TUP Capital Inc.
Financial Statements
February 28, 2022 and 2021

TUP Capital Inc.
Contents

Independent Auditor's Report

To the Shareholders of TUP Capital Inc.:

Opinion

We have audited the financial statements of TUP Capital Inc. (the "Corporation"), which comprise the statements of financial position as at February 28, 2022 and February 28, 2021, and the statements of loss and comprehensive loss, changes in shareholder's equity and cash flows for the year ended February 28, 2022 and for the period from the date of incorporation (October 30, 2020) to February 28, 2021 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 Corporation as at February 28, 2022 and February 28, 2021, and its financial performance and its cash flows for the year ended February 28, 2022 and for the period from the date of incorporation (October 30, 2020) to February 28, 2021 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audits 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 in the financial statements, which indicates that the Corporation incurred a net loss during the year ended February 28, 2022 and, as of that date, the Corporation had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Corporation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information 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 audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation'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 Corporation'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 Corporation'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 Corporation 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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

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

MNP LLP

Ottawa, Ontario	Chartered Professional Accountants
June 28, 2022	Licensed Public Accountants

TUP Capital Inc.
Statements of Financial Position
As at February 28
(in Canadian dollars)

As at	**2022**	2021
	$	$
Assets		
Current		
Cash	**178,607**	21,684
Short-term investments (*Note 4*)	**551,211**	150,000
Prepaid expenses	**-**	35,439
Total Assets	**729,818**	207,123
Liabilities		
Current		
Accounts payable and accrued liabilities	**65,875**	5,000
Total Liabilities	**65,875**	5,000
Shareholders' Equity		
Share capital *(Note 6)*	**806,606**	220,000
Contributed Surplus *(Note 6)*	**106,434**	-
Warrants *(Note 6)*	**55,676**	-
Deficit	**(304,773)**	(17,877)
Total Equity	**663,943**	202,123
Total Liabilities and Equity	**729,818**	207,123

Description of business and going concern *(Note 1)*

Approved on behalf of the Board

[signed] "Paul Barbeau"
Director

[signed] "Michael Labiak"
Director

The accompanying notes are an integral part of these financial statements

TUP Capital Inc.
Statements of Changes in Shareholders' Equity
(in Canadian dollars)

	Share Capital					
	Common Shares (number)	Amount	Contributed Surplus	Warrants	Deficit	Shareholders' Equity
		$	$	$	$	$
Balance - October 30, 2020 (date of Incorporation)	-	-	-	-	-	-
Shares issued	4,400,000	220,000	-	-	-	220,000
Net loss and comprehensive loss	-	-	-	-	(17,877)	(17,877)
Balance - February 28, 2021	**4,400,000**	**220,000**	**-**	**-**	**(17,877)**	**202,123**
Initial public offering (Note 6)	7,500,000	750,000	-	-	-	750,000
Share issuance costs		(107,718)				(107,718)
Issuance of agent warrants	-	(55,676)	-	55,676	-	-
Share-based compensation	-	-	106,434	-	-	106,434
Net loss and comprehensive loss	-	-	-	-	(286,896)	(286,896)
Balance - February 28, 2022	**11,900,000**	**806,606**	**106,434**	**55,676**	**(304,773)**	**663,943**

TUP Capital Inc.
Statements of Loss and Comprehensive Loss
For the year ended February 28, 2022
(Comparative period from the date of incorporation (October 30, 2020) to February 28, 2021)
(in Canadian dollars)

	2022	2021
	$	**$**
Revenue		
Interest income	**1,211**	-
Expenses		
Filing fees	**23,532**	-
Legal and professional fees	**133,452**	17,811
Office/general administrative expenses	**24,689**	66
Share based compensation (Note 6)	**106,434**	-
Total expenses	**288,107**	17,877
Net loss and comprehensive loss	**(286,896)**	(17,877)
Net loss per share		
Basic and diluted	**(0.03)**	(0.00)
Weighted average number of common shares	**10,584,900**	4,400,000

The accompanying notes are an integral part of these financial statements

TUP Capital Inc.
Statements of Cash Flows
For the year ended February 28, 2022
(Comparative period from the date of incorporation (October 30, 2020) to February 28, 2021)
(in Canadian dollars)

