SPECTRE CAPITAL CORP.

FINANCIAL STATEMENTS

AUGUST 31, 2023 AND 2022

(EXPRESSED IN CANADIAN DOLLARS)

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Independent Auditor's Report

To the Shareholders of Spectre Capital Corp.

Opinion

We have audited the financial statements of Spectre Capital Corp. (the "Company"), which comprise the statements of financial position as at August 31, 2023 and August 31, 2022 and the statements of income (loss) and comprehensive income (loss), changes in shareholders' equity (deficit) and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2023 and August 31, 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, 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 to the financial statements which describes the material uncertainty 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the year ended August 31, 2023. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be a key audit matter to be communicated in our report. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Level 3 Investment
We draw your attention to Notes 2, 3 and 4 to the financial statements. The Company’s investment comprise of securities of a private entity for which quoted price is not available. At August 31, 2023, the Company determined the fair value of its investment to be $Nil. This resulted in a loss on change in fair value of $1,000,000.

Why the matter is a Key Audit Matter
We considered this a key audit matter due to (i) the significance of the loss on change in fair value of the investment and (ii) management judgment involved in the use of level 3 inputs to establish the fair value of the investment.

How the Key Audit Matter Was Addressed in the Audit
The primary procedures we performed to address the Company's valuation of the investment included the following:

- Obtained an understanding of and assessing management's process to develop the estimates;

- Confirmed with the private entity the number of common shares held by the Company;

- Obtained evidence of significant new equity financing with arms-length investors completed by the private entity;

- Assessed whether any data exists to suggest that there have been significant corporate, operating, technological or economic events affecting the private entity that have a positive or negative impact on the private entity's prospects; and

- Assessed the related disclosures in the financial statements.

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 the other information 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 International Financial Reporting Standards, 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 presentation.

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

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

From the matters communicated with those charged with governance, we determine 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 auditor’s 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 report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Crowe MacKay LLP

Chartered Professional Accountants
Vancouver, Canada
December 28, 2023

SPECTRE CAPITAL CORP.
Statements of Financial Position
As at August 31, 2023 and 2022
(Expressed in Canadian Dollars)

		2023		2022
ASSETS				
Current assets				
Cash	$	27	$	660
GST receivable		-		8,787
		27		9,447
Investment (Note 4)		-		1,000,000
Total assets	$	27	$	1,009,447
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (Note 9)	$	132,725	$	71,047
Loan payable (Note 5)		6,000		-
		138,725		71,047
Deferred income tax liability (Note 10)		-		10,000
Total liabilities		138,725		81,047
SHAREHOLDERS' EQUITY (DEFICIT)				
Share capital (Note 6)		463,900		463,900
Reserves (Note 6)		60,120		60,120
Retained earnings (deficit)		(662,718)		404,380
Total shareholders' equity (deficit)		(138,698)		928,400
Total liabilities and shareholders' equity	$	27	$	1,009,447

Nature and continuance of operations – (Note 1)
Subsequent event – (Note 5)

APPROVED ON BEHALF OF THE BOARD:

"Geoff Balderson" Director ***"Robert Shewchuk"*** Director

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

SPECTRE CAPITAL CORP.
Statements of Income (loss) and Comprehensive Income (loss)
For the years ended August 31, 2023 and 2022
(Expressed in Canadian Dollars)

	2023	2022
Expenses		
Consulting fees	$ 27,582	$ 25,100
Listing and transfer agent fees	9,884	7,847
Office expenses	70	60
Professional fees	39,562	35,388
	(77,098)	(68,395)
Other income (Note 4)	-	758,065
Loss on change in fair value of investment (Note 4)	(1,000,000)	-
Income (loss) before income taxes	(1,077,098)	689,670
Deferred income tax recovery (expense) (Note 10)	10,000	(10,000)
Net income (loss) and comprehensive income (loss) for the year	$ (1,067,098)	$ 679,670
Basic earnings (loss) per share	$ (0.31)	$ 0.20
Diluted earnings (loss) per share	$ (0.31)	$ 0.17
Weighted average number of shares outstanding – basic	3,410,000	3,410,000
Weighted average number of shares outstanding – diluted (Note 6)	3,410,000	3,887,794

