

**AF2 Capital Corp.
(A Capital Pool Company)
Unaudited Condensed Interim Financial Statements
(Expressed in Canadian dollars)
For the three and six months ended February 28, 2023 and 2022**

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

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 and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Vancouver, B.C.
April 27, 2023

AF2 CAPITAL CORP.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
(Unaudited)

		FEBRUARY 28, 2023	AUGUST 31, 2022
		\$	\$
	NOTE		(Audited)
ASSETS			
CURRENT			
Cash		204,774	229,394
Total assets		204,774	229,394
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	6	20,525	13,456
Total liabilities		20,525	13,456
SHAREHOLDERS' EQUITY			
Share capital	4	322,361	322,361
Contributed surplus	4	60,392	60,392
Accumulated deficit		(198,504)	(166,815)
Total shareholders' equity		184,249	215,938
Total liabilities and shareholders' equity		204,774	229,394

Nature of operations and going concern (Note 1)

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

Approved on behalf of the Board:

Signed: "Peter Simeon", Director

Signed: "Michael Galloro", Director

AF2 CAPITAL CORP.**STATEMENTS OF LOSS AND COMPREHENSIVE LOSS****FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2023 AND 2022**

(Expressed in Canadian dollars)

(Unaudited)

		THREE MONTHS ENDED		SIX MONTHS ENDED	
		FEBRUARY 28,	FEBRUARY 28,	FEBRUARY 28,	FEBRUARY 28,
		2023	2023	2023	2022
	NOTE	\$	\$	\$	\$
EXPENSES					
Professional fees	6	13,053	-	22,721	721
Transfer agent, listing and filing fees		6,840	3,855	10,471	4,384
General and administrative		134	142	262	301
LOSS BEFORE THE FOLLOING ITEM:		(20,027)	(3,997)	(33,454)	(5,406)
Interest income		1,390	-	1,765	-
LOSS BEFORE INCOME TAXES		(18,637)	(3,997)	(31,689)	(5,406)
Income taxes		-	-	-	-
NET LOSS AND COMPREHENSIVE LOSS		(18,637)	(3,997)	(31,689)	(5,406)
Net loss per share – basic and diluted	5	(0.01)	(0.00)	(0.01)	(0.00)
Weighted average number of shares outstanding					
– basic and diluted		3,000,000	3,000,000	3,000,000	3,000,000

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

AF2 CAPITAL CORP.**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY****FOR THE SIX MONTHS ENDED FEBRUARY 28, 2023 AND 2022**

(Expressed in Canadian dollars)

(Unaudited)

	NUMBER OF SHARES	SHARE CAPITAL \$	CONTRIBUTED SURPLUS \$	ACCUMULATED DEFICIT \$	TOTAL \$
BALANCE, SEPTEMBER 1, 2022	5,000,000	322,361	60,392	(166,815)	215,938
Net loss for the period	-	-	-	(31,689)	(31,689)
BALANCE, FEBRUARY 28, 2023	5,000,000	322,361	60,392	(198,504)	184,249
BALANCE, SEPTEMBER 1, 2021	5,000,000	322,361	60,392	(141,425)	241,328
Net loss for the period	-	-	-	(5,406)	(5,406)
BALANCE, FEBRUARY 28, 2022	5,000,000	322,361	60,392	(146,831)	235,922

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

AF2 CAPITAL CORP.
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED FEBRUARY 28, 2023 AND 2022
(Expressed in Canadian dollars)
(Unaudited)

	SIX MONTHS ENDED	
	FEBRUARY 28,	FEBRUARY 28,
	2023	2022
OPERATING ACTIVITIES		
Net loss for the period	(31,689)	(5,406)
Changes in non-cash working capital item:		
Increase (Decrease) in accounts payable and accrued liabilities	7,069	(8,173)
CASH FLOW USED IN OPERATING ACTIVITIES	(24,620)	(13,579)
NET DECREASE IN CASH	(24,620)	(13,579)
CASH - BEGINNING OF PERIOD	229,394	249,501
CASH - END OF PERIOD	204,774	235,922
Supplementary cash flow information		
Interest received	1,765	-
Income tax paid	-	-

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

AF2 CAPITAL CORP.**Notes to the Condensed Interim Financial Statements****For the three and six months ended February 28, 2023 and 2022**

(Expressed in Canadian dollars)

(Unaudited)

1. Nature of Operations and Going Concern

AF2 Capital Corp. (the "Company") was incorporated pursuant to the provisions of the Business Corporations Act of British Columbia on July 10, 2020. The Company carries on its business as a "Capital Pool Corporation" ("CPC"), as such term is defined in TSX Venture Exchange Inc. (the "Exchange") Policy 2.4 - Capital Pool Companies ("Policy 2.4"). As at February 28, 2023, the Company has no business operations and did not enter into any agreements to acquire an interest in businesses or assets. The Company's principal purpose is the identification, evaluation and acquisition of assets, properties or businesses or participation therein subject, in certain cases, to shareholder approval and acceptance by the Exchange. The Company's registered head office address is 2300-Bentall 5, 500 Burrard Street, Vancouver, BC, V6C 2B5.