	2022	2021
	$	$
Cash provided by (used for) the following activities		
Operating activities		
Net loss	**(286,896)**	(17,877)
Adjusted for the following non-cash items:		
Share based compensation (Note 6)	**106,434**	-
	(180,462)	(17,877)
Changes in working capital accounts		
Prepaid expenses	**35,439**	(35,439)
Accounts payable and accrued liabilities	**60,875**	5,000
Cash used for operating activities	**(84,148)**	(48,316)
Investing Activites		
Purchase of short-term investments	**(1,251,389)**	(150,000)
Redemption of short-term investments	**850,178**	-
Cash used for investing activities	**(401,211)**	(150,000)
Financing activities		
Proceeds from shares issued (net of share issuance costs)	**642,282**	220,000
Increase in cash	**156,923**	21,684
Cash, beginning of year	**21,684**	-
Cash, end of year	**178,607**	21,684

The accompanying notes are an integral part of these financial statements

1. DESCRIPTION OF BUSINESS AND GOING CONCERN

TUP Capital Inc. (the "Corporation") was incorporated under the British Columbia Business Corporations Act on October 30, 2020 and is classified as a Capital Pool Corporation as defined in the Policy 2.4 of the TSX Venture Exchange (the “Exchange”) Corporate Finance Manual (the “Manual”). The principal business of the Corporation is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction (as such term is defined in the Manual) ("QT"). The Corporation has not commenced commercial operations and has no assets other than cash and short-term investments. Given the nature of the activities, no separate segmented information is reported. The Corporation’s continuing operations, as intended, are dependent on its ability to identify and evaluate potential acquisitions of businesses, and once identified and evaluated, to negotiate an acquisition thereof or participation therein subject to receipt of regulatory and, if required, shareholders’ approval.

The registered office of the Corporation is located at Suite 2500 Park Place, 666 Burrard Street, Vancouver BC, V6C 2X8, and the head office of the Corporation is located at One First Canadian Place, Suite 3400, Toronto, ON M5X 1A4.

On June 28, 2022, the Board of Directors of the Corporation approved the audited financial statements for the year ended February 28, 2022.

The global outbreak of COVID-19 (coronavirus) has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

Qualifying Transaction

On November 5, 2021, the Corporation announced that it had entered into a non-binding letter of intent (“LOI”) dated November 4, 2021 with BeyondChipz LLC (““BeyondChipz““), a healthy snack and consumer packaged goods (“CPG”) food Corporation that develops, markets and sells industry leading low-carb, high protein tortilla chips and related products.

Subsequent to the year ended February 28, 2022, on May 2, 2022 the Corporation announced the LOI expired without the Corporation or BeyondChipz entering into a definitive agreement.

Going Concern

The financial statements of the Corporation have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. As at February 28, 2022, the Corporation has a deficit of $304,773 and for the year ended incurred a loss and negative cash flows from operations of $286,896 and $84,148 respectively. The success of the Corporation is dependent on the ability to identify and evaluate potential assets or businesses and, once identified, negotiate and acquire such assets or businesses. The Corporation may require additional financing to continue to pursue its identification and acquisition activities for at least the next 12 months from the reporting period. There is no assurance that the Corporation will be able to complete a QT or raise any necessary financing. These factors indicate the existence of a material uncertainty that may cast doubt as to the Corporation’s ability to continue as a going concern and accordingly use accounting principles applicable to a going concern.

2. BASIS OF PRESENTATION

Statement of compliance

These financial statements are prepared by the Corporation in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") in effect at the closing date of February 28, 2022. The accounting policies applied in these financial statements are presented in Note 3.

Basis of measurement

These financial statements have been prepared under the assumption that the Corporation operates as a going concern and have been prepared on an accrual basis and under historical cost except for certain financial instruments measured at fair value. Furthermore, these financial statements are presented in Canadian dollars which is the functional currency of the Corporation.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements at February 28, 2022 have been prepared in accordance with the following accounting policies.

Cash

Cash is comprised of cash held with a Canadian chartered bank.

Short-term investments

Short-term investments are comprised of liquid investments with maturities within 12 months of the date of the statements of financial position.

Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

<u>Financial assets</u>

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortized cost,
- fair value through profit or loss ("FVTPL"); or

- fair value through other comprehensive income (“FVOCI”).

The classification is determined by both:

- the Corporation’s business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in comprehensive income (loss) (all income and expenses relating to financial assets that are recognized in profit or loss are presented within finance income or other financial items).

Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Corporation’s cash, and short-term investments fall into this category of financial assets.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model than ‘hold to collect’ or ‘hold to collect and sell’, and financial assets the contractual cash flows of which are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique, where no active market exists. The Corporation does not have any financial instruments in this category as at February 28, 2022 or February 28, 2021.

Financial assets at fair value through other comprehensive income (FVOCI)

The Corporation accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is to hold to collect the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in OCI will be recycled upon derecognition of the asset. The Corporation does not have any financial instruments in this category as at February 28, 2022 or February 28, 2021.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss' ("ECL") model. The Corporation considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the financial instrument. In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date. However, none of the Corporation's financial assets fall into this category.

"12-month expected credit losses" are recognised for the first category while "lifetime expected credit losses" are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities

The Corporation's financial liabilities include accounts payable and accrued liabilities. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Corporation designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

The Corporation's financial liabilities are accounts payable and accrued liabilities which are classified and measured at amortized cost.

Share-based compensation

The Corporation uses the fair value method to record share options. The fair value of all share purchase options is expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Corporation uses the Black-Scholes option pricing model to calculate the fair value of share purchase options at the date of the grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, do not necessarily provide a reliable single measure of the fair value of the Corporation's share purchase options.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED*

Loss per share

Basic loss per share is computed by dividing the net loss attributable to common shareholders by the weighted average number of shares outstanding during the reporting period.

Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants (if dilutive).

Diluted loss per share for the year and period ended February 28, 2022 and February 28, 2021 is equal to basic loss per share as the options and warrants are anti-dilutive.

The number of additional shares is calculated by assuming that outstanding dilutive stock options were exercised and the proceeds from such exercise were used to acquire common stock at the average market price during the reporting periods.

Share capital

The Corporation's common shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Warrants

The Corporation engages in equity financing transactions which may involve the issuance of common shares or share purchase warrants ("Warrants"). Depending upon the terms and conditions of each equity financing agreement, the Warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants are valued based on their fair value using the Black-Scholes option pricing model and warrants that are issued as payment for an agency fee or other transaction cost may be accounted for as share based payments, depending on the terms of the issuance.

Income taxes

Tax expense comprises current and deferred tax. Tax is recognized in the statement of loss and comprehensive loss except to the extent it relates to items recognized directly in equity.

Current tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of the assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. The Corporation has identified the following critical accounting policies under which significant judgments, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

In particular, the Corporation has identified the following areas where significant judgments, estimates, and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described below and in the relevant notes to the financial statements.

Significant management judgments

The following are significant management judgments in applying the accounting policies of the Corporation and have the most significant effect on the financial statements.

- Going concern

  The assessment of the Corporation's ability to continue as a going concern and to maintain adequate capital or raise additional funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund identification, evaluation and completing a Qualifying Transaction, involves significant judgments based on expectation of future events that are believed to be reasonable under the circumstances.

- Taxes

  The Corporation recognizes deferred tax assets to the extent that it is probable that future taxable profits will be available to utilize the Corporation's deductible temporary differences which are based on management's judgement on the degree of future taxable profits.

- Financial instruments

  The Corporation is required to classify its various financial instruments into certain categories for the financial instruments' initial and subsequent measurement. This classification is based on management's judgement as to the purpose of the financial instrument and to which category is most applicable.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Corporation based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Corporation. Such changes are reflected in the assumptions when they occur.

- Accruals

  The Corporation records accruals based on estimates when no invoice for services provided have been received. Management has made significant assumptions about the future and if in the event the actual results differ from assumptions made, a material adjustment could result.

- Share-based payments and fair value of warrants

  Share-based payments to directors and officers and warrants issued are measured at the fair value of the equity instruments at the grant date. Determining the fair value of such share-based awards requires judgment as to the appropriate valuation model and the inputs for the model require assumptions including the rate of forfeiture of options granted, the expected life of the option, the expected volatility of the Corporation's share price, the risk-free interest rate and expected dividends.

4. SHORT TERM INVESTMENTS

Short term investments consist of cashable in whole or part guaranteed investment certificates ("GIC") in the total amount of $551,211. The amount, interest and maturity of these GICs are listed below.

