# A-Labs Capital IV Corp.

(A Capital Pool Company)

**Condensed Interim Financial Statements**

(Expressed in Canadian Dollars)

**(unaudited)**

**For the three and nine months ended December 31, 2020**

**Notice To Reader**

The accompanying unaudited condensed interim financial statements of A-Labs Capital IV Corp. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim financial statements have not been reviewed by the Company's auditors.

# A-Labs Capital IV Corp.
**Interim Statements of Financial Position**
(Expressed in Canadian Dollars)
(unaudited)

| | **December 31, 2020** | March 31, 2020 |
|---|---|---|
| **Assets** | | |
| **Current** | | |
| Cash (Note 3) | **$ 176,734** | $ 191,904 |
| **Liabilities** | | |
| **Current** | | |
| Accounts payable and accruals | **$ 5,103** | $ 5,228 |
| **Shareholders' Equity** | | |
| (Note 4) | **239,118** | 239,118 |
| **Contributed surplus** | **40,384** | 40,384 |
| **Deficit** | **(107,871)** | (92,826) |
| | **171,631** | 186,676 |
| | **$ 176,734** | $ 191,904 |

***Nature of Operations and Going Concern (Note 1)***

**Approved by the Board**

"(signed) Chay Benhamou" — Director

"(signed) Yossi Shemesh" — Director

See accompanying notes

## A-Labs Capital IV Corp.
**Interim Statements of Loss and Comprehensive Loss**
(Expressed in Canadian Dollars)
(unaudited)

| | **For the Three Month Period Ended December 31, 2020** | For the Three Month Period Ended December 31, 2019 | **For the Nine Month Period Ended December 31, 2020** | For the Nine Month Period Ended December 31, 2019 |
|---|---|---|---|---|
| **Expenses** | | | | |
| Operating expenses | **$ 4,865** | $ 4,235 | **$ 11,195** | $ 25,812 |
| Professional fees | **-** | - | **3,850** | 24,482 |
| Stock based compensation | **-** | - | **-** | 29,823 |
| **Net and comprehensive loss for the period** | **$ 4,865** | $ 4,235 | $ 15,045 | $ 80,117 |
| Basic and diluted loss for the period | **$ 0.00** | $ 0.00 | **$ 0.01** | $ 0.05 |
| Weighted average number of shares outstanding (Note 4) | **2,000,000** | 2,000,000 | **2,000,000** | 1,483,636 |

## A-Labs Capital IV Corp.

**Interim Statements of Changes in Shareholders' Equity**

(Expressed in Canadian Dollars)

(unaudited)

| | Number of Shares | Amount | Contributed Surplus | Deficit | Total |
|---|---|---|---|---|---|
| **Balance, March 31, 2019** | **2,000,000** | **$ 100,000** | **$ -** | **$ 191** | **$ 100,191** |
| Shares issued for cash - initial public offering | 2,000,000 | 200,000 | - | - | 200,000 |
| Share issuance costs | - | (50,321) | - | - | (50,321) |
| Stock options issued to agents | - | (10,561) | 10,561 | - | - |
| Stock based compensation | - | - | 29,823 | - | 29,823 |
| Net loss for the period | - | - | - | (80,117) | (80,117) |
| **Balance, December 31, 2019** | **4,000,000** | **$ 239,118** | **$ 40,384** | **$ (79,926)** | **$ 199,576** |
| | | | | | |
| **Balance, March 31, 2020** | **4,000,000** | **$ 239,118** | **$ 40,384** | **$ (92,826)** | **$ 186,676** |
| Net loss for the period | - | - | - | (15,045) | (15,045) |
| **Balance, December 31, 2020** | **4,000,000** | **$ 239,118** | **$ 40,384** | **$ (107,871)** | **$ 171,631** |

**A-Labs Capital IV Corp.**
**Interim Statements of Cash Flows**
(Expressed in Canadian Dollars)
(unaudited)

| | For the Nine Month Period Ended December 31, 2020 | For the Nine Month Period Ended December 31, 2019 |
|---|---|---|
| **Cash provided by (used in)** | | |
| **Operations** | | |
| Net loss | **$ (15,045)** | $ (80,117) |
| Items not affecting cash | | |
| Stock based compensation | **-** | 29,823 |
| | **(15,045)** | (50,294) |
| Net changes in non-cash working capital | | |
| Accounts payable and accrued liabilities | **(125)** | 8,603 |
| | **(15,170)** | (41,691) |
| **Financing** | | |
| Issuance of common shares | **-** | 200,000 |
| Share issuance costs | **-** | (50,321) |
| | **-** | 149,679 |
| **Net change in cash** | **(15,170)** | 107,988 |
| **Cash, beginning of period** | **191,904** | 100,191 |
| **Cash, end of period** | **$ 176,734** | $ 208,179 |

## 1. NATURE OF OPERATIONS AND GOING CONCERN

A-Labs Capital IV Corp. (the "Company") was incorporated by a Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (BC) on November 26, 2018. The registered office is located at 2800 Park Place, 666 Burrard Street, Vancouver, BC, V6C 2Z7.