The Company completed its initial public offering ("IPO") on March 15, 2021. The gross proceeds raised from the IPO may only be used to identify a "Qualifying Transaction", as such term is defined in Exchange Policy 2.4, with the exception that a maximum of \$3,000 per month may be spent on reasonable general and administrative expenses of the Company.

Where a Qualifying Transaction is warranted, 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 be able to complete a Qualifying Transaction or that it will be able to secure the necessary financing to complete a Qualifying Transaction.

COVID-19

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from coronavirus (COVID-19). The Company continues to move its business forward at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence.

Going concern

These unaudited condensed interim financial statements have been prepared on a going concern basis, which presumes realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company does not generate revenue from operations. The Company incurred net loss of \$31,689 and \$5,406 during the six months ended February 28, 2023 and 2022, respectively, and an accumulated deficit of \$198,504 as at February 28, 2023 (\$166,815 as of August 31, 2022). The Company's continuing operations are dependent upon its ability to identify and evaluate assets or businesses with a view to potential acquisition or participation by completing a Qualifying Transaction, as defined in Exchange Policy 2.4. Any acquisition or investment proposed by the Company will be subject to regulatory approval. Where a potential acquisition has been identified, additional funding may be required in order to complete the transaction and there is no assurance that the Company will be successful in obtaining any additional funding. These conditions indicate the existence of material uncertainty that may give rise to significant doubt about the Company's ability to continue as a going concern. These unaudited condensed interim financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business. Such adjustments could be material.

2. Basis of Presentation

Statement of compliance

These unaudited condensed interim financial statements were prepared following the same accounting policies and methods of computation as the Company's audited annual financial statements for the years ended August 31, 2022 and 2021. They were prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain financial information and disclosures normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) has been omitted or condensed. The disclosure provided herein is incremental to the disclosure included in the audited annual financial statements. These financial statements were approved and authorized for issue by the Board of Directors on April 27, 2023.

Use of estimates, assumptions and judgments

The preparation of these unaudited condensed interim financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

(i) Income taxes

In assessing the probability of realizing income tax assets and valuing income tax liabilities, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. Until February 28, 2023, the Company has realized a net loss from operations and does not believe it is probable that future taxable profit will be available against which the Company can utilize the benefits. The Company reassesses unrecognized income tax assets at each reporting period.

2. Basis of Presentation (continued)

Use of estimates, assumptions and judgments (continued)

(ii) Ability to continue as a going-concern

Management assesses the Company's ability to continue as a going-concern at each reporting date, using all quantitative and qualitative information available. This assessment, by its nature, relies on estimates of future cash flows and other future events (as discussed in Note 1), and subsequent changes could materially impact the validity of such an assessment.

(iii) Fair value of share-based payments and agent's options

Management uses the Black-Scholes option-pricing model to calculate the fair value of share-based payments and agent's options. Management considers factors that knowledgeable, willing market participants would consider when selecting the appropriate valuation model to apply. Use of this method requires management to make assumptions and estimates about the share price on the measurement date, expected useful life of the instruments, expected dividends, the risk-free rate (based on government bonds), the expected volatility of the Company's share price. In making these assumptions and estimates, management relies on historical market data. The inputs to the model are subject to estimate and changes in these inputs can materially impact the estimated fair value of these instruments. The fair value reported may not represent the transaction value if these options were exercised/exchanged at any point in time.

3. Summary of Significant Accounting Policies

The policies applied in these unaudited condensed interim financial statements are based on IFRS's issued and outstanding as of the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent audited annual financial statements as at and for the year ended August 31, 2022.

4. Share Capital

Common shares:

Authorized

The Company is authorized to issue an unlimited number of common shares with no par value.

Issued and Outstanding: 5,000,000 common shares as of February 28, 2023 (August 31, 2022 – 5,000,000)

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4. Share Capital (continued)

Initial public offering

On March 15, 2021, the Company completed its IPO of a total of 3,000,000 common shares at a price of \$0.10 per share for aggregate gross proceeds of \$300,000. In connection with the IPO, the Company incurred share issuance costs of \$77,639 in the forms of (i) agent's cash commission of \$30,000; (ii) legal and professional fees of \$31,979; and (iii) 300,000 agent's options with a fair value of \$15,660.

Shares subject to escrow

The issued and outstanding seed shares of 2,000,000 will be held in escrow pursuant to the requirements of the Exchange to be released as to 25% thereof on completion of the Company's Qualifying Transaction, as defined in the policies of the Exchange, and as to 25% thereof on each of the 6th, 12th and 18th months following the initial release.

All stock options and common shares issued prior to the date of the final exchange bulletin pursuant to the exercise of the stock options are subject to escrow.

