FREQUENCY EXCHANGE CORP.
(FORMERLY ISRAEL CAPITAL CANADA CORP.)

Condensed Interim Financial Statements

For the three month ended January 31, 2022 and 2021

(Expressed in Canadian Dollars)

FREQUENCY EXCHANGE CORP.
(FORMERLY ISRAEL CAPITAL CANADA CORP.)

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FREQUENCY EXCHANGE CORP.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity's auditors.

March 30, 2022

FREQUENCY EXCHANGE CORP.
(FORMERLY ISRAEL CAPITAL CANADA CORP.)
Condensed Interim Statements of Financial Position
(Expressed in Canadian dollars)

	Notes		**January 31, 2022**		October 31, 2021
ASSETS					
Current assets					
Cash		**$**	**2,468,340**	$	390,565
GST receivable			**1,237**		-
Prepaid expenses			**-**		910
Loan receivable	4		**125,442**		25,127
Total current assets			**2,595,019**		416,602
Deferred charges	12		**137,388**		93,949
Total assets		**$**	**2,732,407**	$	510,551
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Trade payables and accrued liabilities	5	**$**	**43,808**	$	85,059
Due to related parties	7		**5,940**		-
Subscriptions			**-**		110,500
Total liabilities			**49,748**		195,559
Shareholders' equity					
Share capital	6		**2,803,420**		482,979
Reserves	6		**106,297**		51,803
Deficit			**(227,058)**		(219,790)
Total shareholders' equity			**2,682,659**		314,992
Total liabilities and shareholders' equity		**$**	**2,732,407**	$	510,551

Nature of Business and Going Concern (Note 1)
Qualifying Transaction (Note 10)
Subsequent events (Note 11)

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

FREQUENCY EXCHANGE CORP.
(FORMERLY ISRAEL CAPITAL CANADA CORP.)
Condensed Interim Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollar)

	Note	**Three months ended January 31, 2022**	Three months ended January 31, 2021
EXPENSES:			
Administrative Fees	7	**$ 4,725**	$ 4,725
Office and miscellaneous		**415**	579
Professional fees		**61**	20,750
Regulatory fees		**2,039**	455
Transfer agent fees		**473**	472
Total Expenses		**(7,713)**	(26,981)
Other items:			
Interest Income		**445**	-
Net loss and comprehensive loss for the period		**$ (7,268)**	$ (26,981)
Loss per share – Basic and Diluted		**$ (0.00)**	$ (0.01)
Weighted average shares outstanding – Basic and Diluted		**4,122,102**	3,181,341

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

FREQUENCY EXCHANGE CORP.
(FORMERLY ISRAEL CAPITAL CANADA CORP.)
Condensed Interim Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Note	Share Capital					
		Shares	**Amount**	**Reserves**	**Deficit**	**Total Equity**
Balance at October 31, 2020		**7,181,341**	**$ 482,979**	**$ 51,803**	**$ (121,964)**	**$ 412,818**
Net loss for the period		-	-	-	(26,981)	(26,981)
Balance at January 31, 2021		**7,181,341**	**482,979**	**51,803**	**(148,945)**	**385,837**
Net loss for the period		-	-	-	(70,845)	(70,845)
Balance at October 31, 2021		**7,181,341**	**482,979**	**51,803**	**(219,790)**	**314,992**
Share issued for cash	6	7,212,498	2,524,375	-	-	2,524,375
Share issuance costs	6	-	(149,440)	-	-	(149,440)
Fair value of agent's warrants	6	-	(54,494)	54,494	-	-
Net loss for the period		-	-	-	(7,268)	(7,268)
Balance at January 31, 2022		**14,393,839**	**$ 2,803,420**	**$ 106,297**	**$ (227,058)**	**$ 2,682,659**

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

FREQUENCY EXCHANGE CORP.
(FORMERLY ISRAEL CAPITAL CANADA CORP.)
Condensed Interim Statements of Cash Flows
(Expressed in Canadian dollars)