	Interest rate	Maturity date	
Guaranteed investment certificate	0.25%	June 8, 2022	**400,825**
Guaranteed investment certificate	0.25%	March 6, 2022	**100,262**
Guaranteed investment certificate	0.20%	March 6, 2022	**50,124**

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital management

The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern and allow it to identify an appropriate business or asset in order to acquire such a business or asset. The Corporation's capital consists of shareholders' equity.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is reasonable. There were no changes in the Corporation's approach to capital management during the year ended February 28, 2022. The Corporation's investment policy is to hold cash in interest bearing bank accounts.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (*CONTINUED*)

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to $3,000 per month may be used for reasonable general and administrative expenses of the Corporation. These restrictions apply until completion of a QT by the Corporation.

At February 28, 2022, the Corporation's financial instruments consist of cash, short term investments, 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.

Fair value

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Corporation classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

As at February 28, 2022 and 2021 the Corporation did not have any financial instruments measured at fair value.

It is management's opinion that the Corporation is not exposed to significant credit, interest, or market risks arising from these financial instruments except as otherwise disclosed.

Credit risk

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its counterparties to fulfill their obligations on maturity periods or due to adverse market conditions. The Corporation's financial assets exposed to credit risk are primarily composed of cash and short-term investments. Maximum exposure is equal to the carrying values of these assets. The Corporation's cash and short-term investments are held in a Canadian bank. The financial assets of the Corporation are neither past due nor impaired as at February 28, 2022 or 2021.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (*CONTINUED*)

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. As at February 28, 2022 (February 28, 2021), the Corporation had a cash balance of $178,607 ($21,684) and short-term investments of $551,211 ($150,000) to settle current liabilities of $65,875 ($5,000). To the extent that the Corporation believes it has sufficient liquidity to meet its current obligations, the Board of Directors may consider securing additional funds through equity or partnering transactions to finance future operations. All the Corporation's financial liabilities are normally paid within 30 days and are subject to normal trade terms. The Corporation has no source of operating cash flow to fund its evaluation potential Qualifying Transaction. Funding for a potential Qualifying Transaction requires equity or debt financing. The Corporation has limited financial resources and there is no assurance that funding will always be available to allow the Corporation to complete a Qualifying Transaction.

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

As at February 28, 2022 and 2021, the Corporation did not have any accounts in foreign currencies and was not exposed to foreign currency risk.

6. SHARE CAPITAL

Authorized

An unlimited number of common shares with no par value.

Issued and outstanding

	Number of Common Shares	Amount
		$
Opening Balance, October 30, 2020	**-**	**-**
Private placement – common shares	4,400,000	220,000
Ending Balance, February 28, 2021	**4,400,000**	**220,000**
Initial public offering	7,500,000	750,000
Share issuance costs	-	(107,718)
Agent Warrants issuance costs	-	(55,676)
Ending Balance, February 28, 2022	**11,900,000**	**806,606**

Private Placement

During the period ended February 28, 2021, the Corporation authorized a private placement of 4,400,000 common shares at a price of $0.05 per share for gross proceeds of $220,000. Share issuance costs of $Nil were associated with these subscriptions.

6. SHARE CAPITAL *(CONTINUED)*

Initial Public Offering

On May 31, 2021 the Corporation completed its Initial Public Offering ("IPO"). The IPO offered 7,500,000 Common Shares at a price of $0.10 per Common Share for gross proceeds of $750,000. The Corporation incurred $107,718 in cash share issuance costs associated with legal and underwriting fees and the original fair value estimated on grant of the agent warrants totaled $55,676.

Stock option plan

The Corporation has established a stock option plan available for directors, officers, employees and consultants, and has authorized a stock option pool equal to 10% of the outstanding common shares at the date of the grant. The exercise price of each option granted under the plan shall be determined by the Board of Directors.

Options may be granted for a maximum term of ten years from the date of the grant. They are non-transferable and are exercisable as determined by the Board of Directors when the option is granted. Options expire within 90 days of termination of employment or holding office as director or officer of the Corporation (other than in connection with the completion of the QT – in which case one year) and in the case of death, expire with a maximum period of one year after such death, subject to the expiry date of the option.

Any options granted, and any shares issued upon exercise of options, prior to the Corporation's completion of a QT will be subject to escrow restrictions. In addition to the forgoing, any options with an exercise price less than the offering price per common share in the IPO will be subject to the same escrow release schedule as the common shares issued for a price less than the offering price per common share in the IPO.