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

SPECTRE CAPITAL CORP.
Statements of Changes in Shareholders' Equity (Deficit)
For the years ended August 31, 2023 and 2022
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Reserves	Retained Earnings (Deficit)	Total
Balance, August 31, 2021	7,160,001	$ 463,900	$ 60,120	$ (275,290)	$ 248,730
Net income and comprehensive income for the year	-	-	-	679,670	679,670
Balance, August 31, 2022	7,160,001	463,900	60,120	404,380	928,400
Net loss and comprehensive loss for the year	-	-	-	(1,067,098)	(1,067,098)
Balance, August 31, 2023	7,160,001	$ 463,900	$ 60,120	$ (662,718)	$ (138,698)

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

SPECTRE CAPITAL CORP.
Statements of Cash Flows
For the years ended August 31, 2023 and 2022
(Expressed in Canadian Dollars)

	2023	2022
CASH FLOWS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net income (loss) for the year	$ (1,067,098)	$ 679,670
Items not affecting cash:		
Other income	-	(758,065)
Loss on change in fair value of investment	1,000,000	-
Deferred income tax expense (recovery)	(10,000)	10,000
Change in non-cash working capital items:		
GST receivable	8,787	298
Prepaid expense	-	27
Accounts payable and accrued liabilities	61,678	43,027
Net cash used in operating activities	(6,633)	(25,043)
INVESTING ACTIVITY		
Loan receivable repayment	-	18,565
Net cash provided by investing activity	-	18,565
FINANCING ACTIVITY		
Loan payable	6,000	-
Net cash provided by financing activity	6,000	-
Change in cash for the year	(633)	(6,478)
Cash, beginning of year	660	7,138
Cash, end of year	$ 27	$ 660
Cash paid for interest during the year	$ -	$ -
Cash paid for income taxes during the year	$ -	$ -
Non-cash investing and financing transaction		
Loan receivable converted to investment	$ -	$ 241,935

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

1 Nature and continuance of operations

Spectre Capital 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 May 24, 2018. On October 17, 2018, the Company changed its name to Spectre Capital Corp.

On August 22, 2019, the Company filed its final prospectus and received final approval on August 26, 2019. Since the Company did not complete its Initial Public Offering ("IPO") in the allotted time, on February 12, 2020, the Company filed with and was accepted by the TSX Venture Exchange ("TSX-V" or the "Exchange") an amended and restated final prospectus with the securities. The Company completed its IPO on February 21, 2020, and is classified as a Capital Pool Company as defined in the TSX-V Policy 2.4. The Company was listed on February 21, 2020 and commenced trading on February 25, 2020 under the trading symbol "SOO.P".

The Company's head office and registered and records office address is Suite 1000 – 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The Company's business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events, including, relations between NATO and Russian Federation regarding the situation in Ukraine, the escalation of war between Israel and Hamas in Gaza and potential economic global challenges such as the risk of the higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company's business.

The Company's continuing operations are dependent upon its ability to identify, evaluate and negotiate an agreement to acquire an interest in a material asset or business (the "Qualifying Transaction"). Any acquisition or investment proposed by the Company will be subject to regulatory approval. The above material uncertainty raises significant doubt about the Company's ability to continue as a going concern.

2 Basis of preparation

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

These financial statements have been prepared on an accrual basis, except for cash flow information, and are based on historical costs except for certain financial instruments which are measured at fair value. The financial statements are presented in Canadian dollars which is the Company's functional currency.

The financial statements were authorized for issue by the Board of Directors on December 28, 2023.

2 Basis of preparation – (cont'd)

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The 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 further periods if the review affects both current and future periods.

The assessment of the Company's ability to continue as a going concern (note 1) involves significant judgment.