The Company is classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Company is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising of an option or by any concomitant transaction. The purpose of such an acquisition is to satisfy the related conditions of a qualifying transaction under the Exchange rules.

In November 2018, the Company issued 2,000,000 common shares for gross proceeds of $100,000. On September 30, 2019, the Company completed an Initial Public Offering ("IPO") of 2,000,000 of the Company's common shares at $0.10 per share for aggregate gross proceeds of $200,000.

As a CPC, the Company's principal business will be the identification and evaluation of assets, properties or businesses with a view to acquisition or participation therein subject, in certain cases, to shareholder approval and acceptance by the TSX Venture. Where an acquisition or participation is warranted (the "Qualifying Transaction"), additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing. There is no assurance that the Company will complete a Qualifying Transaction within twenty-four months from the date the Company's shares are listed on the TSX Venture, at which time the TSX Venture may suspend or de-list the Company's shares from trading.

## 2. BASIS OF PRESENTATION

### Statement of Compliance

These unaudited condensed interim financial statements present the Company's financial results of operations and financial position under International Financial Reporting Standards ("IFRS") as at and for the three and nine month period ended December 31, 2020, including 2019 comparatives. As a result, they have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board.

These unaudited condensed interim financial statements should be read in conjunction with the Company's 2020 annual audited financial statements prepared in accordance with IFRS. The accounting policies adopted in these unaudited condensed interim financial statements are consistent with those disclosed in the Company's audited financial statements for the year ended March 31, 2020.

These financial statements were authorized for issuance by the Board of Directors on March 4, 2021.

### Basis of Preparation

The financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

## 2. BASIS OF PRESENTATION (Cont'd)

The financial statements are prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss ("FVTPL"), which are stated at their fair value. The accounting policies have been applied consistently throughout the entire period presented in these financial statements.

### Significant Accounting Judgments, Estimates and Assumptions

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. The estimates and associated assumptions are based on anticipations 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.

## 3. CASH RESTRICTION

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. As at December 31, 2020 and March 31, 2020, the Company has exceeded this limit. The impact of this violation is not known and is ultimately dependent on the Exchange.

(Expressed in Canadian Dollars)

## 4. CAPITAL STOCK

### Authorized

Unlimited number of common voting shares without nominal or par value.

### Issued Common Shares

Issued share capital is as follows:

| | Number of Common Shares | | Capital Stock |
|---|---|---|---|
| **Balance, March 31, 2019** | **2,000,000** | **$** | **100,000** |
| Shares issued for cash - initial public offering[(b)] | 2,000,000 | | 200,000 |
| Share issuance costs | - | | (50,321) |
| Stock based compensation | - | | (10,561) |
| **Balance, December 31, 2019** | **4,000,000** | **$** | **239,118** |
| **Balance, March 31, 2020 and December 31, 2020** | **4,000,000** | **$** | **239,118** |

(a) The issued and outstanding founders' common shares are subject to a CPC Escrow Agreement. Under the CPC Escrow Agreement, 10% of the escrowed common shares will be released from escrow on the issuance of the Final Exchange Bulletin (the “Initial Release”) and an additional 15% will be released on the dates 6, 12, 18, 24, 30 and 36 months following the Initial Release. All common shares acquired on the exercise of stock options granted to directors, officers and non-employees prior to the completion of a qualifying transaction must also be deposited in escrow until the Final Exchange Bulletin is issued. In addition, all common shares of the Company acquired in the secondary market prior to the completion of a qualifying transaction by any person or company who becomes a control person are required to be deposited in escrow. Subject to certain exemptions permitted by the Exchange, all securities of the Company held by principals of the resulting issuer will also be escrowed.

The founders' shares were deposited into escrow on July 19, 2019. Therefore, the weighted average shares outstanding does not include these shares as they are contingently returnable.