		Three months ended January 31, 2022		Three months ended January 31, 2021
CASH FLOWS PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net loss for the period	**$**	**(7,268)**	$	(26,981)
Changes in non-cash working capital items:				
GST receivable		**(1,237)**		
Prepaid expenses		**910**		(10,500)
Trade payables and accrued liabilities		**(41,251)**		21,205
Due to related parties		**5,940**		10,500
Net cash used in operating activities		**(42,906)**		(5,776)
INVESTING ACTIVITIES				
Deferred charges		**(43,439)**		-
Loan receivable		**(100,315)**		-
Net cash used in investing activities		**(143,754)**		-
FINANCING ACTIVITIES				
Subscriptions receipts		**(110,500)**		**-**
Issuance of common shares, net		**2,374,935**		**-**
Net cash provided by financing activities		**2,264,435**		-
Change in cash during the period		**2,077,775**		(5,776)
Cash, beginning of period		**390,565**		434,818
Cash, end of period	**$**	**2,468,340**	$	429,042

Supplemental cash flow information:

Significant non-cash transactions for the three months ended January 31, 2022 included an aggregate fair value of $54,494 recognized on agent’s warrants issued in connection to its private placement.

There were no significant non-cash transactions for the three months ended January 31, 2021.

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

1. NATURE OF BUSINESS AND GOING CONCERN

Frequency Exchange Corp. (formerly Israel Capital Canada Corp.) (the “Company”) was incorporated on August 15, 2019 under the Business Corporations Act (British Columbia). The Company was a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (“TSX-V”) Policy 2.4 (“Policy 2.4”) after completing its initial public offering on May 8, 2020. As a CPC, the Company’s objective will be to identify and acquire either operating assets or a business, subject to regulatory approval, that meet the criteria of a Qualifying Transaction (“QT”) as defined by the TSX-V.

On May 8, 2020, the Company completed its Initial Public Offering (“IPO”) on the TSX-V by raising $200,000 through the issuance of 2,000,000 common shares of the Company at $0.10 per share. The Company’s common shares were approved for listing on the TSX-V on May 8, 2020 and commenced trading effective May 12, 2020 under the symbol “IL.P”.

On October 8, 2020, the Company entered into a letter of intent (“LOI”) with Waveforce Electronics Inc. (“Waveforce”) to acquire a consumer wellness enhancement membership program. On February 17, 2021, the LOI was mutually terminated by both parties.

On February 2, 2022, the Company completed the acquisition of all of the issued and outstanding securities of FREmedica Technologies Inc. (“FREmedica”) (the “Transaction”) (Note 12).

FREmedica is a wholly-owned subsidiary of Waveforce, a developer of light pulse frequency emitter platforms for different industries to assist in improving performance in people, plants and products. FREmedica was founded on November 5, 2016 for the purpose of creating a frequency emitter that delivers a special package of frequencies designed for the health and wellness market, specifically to target Lyme disease within North America.

Upon completion of the Transaction, the Company completed a name change from “Israel Capital Canada Corp.” to “Frequency Exchange Corp.”. The Company will continue the business which was previously conducted by FREmedica. The Company commenced trading on the TSX-V under the trading symbol “FREQ” on February 7, 2022.

The Company’s head office is Suite 2050, 1055 W. Georgia Street, Vancouver, B.C. Canada, V6E 3P3, and the registered office address is Suite 400, 725 Granville Street, Vancouver, BC, Canada, V7Y 1G5.

These condensed interim financial statements for the three months ended January 31, 2022 were authorized for issue by the Board of Directors on March 30, 2022.

These condensed interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company’s continuing operations as intended are dependent upon the Company’s ability to complete a QT as discussed above. Should the Company fail to complete a QT, its ability to raise sufficient financing to maintain operations may be impaired, and accordingly, the Company may be unable to realize the carrying value of its net assets. However, management believes the Company has sufficient working capital to continue operations for the next 12 months.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue its existence.

1. NATURE OF BUSINESS AND GOING CONCERN (cont'd)

In March 2020, the World Health Organization declared the COVID-19 coronavirus outbreak a pandemic, which continues to spread globally. As a CPC with no commercial operations, the COVID-19 pandemic has not had a significant impact on the Company's routine operations or on the carrying value of its assets. However, the pandemic's effect on broader capital markets may hinder the Company's ability to complete a Qualifying Transaction and to raise capital.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed interim financial statements have been prepared using the accounting policies set out in Note 3.

These condensed interim financial statements have been prepared using accounting policies consistent with those used in the Company's annual financial statements for the year ended October 31, 2021. It is therefore recommended that these condensed interim financial statements be read in conjunction with the Company's audited financial statements for the year ended October 31, 2021.

Basis of measurement

These financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is also the Company's functional currency. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments and the recoverability and measurement of deferred tax assets.