Investment in a private company – When the fair values of financial assets recorded on the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment and estimates are required to establish fair value.

3 Significant Accounting Policies

The accounting policies set out below have been applied consistently in the financial statements.

Financial instruments

Financial Assets

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), the transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in the entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. The classification depends on the Company's business model for managing the financial assets and contractual terms of the cash flows. These are the measurement categories under which the Company classifies its financial assets:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measures at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

3 Significant Accounting Policies – (cont'd)

Financial instruments – (cont'd)

Financial Assets - (cont'd)

- Fair value through OCI ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets classified at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income (loss). When the financial instrument is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss.

The Company's cash is measured at amortized cost, and investment is measured at FVTPL.

Investments in Private Companies

Private investments that do not have a quoted market price in an active market are evaluated and measured at fair value using various techniques including comparative recent financing and other market-based information. These are included in level 2 or 3 of the fair value hierarchy. The determinations of fair value of the Company's privately-held investments are subject to certain limitations.

At the end of each financial reporting period, management evaluates the fair value and potential fair value change based on the criteria below and records such fair value change in the financial statements directly in profit or loss:

- There has been a significant new equity financing with arms-length investors at a valuation above or below the current fair value of the investee company, in which case the fair value of the investment is adjusted to the value at which the financing took place; or

- Based on financial information received from the investee company it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern, in which case the fair value of the investment is adjusted downward; or

- There have been significant corporate, operating, technological or economic events affecting the investee company that, in the Company's opinion, have a positive or negative impact on the investee company's prospects and, therefore, its fair value; or

- The investee company is placed into receivership or bankruptcy.

The application of the valuation techniques described above may involve uncertainties and determinations based on the Company's judgment, and any fair value estimated from these techniques may not be realized.

The amount at which an investment could be disposed of may differ from its carrying value due to the availability and/or reliability of information available to the Company.

3 Significant Accounting Policies – (cont'd)

Financial instruments – (cont'd)

Impairment of Financial Assets at Amortized Cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses of the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Financial Liabilities

The Company classifies its financial liabilities into the following categories: financial liabilities at FVTPL and amortized cost.

A financial liability is classified as FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are presented as follows: the amount of change in fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of the change in the fair value is presented in profit or loss. The Company does not designate any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest rate method. The Company classifies its accounts payable and accrued liabilities and loan payable as financial liabilities held at amortized cost.

Income taxes

Deferred income tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future.

3 Significant Accounting Policies – (cont'd)

Income taxes – (cont'd)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilized, except

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income taxes are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each Statement of Financial Position date and recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Statement of Financial Position date.

Earnings (loss) per share

Earnings (loss) per share is computed by dividing the net loss by the weighted average number of outstanding shares in issue during the reporting period. Diluted earning (loss) per share is computed similar to basic loss except that the weighted average number of outstanding shares include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. In a loss reporting period, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive.

Share-based payments

Equity-settled share-based payments for directors, officers and employees are measured at fair value at the date of grant using the Black-Scholes valuation model and recorded as compensation expense in profit or loss, with a corresponding increase to reserves. The fair value determined at the grant date of the equity-settled share based payments is expensed on a graded vesting basis over the vesting period based on the Company's estimate of stock options that will eventually vest. Any consideration paid by directors, officers, employees and consultants on exercise of equity-settled share-based payments, along with the amounts reflected in reserves, is credited to share capital. Shares are issued from treasury upon the exercise of the equity-settled share based instruments.

3 Significant Accounting Policies – (cont'd)

Share-based payments – (cont'd)

Compensation expense on stock options granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested using the fair value method and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by the use of the Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Expected volatility was determined based on comparison to similar companies as the Company does not have enough history.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

All equity-settled share-based payments are reflected in reserves until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled and settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense. Amount recorded in reserves for share options which expire unexercised remain in reserves.

Recent accounting pronouncements and changes in accounting policies

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods are as follows:

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. These amendments are effective for reporting periods beginning on or after January 1, 2024 and are not expected to have a material impact on the Company.