A summary of the Corporation's stock options and changes during the year is presented below:

	2022		2021	
	Number of Options	**Weighted Average Exercise Price ($)**	Number of Options	Weighted Average Exercise Price ($)
Outstanding, beginning of year	**-**	**-**	-	-
Granted	**1,190,000**	**0.10**	-	-
Forfeited	**-**	**-**	-	-
Expired	**-**	**-**	-	-
Outstanding, end of year	**1,190,000**	**0.10**	-	-
Exercisable, end of year	**1,190,000**	**0.10**	-	-

6. SHARE CAPITAL *(CONTINUED)*

The following table summarizes the options outstanding and exercisable:

2022				2021			
Options Outstanding			**Options Exercisable**	Options Outstanding			Options Exercisable
Exercise Price ($)	**Number Outstanding**	**Weighted Average Remaining Contractual Life (years)**	**Number Exercisable**	Exercise Price ($)	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Number Exercisable
$ 0.10	**1,190,000**	**9.25**	**1,190,000**	$ -	-		-

The fair value of options granted is determined using the Black-Scholes option pricing model. All options granted during the year were granted on May 31, 2021 and immediately vested. The underlying expected volatility was determined by reference to comparable entities with historical share data over the expected life of the options. The following weighted average assumptions were used for options granted in the period:

	Year ended February 28, 2022
Risk-free interest rate	**1.49%**
Expected life of options (years)	**10**
Expected annualized volatility	**100%**
Expected dividend yield	**N/A**
Estimated forfeiture rate	**0%**
Weighted average fair value of each option	**$0.09**

The estimated fair value of current year options issued, included in, share-based compensation, is $106,434 and is recorded as an increase to contributed surplus.

Agent warrants

On May 31, 2021, the Corporation granted 750,000 warrants as part of the shares sold through their initial public offering. Each warrant is exercisable into one common share of the Corporation at a price of $0.10 per share and expires on May 31, 2026.

	Warrants Outstanding	**Weighted Average Exercise Price**
	#	$
Outstanding, beginning of year	-	-
Granted	750,000	0.10
Exercised	-	-
Expired/cancelled	-	-
Outstanding February 28, 2022	**750,000**	**0.10**

6. SHARE CAPITAL *(CONTINUED)*

The estimated fair value of warrants granted was determined using the Black-Scholes option pricing model and was recorded in the warrants reserve in the amount of $55,676. The underlying expected volatility was determined by reference to comparable entity share data over the expected life of the warrants. The following weighted average assumptions were used for warrants granted during the year ended February 28, 2022:

	Year ended February 28, 2022
Risk-free interest rate	**0.90%**
Expected life of options (years)	**5**
Expected annualized volatility	**100%**
Expected dividend yield	**N/A**
Estimated forfeiture rate	**0%**
Weighted average fair value of each option	**$0.07**

7. KEY MANAGEMENT PERSONNEL AND DIRECTOR COMPENSATION

Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the Corporation and are defined as the Chief Officers of the Corporation and the Corporation's Board of Directors.

During the year ended February 28, 2022 the Corporation was invoiced $7,772 (2021 - $Nil) by a corporation controlled by a director and officer for administration services provided. Included in accounts payable and accrued liabilities is $7,494 (2021 - $5,000) owed to the CEO for amounts paid on behalf of the Corporation.

During the year ended February 28, 2022 there was $106,434 (2021 - $Nil) in share-based compensation to key management and directors.

8. INCOME TAXES

The recovery of income taxes attributable to the loss before taxes differs from the amounts computed by applying the combined federal and provincial tax rate of 26.5% (2021 - 26.5%) as a result of the following:

	2022	2021
Loss before income taxes	**(286,896)**	(17,877)
Income tax recovery using statutory tax rates	**(76,028)**	(4,737)
Non-deductible expenses	**28,205**	-
Share issue costs and other	**(16,158)**	-
Tax benefits not recognized	**63,981**	4,737
	-	-

Unrecognized deductible temporary differences consist of the following:

	2022	2021
Non-capital losses carried-forward	214,497	17,877
Share issue costs	91,560	-
	306,057	17,877

At February 28, 2022, the Corporation had non-capital loss carry forwards available to reduce future years' income for tax purposes. The non-capital losses will expire as follows:

	Amount ($)
2041	17,877
2042	196,920
	214,497