Provisions for income and other taxes are based on management's interpretation of taxation laws, which may differ from the interpretation by taxation authorities. Such differences may result in eventual tax payments differing from amounts accrued. Reported amounts for deferred tax assets and liabilities are based on management's expectation for the timing and amounts of future taxable income or loss, as well as future taxation rates. Changes to these underlying estimates may result in changes to the carrying value, if any, of deferred income tax assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value along with, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit and loss.

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 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 assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income.

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 (irrevocable election at the time of recognition).

The Company's financial instruments consist of cash, loan receivables, subscriptions and trade payables and accrued liabilities. The fair value of cash is measured at fair value through profit or loss and any changes to fair value subsequent to initial recognition are recorded in profit or loss for the period in which they occur. The Company's subscriptions, trade payables and accrued liabilities are measured at amortized cost using the effective interest rate method. Interest expense is recorded to profit or loss, as applicable.

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

Impairment of financial assets

An 'expected credit loss' (ECL) model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

recognition. If at the reporting date, the credit risk of 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 the statements of (loss) income, 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.

Financing costs

Costs incurred to obtain equity financing are deducted from the value assigned to shares issued. When costs are incurred prior to the closing of a financing arrangement, these amounts are presented as a deferred asset until the financing has closed. When an expected financing arrangement does not occur, any deferred costs are recorded as an expense.

Share-based compensation

The Company may grant stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee.

The fair value of share-based compensation to employees is measured at grant date using the Black-Scholes option pricing model, and is recognized over the vesting period using the graded vesting method. The fair value of share-based compensation to non-employees is measured at the date the goods or services are received, at either the fair value of the goods or services received or the fair value of the equity instruments issued using the Black-Scholes option pricing model, if the fair value of the goods or services received cannot be readily measured.

For both employees and non-employees, the fair value is recognized as an expense with a corresponding increase in reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. For share options granted with vesting terms conditional upon the achievement of a performance condition, and the performance condition is not a market condition, the Company revises its estimates of the length of the vesting period, if necessary, when information arises that indicates that the length of the vesting period differs from previous estimates. When this occurs, the change in estimate is accounted for prospectively.

Income taxes

Tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, a provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in income in the period in which the change occurs.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred tax assets or liabilities, arising from temporary differences between the tax and accounting values of assets and liabilities, are recorded based on tax rates expected to be enacted when these differences are reversed. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recovered. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as in the amounts recognized in income in the period in which the change occurs.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in income both in the period of change, which would include any impact on cumulative provisions, and in future periods.

(Loss) earnings per share

Basic (loss) earnings per share is calculated by dividing net (loss) earnings by the weighted average number of common shares outstanding during the period which excludes shares held in escrow. All escrow shares are considered contingently cancellable until the Company completes a QT and, accordingly, are not considered to be outstanding shares for the purposes of the loss per share calculation.

Diluted (loss) earnings per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of "in-the-money" stock options and common share purchase warrants are used to purchase common shares of the Company at their average market price for the period. In periods that the Company reports a net loss, any stock options or warrants outstanding are excluded from the calculation of diluted loss per share as their inclusion would be anti-dilutive.

4. LOAN RECEIVABLE

On September 24, 2021, the Company advanced $25,000 to FREmedica for the purpose of paying for its audit and legal fees in connection to the QT. The advance bears interest of 5% per annum and is payable on demand. As of January 31, 2022, the Company accrued interest of $442 (October 31, 2021 – $127) on this loan.

On January 10, 2022, the Company issued a bridge loan of $100,000 (October 31, 2021- $Nil) without interest for the purpose of completing the private placement and QT.

(Expressed in Canadian Dollars)

5. TRADES PAYABLE AND ACCRUED LIABILITIES

	January 31, 2022	October 31, 2021
Trades payable	$ 33,808	$ 75,059
Accrued liabilities	10,000	10,000
	$ 43,808	$ 85,059

6. SHAREHOLDERS' EQUITY

a. Authorized

The Company is authorized to issue an unlimited number of common shares and preferred shares without par value.

b. Issued and outstanding

During the three months ended January 31, 2022, the Company completed a private placement and issued 7,212,498 common shares at a price of $0.35 per share for gross proceeds of $2,524,375 completing the issuance of the private placement of the Company (Note 10). The Company paid $203,934 in share issuance costs in connection to this private placement.