Amendments to IAS 8 – Definition of accounting estimates
IAS 8 – Accounting policies, changes in accounting estimates and errors ("IAS 8") was amended in February 2021. The IASB issued 'Definition of Accounting Estimates' to help entities distinguish between accounting policies and accounting estimates. These amendments are effective for reporting periods beginning on or after January 1, 2023 and are not expected to a material impact on the Company.

3 Significant Accounting Policies – (cont'd)

Recent accounting pronouncements and changes in accounting policies – (cont'd)

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
These amendments continue the IASB's clarifications on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include: requiring companies to disclose their material accounting policies instead of their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material. The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures. These amendments are effective for reporting periods beginning on or after January 1, 2023 and will likely result in a reduction of disclosures in the financial statements.

4 Investment

On September 8, 2020, the Company entered into a letter of intent ("LOI") with Hemptown Organics Corp. ("Hemptown") pursuant to which the Company will acquire all of the issued and outstanding shares of Hemptown (the "Transaction") which is intended to constitute the Company's Qualifying Transaction. On March 22, 2022, the Company and Hemptown entered into a termination agreement whereby Hemptown has agreed to issue 2,000,000 Hemptown common shares to the Company as a break fee and the Company and Hemptown have released each other from all matters relating to the Transaction and the termination, including the repayment of the $225,000 loaned and $16,935 in expenses paid by the Company for a total balance of $241,935. The fair value of the shares of Hemptown received was determined by the most recent financing completed by Hemptown at $0.50 per share. The difference between the fair value of the shares received ($1,000,000) and the balance of the loan receivable ($241,935) was recorded as a break fee ($758,065) in other income during the year ended August 31, 2022. As at August 31, 2022, the fair value of the shares of Hemptown remains at $0.50 per share. At August 31, 2023, the Company determined the fair value of its investment to be $Nil due to a change in the corporate and operating events in Hemptown, and recognized a loss on change in fair value of $1,000,000.

5 Loan payable

On June 26, 2023, the Company issued a promissory note for proceeds of $6,000 to a lender. The promissory note is unsecured, non-interest bearing and payable on demand. Subsequent to August 31, 2023, the Company issued a promissory note for proceeds of $10,000 with similar terms.

(Expressed in Canadian Dollars)

6 Share Capital

a) Authorized

Unlimited common shares, without par value.

b) Issued

There were no shares issued during the years ended August 31, 2023 and 2022.

c) Escrow Agreement

The shares issued in August 2019 are held in escrow. Under the escrow agreement, 10% of the shares will be released on the issuance of the Final Exchange Bulletin (the Exchange's acceptance of the Qualifying Transaction) and an additional 15% will be released on each of the dates which are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the initial release. As these shares are considered contingently issuable until the Company completes the Qualifying Transaction, they are not considered to be outstanding shares for the purposes of earnings (loss) per share calculations. Consequently, basic and diluted earnings (loss) per share and weighted average number of shares disclosures have been reduced by 3,750,001, the number of shares held in escrow as at August 31, 2023 and 2022.

d) Stock Options

The Company adopted a stock option plan under which it is authorized to grant options to officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The options can be granted for a maximum of ten years and vest as determined by the Board of Directors. The exercise price of each option granted may not be less than the fair market value of the common shares.

Details of stock options activities for the years ended August 31, 2023 and 2022 are as follows:

	Number of options	**Weighted Average Exercise Price**
Balance outstanding, August 31, 2021, 2022 and 2023	716,000	$0.10

The weighted average remaining life of the 716,000 stock options is 1.48 years.

As at August 31, 2023, the Company had 716,000 stock options outstanding exercisable at $0.10 per share expiring on February 20, 2025.