Preferred shares:

Authorized

The Company is authorized to issue an unlimited number of preferred shares with no par value. The preferred shares are entitled to a priority over the common shares with respect to payment of dividends and the distribution of assets upon the liquidation of the Company.

Stock options:

The stock option plan of the Company provides that the Board of Directors of the Company may from time to time, in its discretion and in accordance with the Exchange requirements, grant to directors, officers, consultants and employees of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the total issued and outstanding common shares of the Company, exercisable for a period of up to ten years from the date of the grant.

The following table summarizes the Company's stock option activity for the periods Indicated:

	Number of Options		Weighted Average Exercise Price	Expiry Date
Balance, August 31, 2022, and February 28, 2023	500,000	\$	0.10	March 15, 2031

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4. Share Capital (continued)

Stock options (continued):

On March 15, 2021, the Company granted options to its directors and officers entitling the purchase of 500,000 common shares at a price of \$0.10 per common share. The options are for a ten-year term, expiring on March 15, 2031, and vest on the date of grant. Options granted were allocated an estimated fair value using the Black-Scholes option pricing model to estimate the fair value using the weighted average assumptions of an expected forfeiture rate of 0%, a risk-free interest rate of 1.54%, an expected dividend yield of 0%, an expected stock price volatility of 100%, and an expected option life of ten years. This resulted in a calculated fair value per stock option of \$0.089. During the three and six months ended February 28, 2023, the Company recognized \$nil and \$nil (three and six months ended February 28, 2022 - \$nil and \$nil) of share-based compensation that were recorded as contributed surplus.

Agent's options:

	Number of agent's option	Weighted Average Exercise Price	Expiry Date
Balance August 31, 2022 and February 28, 2023	300,000	\$ 0.10	March 15, 2023

On March 15, 2021, in connection with the IPO, the Company granted on the closing date to the agent, options to purchase 300,000 common shares at a price of \$0.10 per share. The agent's option expires 24 months from the date the common shares of the Company are listed on the Exchange. Options issued were allocated an estimated fair value using the Black-Scholes option pricing model to estimate the fair value using the weighted average assumptions of an expected forfeiture rate of 0%, a risk-free interest rate of 0.31%, an expected dividend yield of 0%, an expected stock price volatility of 100%, and an expected option life of two years. This resulted in a calculated fair value per option of \$0.052. During the three and six months ended February 28, 2023, the Company recognized \$nil and \$nil (three and six months ended February 28, 2022 - \$nil and \$nil) of share issuance costs that were recorded as contributed surplus.

5. Net loss per share

	SIX MONTHS ENDED FEBRUARY 28, 2023 \$	SIX MONTHS ENDED FEBRUARY 28, 2022 \$
Numerators:		
Net loss and comprehensive loss for the period	(31,689)	(5,406)
Denominators:		
Weighted average number of shares	3,000,000	3,000,000
Basic and diluted loss per share	(0.01)	(0.00)

The basic and dilutive loss per share calculations are the same as stock options and agent's option were not included in the computation of diluted loss per share as their inclusion would be anti-dilutive. Escrow shares are excluded from calculation of weighted average number of shares as they are considered as contingently cancelable shares.

6. Related Party Transactions

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

During the three and six months ended February 28, 2023, \$6,526 and \$12,289 respectively (three and six months ended February 28, 2022 - \$nil and \$nil respectively), of consulting fees were incurred from a company controlled by a director. Included in accounts payable and accrued liabilities as at February 28, 2023 was \$11,526 (August 31, 2022 - \$5,000) owing to a company controlled by a director. All related party transactions are in the normal course of operations and have been measured at the agreed to amounts, which is the amount of consideration established and agreed to by the related parties.

7. Financial Instruments and Risk Management

Fair Values

As at February 28, 2023 and August 31, 2022, the Company's financial instruments consist of cash, and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

The Company is exposed in varying degrees to a number of risks arising from financial instruments. Management's involvement in the operations allows for the identification of risks and variances from expectations. The Company does not participate in the use of financial instruments to mitigate these risks. The Board approves the risk management processes. The Board's main objectives for managing risks are to ensure liquidity, the fulfillment of obligations, the continuation of the Company's search for a Qualifying Transaction, and limited exposure to credit and market risks.

The types of risk exposure and the way in which such exposures are managed are as follows:

Credit Risk

Credit risk is the risk of loss if a third party to a financial instrument fails to meet its commercial obligations. The Company's credit risk is primarily attributable to its cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The Company believes its exposure to credit risk is not significant.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. None of the Company's financial instruments bear interest. Therefore, management believes that the Company is not exposed to any significant interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Accrued liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

8. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and ensure sufficient liquidity in order to complete a Qualifying Transaction so that it can provide adequate returns for shareholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. For the purpose of the Company's capital management, capital includes shareholders' equity.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment. As a CPC, the Company is subject to externally imposed capital requirements as outlined in the TSX-V Policy 2.4. The Company is currently not subject to other externally imposed capital requirements.