During the year ended October 31, 2021, there were no transactions affecting share capital.

c. Escrow shares

Upon completion of the IPO and pursuant to an escrow agreement dated March 6, 2020, 4,000,000 common shares issued to directors and officers of the Company prior to the IPO were placed into escrow. Under the escrow agreement, 10% of the escrowed common shares will be released from escrow on the date of the issuance of the final Exchange bulletin (the “Initial Release”) upon completion of a QT, and an additional 15% will be released every six months following the Initial Release over a period of thirty-six months. As at January 31, 2022, 4,000,000 (October 31, 2021 – 4,000,000) common shares remained in escrow. These shares have been excluded from the calculation of loss per share.

d. Stock options

During the three months ended January 31, 2022, there were no stock options granted by the Company.

During the year ended October 31, 2021, there were no stock options granted by the Company.

e. *Warrants*

In connection the Company's private placement on January 20, 2022, Each share consist of one common share and one-half of one share purchase warrant, with one whole warrant entitling the holder to purchase one additional common share (a “Warrant share”) of the Company at a purchase price of $0.70 per share for a period of two years from the date of closing.

(Expressed in Canadian Dollars)

6. SHAREHOLDERS' EQUITY (cont'd)

e. ***Warrants*** (cont'd)

As at January 31, 2022, the following Warrants were outstanding:

	Expiry Date	Number of Warrants	Weighted Average Exercise Price	Weighted average period
Warrants	Jan 10, 2024	3,606,249	$0.70	1.97 year

f. Agent's warrants

In connection to the private placement on January 10, 2022, and aggregate of 416,119 non-transferable Agent's Warrants were issued to the Agent involved in the offering. The Agent's Warrants are exercisable at a price of $0.35 per share for a period of 12 months from the date of closing.

As at January 31, 2022, the following Agent's Warrants were outstanding:

	Expiry Date	Number of Warrants	Weighted Average Exercise Price	Weighted average period
Agent's Warrants	May 8, 2022	200,000	$0.10	0.27 year
Agent's Warrants	Jan 20, 2023	416,119	$0.35	0.97 year

The Company recorded $54,494 (2021 - $Nil) in the Equity reserves account for the agent's warrants issued.

The fair value of the agent's warrants granted was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

Three months ended January 31,	2022	2021
Risk free rate	1.25%	-
Dividend yield	-	-
Weighted average volatility	96.41%	-
Weighted average expected life	1 year	-
Weighted average fair value	$ 0.13	-

7. RELATED PARTY TRANSACTIONS

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive directors and officers.

On July 1, 2020, the Company entered into an administrative services agreement with Varshney Capital Corp. (“VCC”), a company with a director in common, for administrative services provided to the Company for an initial term of 120 days or until the Company completes a QT in exchange for a monthly fee of $1,500 plus taxes. Upon completion of a QT, the monthly fee will increase to $5,000 plus taxes for a six-month term with a renewal option for an additional six months at a monthly fee of $7,500 plus taxes and thereafter on an annual basis until otherwise terminated.

During the three months ended January 31, 2022, the Company paid $4,725 (2021 - $4,725) for administrative fees to VCC.

As at January 31, 2022, $5,940 (October 31, 2021 - $Nil) was owed to a director for reimbursement of regulatory and professional fees paid on behalf of the Company.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company has designated its loan receivable, trade payables and accrued liabilities as financial instruments at amortized cost.

a. Fair value

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

i) Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
ii) Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
iii) Level 3 - Inputs for assets and liabilities that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The carrying value of cash has been measured at fair value using level 1 inputs. Loan receivable, trade payables and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

b. Financial risk management

Credit risk
Credit risk is the risk of loss arising from a customer or third party to a financial instrument failing to meet its contractual obligations. The Company limits exposure to credit risk by maintaining its cash with a major Canadian financial institution.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

b. Financial risk management (cont'd)

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's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and seeking equity financing when needed.

As at January 31, 2022, the Company had cash of $2,468,340 (October 31, 2021 – $390,565) which is sufficient to settle its current liabilities of $49,748 (October 31, 2021 - $110,500).

Pursuant to the policies of the Exchange, 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 for administrative and general expenses. These restrictions apply until completion of the Company's QT as defined by Exchange Policy 2.4.

Effective January 1, 2021, the Exchange amended its Policy 2.4. Under the amended policy, a CPC may only incur expenses to operate its business to identify and evaluate assets or business for a proposed QT; reasonable expenses related to the CPC's IPO and prescribed costs of issuing the common shares and maintaining the CPC's regulatory requirements; and reasonable general and administrative expenses of the CPC not exceeding $3,000 per month.

Market risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) 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 the market interest rates. The Company is not exposed to significant interest rate risk.