(Expressed in Canadian Dollars)

6 Share Capital – (cont'd)

e) Agent's Warrants

Details of agent's warrants activities for the years ended August 31, 2023 and 2022 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, August 31, 2021	200,000	$0.10
Expired	(200,000)	0.10
Balance, August 31, 2022 and 2023	-	$ -

f) Reserves

The Company's equity reserves are comprised of share-based payments and fair value of agent's warrants.

g) Earnings (loss) per share

	2023	2022
Weighted average number of shares used in basic earnings (loss) per share	3,410,000	3,410,000
Effects of: Stock options	-	477,794
Weighted average number of shares used in diluted earnings (loss) per share	3,410,000	3,887,784

7 Financial Instruments

Financial risk factors

The Company's risk exposures and the impact on the Company's financial statements are summarized below.

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with major financial institutions. The maximum exposure is its carrying amount on the statements of financial position.

Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to floating rate of interest. The interest rate risks on cash and on the Company's obligations are not considered significant.

7 Financial Instruments – (cont'd)

Liquidity risk

All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. At present, the Company's operations do not generate cash flow. The Company's primary source of funding has been the issuance of equity securities. Despite previous success in acquiring financing, there is no guarantee of obtaining future financings.

Determination of Fair Value

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
Level 3 – Inputs for the asset or liability that are not based on observable market data.

Investment in Hemptown is classified as fair value through profit or loss and measured at fair value using level 3 inputs. The fair values of other financial instruments, which include cash, accounts payable and accrued liabilities and loan payable approximate their carrying values due to the relatively short-term nature of these instruments.

8 Capital Management

Capital is comprised of the Company's shareholders' equity. As at August 31, 2023, the Company's shareholders' deficit was $138,698 (2022 – shareholders' equity of $928,400) and there was no long term debt outstanding. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital.

The proceeds from the issuance of share capital raised by the Company, both prior to the Company's IPO and from the IPO itself, may only be used to identify and evaluate assets or businesses for future investments, with the lesser of 30% of the gross proceeds 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 policies of the Exchange. There is no change to the Company's capital management policy for the years ended August 31, 2023 and 2022.

(Expressed in Canadian Dollars)

9 Related Party Transactions

Related party transactions are comprised of services rendered by directors and/or officers of the Company or by a company with a director in common. Related party transactions are in the ordinary course of business and are measured at the exchange amount.

Included in accounts payable and accrued liabilities at August 31, 2023 was $20,728 (2022 – $2,625) owing to a company controlled by the CEO for expense reimbursements. This amount is unsecured, non-interest owing and payable on demand.

Key management personnel compensation
The Company considers its President, Chief Executive Officer, Chief Financial Officer, and the directors of the Company to be key management. During the years ended August 31, 2023 and 2022, there were no compensations paid.

10 Income Taxes

A reconciliation of income taxes at statutory rates is as follows:

		2023		2022
Income (loss) before income taxes	$	(1,077,098)	$	689,670
Statutory income tax rates		27%		27%
Expected tax expense (recovery)	$	(290,000)	$	186,000
Non-deductible (taxable) items		135,000		(100,700)
Non-capital loss carry-forwards utilized		-		(47,700)
Change in unrecognized deferred tax assets		145,000		(27,600)
Income tax expense (recovery)	$	(10,000)	$	10,000

Significant components of the Company's deferred tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

		2023		2022
Deferred income tax asset (liability)				
Non-capital loss carry-forwards	$	42,000	$	19,000
Investment		100,000		(35,000)
Undeducted finance cost		3,000		6,000
		145,000		(10,000)
Unrecognized deferred tax (assets) liabilities		(145,000)		-
Deferred income tax asset (liabilities), net	$	-	$	(10,000)

(Expressed in Canadian Dollars)

10 Income Taxes – (cont'd)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

	Expiry as at August 31, 2023		2023	Expiry as at August 31, 2022		2022
Share issuance costs	2024	$	10,900	2023 to 2024	$	21,800
Non-capital losses	2041 to 2043	$	164,300	2041	$	76,400
Investment	No expiry date	$	741,900	No expiry date	$	(258,000)