common shares were excluded from the calculation as they were contingently issuable and all conditions necessary for their issuance have not been satisfied (Note 3).

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in shareholders' equity. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the group intends to settle its current tax assets and liabilities on a net basis.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Recognition

The Company recognizes financial assets and financial liabilities on the date the Company becomes a party to the contractual provisions of the instruments.

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories:

(i) those to be measured subsequently at fair value (either through other comprehensive income (loss), or through profit or loss; and

(ii) those to be measured at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (an irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income (loss).

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Impairment

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

See Note 6 for additional information on the classification of the Company's financial instruments.

Impairment of long-lived assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

3. SHAREHOLDERS' EQUITY

The authorized share capital of the Company consists of unlimited common shares without par value. All issued shares are fully paid.

Issuances of common shares during the year ended December 31, 2020:

- The Company issued 7,920 common shares on the exercise of finders' warrants at a price of $0.10 per share, for proceeds of $792. In addition, $421 representing the original fair value of the warrants was re-allocated from reserves to share capital.

Issuances of common shares during the year ended December 31, 2019:

- There were no issuances of common shares during the year ended December 31, 2019.

Escrowed securities

The Company entered into an escrow agreement (the "Escrow Agreement") in relation to 10,000,000 seed shares ("Seed Shares") issued prior to the Company's IPO (September 18, 2018), whereby the Seed Shares were deposited in escrow.

Pursuant to the Escrow Agreement, 10,000,000 Seed Shares were placed in escrow. Upon the Company completing a Qualifying Transaction, the Seed Shares will be subject to a timed release over a 36-month period. Should the Company be unable to complete its proposed Qualifying Transaction (Note 1), one-half of the Seed Shares may be subject to cancellation in accordance with the policies of the Exchange.

As at December 31, 2020, 10,000,000 (December 31, 2019 - 10,000,000) common shares are held in escrow.

Loss per share

The calculation of basic and diluted loss per share for the years ended December 31, 2020 and December 31, 2019, was based on the loss attributable to common shareholders and the weighted average number of common shares outstanding.

In accordance with the Company's accounting policy, weighted average number of common shares outstanding excludes the 10,000,000 Seed Shares held in escrow. All stock options and warrants were excluded from the diluted weighted average number of common shares calculation, as their effect would have been anti-dilutive.

(Expressed in Canadian Dollars)

3. SHAREHOLDERS' EQUITY (continued)

Stock options

The Company has a stock option plan (the "Stock Option Plan"), whereby it can grant incentive stock options to Directors, Officers, employees, and consultants of the Company. The maximum number of shares that may be reserved for issuance under the Stock Option Plan is limited to 10% of the issued common shares of the Company on closing of the IPO on September 18, 2018 (1,693,000 number of shares may be reserved). The number of common shares that may be reserved for the issuance to any one individual upon exercise of all stock options held by any individual may not exceed 5% of the issued common shares. The vesting period for all stock options is at the discretion of the Board of Directors. The exercise price will be set by the Board of Directors at the time of grant and cannot be less than the discounted market price of the Company's common shares. All stock options granted under the Stock Option Plan will expire not later than the date that is ten years from the date that such stock options are granted.

A summary of the status of the Company's stock options as at December 31, 2020, and December 31, 2019 and changes during the years then ended is as follows:

	Year ended December 31, 2020		Year ended December 31, 2019	
	Options #	Exercise price $	Options #	Exercise price $
Options outstanding, beginning of year	1,693,000	0.10	1,693,000	0.10
Options outstanding, end of year	**1,693,000**	**0.10**	1,693,000	0.10

As at December 31, 2020, the Company has stock options outstanding and exercisable as follows:

Options outstanding #	Options exercisable #	Exercise price $	Expiry date	Remaining life (years)
1,693,000	**1,693,000**	**0.10**	**September 18, 2023**	**2.72**

There were no stock options granted during the years ended December 31, 2020 and December 31, 2019.

(Expressed in Canadian Dollars)

3. SHAREHOLDERS' EQUITY (continued)

Warrants

A summary of the status of the Company's warrants as at December 31, 2020 and December 31, 2019 and changes during the years then ended is as follows:

	Year ended December 31, 2020		Year ended December 31, 2019	
	Warrants #	Exercise price $	Warrants #	Exercise price $
Warrants outstanding, beginning of year	500,000	0.10	500,000	0.10
Exercised	(7,920)	0.10	-	-
Expired	(492,080)	0.10	-	-
Warrants outstanding, end of year	**-**	**-**	500,000	0.10

Reserves

Reserves includes the accumulated fair value of stock options recognized as share-based payments and the fair value of Agent's warrants issued on the Company's IPO. Reserves is increased by the fair value of these items on vesting and is reduced by corresponding amounts when the options or warrants are exercised or expire.