(b) On September 30, 2019, the Company completed an initial public offering of 2,000,000 common shares at a price of $0.10 per share for gross proceeds to the Company of $200,000. The agent received a cash commission of $50,321 including the agent’s legal fees and other disbursements. The agent was also granted a non-transferable option to acquire 200,000 of common shares of the Company for a period of 24 months from the date of listing of the common shares on the TSX Venture Exchange at an exercise price of $0.10 per common share. The fair value assigned to these agent options issued is $10,561 (Note 5(a)).

### Loss Per Share

The calculation of basic and diluted loss per share for the three months ended December 31, 2020 was based on the loss attributable to common shareholders of $4,865 (2019 - $4,235) and the average weighted average number of capital stock outstanding of 2,000,000 (2019 - 2,000,000).

(Expressed in Canadian Dollars)

## 4. CAPITAL STOCK (Cont'd)

The calculation of basic and diluted loss per share for the nine months ended December 31, 2020 was based on the loss attributable to common shareholders of $15,045 (2019 - $80,117) and the average weighted average number of capital stock outstanding of 2,000,000 (2019 - 1,483,636).

## 5. STOCK OPTIONS

The Board of Directors of the Company may from time to time, at its discretion, and in accordance with the Exchange requirements, grant to directors, officers, and technical consultants of the Corporation, non-transferable options to purchase Common Shares, provided that the number of Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Common Shares exercisable for a period of up to 10 years from the date of grant. Options may be exercised until the later of 12 months after the Completion of the Qualifying Transaction and 90 days following cessation of the optioned's position with the Corporation. Any Common Shares acquired pursuant to the exercise of options prior to the Completion of the Qualifying Transaction, must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued.

The following summarizes the stock option activities under the plan:

| | Number of Options | Weighted Average Exercise Price |
|---|---|---|
| **Balance, December 31, 2018** | **-** | **$ -** |
| Granted [(a)(b)] | 600,000 | $0.10 |
| Outstanding and exercisable, December 31, 2019 | **600,000** | **$0.10** |
| Outstanding and exercisable,March 31, 2020 and December 31, 2020 | **600,000** | **$0.10** |

The Company had the following stock options outstanding at December 31, 2020:

| Number of Options | Exercisable | Exercise Price | Expiry Date |
|---|---|---|---|
| 200,000 | 200,000 | $ 0.10 | September 30, 2021 |
| 400,000 | 400,000 | $ 0.10 | September 30, 2024 |
| **600,000** | **600,000** | **$ 0.10** | |

(Expressed in Canadian Dollars)

**5. STOCK OPTIONS** (Cont'd)

(a) Agent options

On September 30, 2019, the Company granted 200,000 stock options to its agent. These options vested immediately. Each option entitles the holder to purchase one common share at $0.10 per share at any time on or before September 30, 2021. As the fair value of the services received from the agents was not determinable, the stock options granted were measured using the fair value of the equity instruments provided. The fair value of these stock options of $10,561 was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

| | |
|---|---|
| Share price | $0.10 |
| Expected dividend yield | Nil |
| Risk-free interest rate | 1.58% |
| Expected life | 2.0 years |
| Expected volatility[(i)] | 100% |

(i) As historical volatility of the Company's common shares is not available, expected volatility is based on the historical performance of the common shares of other similar companies.

(b) Directors' and officers' options

On September 30, 2019, the Company granted 400,000 stock options to directors. These options vested immediately. Each option entitles the holder to purchase one common share at $0.10 per share at any time on or before September 30, 2024. The fair value of these stock options of $29,823 was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

| | |
|---|---|
| Share price | $0.10 |
| Expected dividend yield | Nil |
| Risk-free interest rate | 1.40% |
| Expected life | 5.0 years |
| Expected volatility[(i)] | 100% |

(i) As historical volatility of the Company's common shares is not available, expected volatility is based on the historical performance of the common shares of other similar companies

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

## 6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### Capital Management

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes share capital in the definition of capital.

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 these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The Company is not subject to externally imposed capital requirements other than the cash restriction disclosed in Note 3.

### Risk Disclosures and Fair Values

The Company's financial instruments, consisting of cash and accounts payable, approximate fair values due to the relatively short term maturities of the instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

As at December 31, 2020, the Company had liabilities of $5,103 and had cash of $176,734 to meet its current obligations. As a result the Company has minimal liquidity risk.

## 7. TRANSACTIONS WITH RELATED PARTIES

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

During the period ended December 31, 2020, nil (December 31, 2019 - 400,000 stock options) were granted to directors and officers which were valued at $nil (December 31, 2019 - $29,823 (note 5(b)). There was no further compensation to key management personnel.

## 8. COVID-19

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has 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 material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the successful completion of the QT or potential delays in the timing of closing of the QT and condition of the Corporation in future periods.