(b) Foreign currency risk
The Company does not have assets or liabilities in a foreign currency and therefore is not exposed to foreign currency risk.

(c) Price risk
The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potentially adverse impact on the Company's ability to obtain equity financing due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

9. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern and maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity of $2,682,659 at January 31, 2022 (October 31, 2021 - $314,992).

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust its capital structure, the Company may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. The Company is dependent on the capital markets and success of its operations as its source of operating capital. The Company is not subject to any externally imposed capital requirements.

10. QUALIFYING TRANSACTION

The Transaction

Pursuant to the terms of the Securities Exchange Agreement, the Company acquired all of the issued and outstanding securities of FREmedica from FREmedica securityholders in exchange for 18,000,000 common shares in the capital of the Company (the "Payment Shares") and 1,427,868 warrants (the "Payment Warrants"), with each such Payment Warrant being exercisable into one common share at a price of $0.1944 per common share. Out of the 18,000,000 Payment Shares issued to Waveforce, the parent company of FREmedica, Waveforce distributed 6,000,000 Payment Shares to its shareholders as a dividend. Following the completion of the Transaction, the Company's issued and outstanding share capital consists of 36,579,553 Common Shares.

As at January 31, 2022, the Company has incurred an aggregate of $137,388 in deferred legal and regulatory fees in connection to the Transaction.

Debt Settlement
Concurrently with the closing of the Transaction, the Company settled outstanding shareholder loans provided by Waveforce to FREmedica in the amount of $1,465,000 through the issuance of 4,185,714 Common Shares (the "Debt Settlement Shares") at a deemed price of $0.35 per Debt Settlement Share.

Escrow
The 12,000,000 Payment Shares and 4,185,714 Debt Settlement Shares issued to Waveforce are subject to escrow in accordance with a Tier 2 value security escrow agreement dated February 2, 2022 (the "Escrow Agreement") with Olympia Trust Company acting as the escrow agent. In addition, 779,868 Payment Warrants issued to principals of the Company were also placed into escrow in accordance with the Escrow Agreement.

Management and Director Changes
The Company's board of directors now consists of five directors: Stephen Davis; Mary-Lynn Bellamy-Willms; Hari Varshney; Bradley Aelicks; and Dr. Keith Pyne. The management of the Company now consists of: Stephen Davis (Chief Executive Officer); Mary-Lynn Bellamy-Willms (President); and Hari Varshney (Chief Financial Officer and Corporate Secretary).

10. QUALIFYING TRANSACTION (cont'd)

Private Placement
In connection with the Transaction, on January 20, 2022, the Company completed a non-brokered private placement (the "Private Placement") of 7,212,498 units (the "Units") at a price of $0.35 per Unit for aggregate gross proceeds of $2,524,374. Each Unit consists of one common share (each, a "Unit Share") and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant allows the holder thereof to acquire one common share for a period of 24 months at an exercise price equal to $0.70 per share. The Unit Shares issued in connection with the Private Placement, including any common shares to be issued on exercise of the Warrants, are subject to a four month and one day hold period commencing from the date of issuance. The gross proceeds of the Private Placement will be used to further advance the business of the Company and for general corporate purposes.

In connection with the Private Placement, the Company paid a combined total of $145,642 in finder's fees and issued 416,119 finder's warrants (the "Finder's Warrants") to finders on certain of the Units sold from subscriptions introduced by such finders. Each Finder's Warrant will entitle the holder thereof to acquire one common share at an exercise price of $0.35 for a period of one year from the closing of the Private Placement.

11. SUBSEQUENT EVENTS

Subsequent to January 31, 2022:

(a) On February 2, 2022, the Company completed the QT with FREmedica (Note 10).

(b) Granted an aggregate of 2,125,000 stock options at a price of $0.40 per share to directors, officers, employees and advisors to the board expiring February 8, 2024.

(c) Engaged Paradox Public Relations to provide investor relation services to the Company in exchange for $10,000 per month for a period of 36 months commencing on February 15, 2022 and a grant of 500,000 stock options at a price of $0.40 per share for a period of three years.

(d) Issued replacement warrants of 329,868 warrants at a price of $0.1944 per share expiring on April 12, 2023.to a director of the Company and a company wholly owned by a director and officer of the Company.

(e) Issued replacement warrants of 450,000 warrants at a price of $0.1944 per share expiring on June 1, 2022 to a company wholly owned by a director and officer of the Company.