	Stock option reserve $	**Warrant reserve $**	**Total $**
December 31, 2018 and December 31, 2019	127,200	26,600	153,800
Re-allocation on exercise of warrants	-	(421)	(421)
Re-allocation on expiry of warrants	-	(26,179)	(26,179)
December 31, 2020	**127,200**	**-**	**127,200**

4. CAPITAL MANAGEMENT

The Company is a Capital Pool Company and considers items included in shareholders' equity as capital. The Company has no long-term debt.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue the plans of identifying and completing a Qualifying Transaction (Note 1), the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares, or $210,000, may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under the Exchange Policy 2.4.

The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. There has been no change to the Company's capital management approach for year ended December 31, 2020.

5. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having the authority and responsibility of planning, directing and executing the activities of the Company. The Company has determined that its key management personnel consist of its Executive Officers and Directors. Other related parties to the Company include companies with members of key management personnel in common. Key management personnel receive no salaries, non-cash benefits (other than incentive stock options), or other remuneration directly from the Company.

Key management compensation

There were no transactions with key management during the years ended December 31, 2020 and December 31, 2019.

Other related party transactions and balances

- As at December 31, 2020, a due from related party amount of $5,910 (December 31, 2019 - $4,658) relates to legal fees in respect of general corporate and setup fees incurred by the Company on behalf of a related private company that has common members of key management. The amount has no specific terms of repayment, and is non-interest bearing.

- Rent expense (general and administrative): a company controlled by certain members of key management personnel of the Company (the "Lessee") is party to an agreement for the lease of office premises through to December 31, 2020. At the discretion of both the Company and the Lessee, the Company is charged rent periodically depending on the time spent on the affairs of the Company by key management.

  During the year ended December 31, 2020, the Company was not charged rent. During the year ended December 31, 2019, the Company was charged for nine months of rent totaling $61,440 ($45,000 USD). Rent expense is included within general and administrative expenses.

6. FINANCIAL INSTRUMENTS

Financial instruments - fair value

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

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments - classification

Financial assets:	Classification:	Subsequent measurement:
Cash	FVTPL	Fair value
Due from related party	Amortized cost	Amortized cost

Financial liabilities:	Classification:	Subsequent measurement:
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

The Company's financial instruments with the exception of cash approximate their fair values. Cash, under the fair value hierarchy is based on Level 1 quoted prices in active markets for identical assets or liabilities.

Financial instruments - risk

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

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk by holding its cash in a bank. The risk is minimized by holding the cash in a reputable Canadian bank.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as described in Note 4.

All of the Company's financial liabilities are classified as current, and accordingly mature within the next fiscal period. The Company intends to settle these balances with funds from its positive working capital position.

Foreign exchange risk

Currency risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in foreign exchange rates. As at December 31, 2020, the Company had cash and accrued liabilities denominated in United States dollars. A 10% variation in the exchange rate between the Canadian dollar and United States dollar would have an approximate $1,000 impact on profit or loss (2019 - $3,000).

(Expressed in Canadian Dollars)

6. FINANCIAL INSTRUMENTS (continued)

Financial instruments – risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market rates of interest. The Company is exposed to interest rate risk to the extent that the cash maintained at its financial institution is subject to a floating rate of interest. The interest rate risk on cash is considered insignificant.

Price risk

The Company's exposure to price risk with respect to equity prices is insignificant. Equity price risk is defined as the potential adverse impact on the Company's profit or loss due to movements in individual equity prices or general movements in the level of the stock market.

7. SUPPLEMENTAL CASH FLOW INFORMATION

The Company did not incur any non-cashing investing or financing activities during the years ended December 31, 2020 and December 31, 2019. During the years ended December 31, 2020 and December 31, 2019, no amounts were paid for interest or income tax expenses.

8. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes for the years ended December 31, 2020, and December 31, 2019, is as follows:

	December 31, 2020 $	December 31, 2019 $
Loss for the year	(155,532)	(452,334)
Expected income tax (recovery)	(42,000)	(122,000)
Change in tax resulting from:		
Permanent differences	4,000	1,000
Change in recognized deductible temporary differences and other	38,000	121,000
Total income tax expense (recovery)	-	-

The Company's unused temporary differences, and unused tax losses that have not been included on the statements of financial position as at December 31, 2020, and December 31, 2019, are as follows:

	December 31, 2020 $	**Expiry Date Range**	December 31, 2019 $	Expiry Date Range
Share issue costs	51,000	2040 to 2042	76,000	2040 to 2042
Non-capital loss carry forwards	849,000	2038 to 2040	682,000	2038 to 2039

Tax attributes are subject to review, and potential adjustment, but tax authorities.