Financial Statements of

MICHICHI CAPITAL CORP.

For the Years Ended December 31, 2022 and December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Michichi Capital Corp.

Opinion

We have audited the financial statements of Michichi Capital Corp. (the Entity), which comprise:

- the statements of financial position as of December 31, 2022, and December 31, 2021
- the statements of operations and comprehensive loss for the year ended December 31, 2022 and the period from the date of incorporation on March 16, 2021 to December 31, 2021
- the statements of changes in shareholders' equity for the year ended December 31, 2022 and the period from the date of incorporation on March 16, 2021 to December 31, 2021
- the statements of cash flows for the year ended December 31, 2022 and the period from the date of incorporation on March 16, 2021 to December 31, 2021
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2022, and December 31, 2021 and its financial performance and its cash flows for the year ended December 31, 2022 and the period from the date of incorporation on March 16, 2021 to December 31, 2021 in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises the Management Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in the Management Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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

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

Those charged with governance are responsible for overseeing the Entity'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 the 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 Entity'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 Entity'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 Entity 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.

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

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and 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 auditor's report is Stephanie Regier Pankratz.

Chartered Professional Accountants

Calgary, Canada
April 28, 2023

MICHICHI CAPITAL CORP.
Statements of Financial Position

As at December 31,		**2022**		**2021**
Assets				
Current assets:				
Cash	$	484,351	$	556,187
Other receivables		2,527		-
	$	486,878	$	556,187
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	12,389	$	24,317
Shareholders' equity:				
Share capital (note 3)		730,809		730,809
Contributed surplus (note 3)		77,871		77,871
Warrants (note 3)		39,188		39,188
Deficit		(373,379)		(315,998)
		474,489		531,870
	$	486,878	$	556,187

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

Approved by the Board of Directors

Approved by the Board of Directors	*Signed "Elson McDougald"*	*Signed "Brent Moen"*
	Director	Director

MICHICHI CAPITAL CORP.
Statements of Operations and Comprehensive Loss

	Year End December 31, 2022	Period from the date of incorporation on March 16, 2021 to December 31, 2021
Expenses:		
General and administrative expense (note 7)	$ 57,381	$ 238,127
Share based compensation	-	77,871
Net loss and comprehensive loss for the period	$ 57,381	$ 315,998
Loss per share:		
Basic and diluted	$ 0.04	$ 0.22
Weighted average number of common shares outstanding:		
Basic and diluted	1,443,155	1,443,155

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

MICHICHI CAPITAL CORP.

Statements of Changes in Shareholder's Equity

Year ended December 31, 2022 and period from the date of incorporation on March 16, 2021 to December 31, 2021

December 31, 2021	Share Capital	Contributed surplus	Warrants	Deficit	Total shareholders' equity
Issue of common shares	$ 900,000	$ -	$ -	$ -	$ 900,000
Share issuance costs	(130,003)	-	-	-	(130,003)
Warrants issued	(39,188)	-	39,188	-	-
Share based compensation	-	77,871	-	-	77,871
Net loss for the period	-	-	-	(315,998)	(315,998)
December 31, 2021	$ 730,809	$ 77,871	$ 39,188	$ (315,998)	$ 531,870
December 31, 2022					
Net loss for the period	-	-	-	(57,381)	(57,381)
December 31, 2022	$ 730,809	$ 77,871	$ 39,188	$ (373,379)	$ 474,489

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

MICHICHI CAPITAL CORP.
Statements of Cash Flows

		Year End December 31, 2022		Period from the date of incorporation on March 16, 2021 to December 31, 2021
Cash flows from operating activities:				
Net loss for the period	$	(57,381)	$	(315,998)
Share based compensation		-		77,871
Change in non-cash working capital:				
Accounts Receivable		(2,527)		-
Accounts payable and accrued liabilities		(11,928)		24,317
Net cash used in operating activities		(71,836)		(213,810)
Cash flows from financing activities:				
Issuance of share capital, net of issuance costs		-		769,997
Net cash from financing activities		-		769,997
Change in cash		(71,836)		556,187
Cash, beginning of period		556,187		-
Cash, end of period	$	484,351	$	556,187

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

1. Nature of operations:

Michichi Capital Corp. (the "Corporation") was incorporated under the Alberta Business Corporations Act on March 16, 2021 and is currently classified as a Capital Pool Corporation ("CPC"), as defined in Policy 2.4 (the "CPC Policy") of the TSX Venture Exchange Inc. (the "Exchange"). 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 Exchange Policy 2.4 ("QT"). The Corporation has not commenced operations and has no assets other than cash and GST receivable. The Corporation's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition, or business, or an interest therein. Such an acquisition or business will be subject to the approval of the Exchange and in the case of a non-arm's length transaction, of the majority of the Corporation's minority shareholders.

When a QT has been identified, the ability of the Corporation to complete the transaction may require additional funding. There is no assurance that the Corporation will be successful in obtaining any additional funding.

On January 13, 2023, the Corporation and Zylorion Health Inc. (formerly PsiloTec Health Solutions Inc.) ("Zylorion") announced that they terminated the non-binding letter of intent dated August 12, 2021, pursuant to which the Corporation and Zylorion intended to complete a business combination or other similarly structured transaction, which would have constituted a reverse take-over of the Corporation. Michichi continues to identify and evaluate assets and businesses with a view to completing a QT in accordance with the CPC Policy of the Exchange.

The head office of the Corporation is located at Suite 1242 – 12 Royal Vista Way NW, Calgary, AB, T3R 0N2.

The registered office and records office of the Corporation is located at 1200 Waterfront Centre, 200 Burrard Street, Vancouver BC, V6C 3L6.

2. Basis of presentation:

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

These financial statements were approved by the Board of Directors on April 28, 2023.

(b) Basis of preparation:

These financial statements are presented in Canadian dollars, which is the Corporation's functional and reporting currency.

These financial statements are prepared on a historical cost basis.

2. Basis of presentation (continued):

(c) Significant accounting judgement, estimates and assumptions:

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. There have been no significant estimates or judgements made by management in the application of IFRS that have a significant effect on these financial statements.

The accounting policies set out below have been applied consistently throughout all periods presented in these financial statements.

(d) Financial instruments:

Financial assets and financial liabilities are measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial instrument’s classification, as described below.

Amortized cost:

A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of cash flows; and all contractual cash flows represent only principal and interest. All financial liabilities are measured at amortized cost using the effective interest method except for liabilities incurred for the purposes of selling or repurchasing in the short-term.

Fair value through other comprehensive income (“FVTOCI”):

A financial asset shall be measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. These financial labilities are recognized at fair value each period with changes recorded in OCI.

2. Basis of presentation (continued):

Fair value through profit of loss ("FVTPL"):

All financial assets that do not meet the definition of being measured at amortized cost or FVTOCI are measured at FVTPL, this includes all derivative financial assets. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. For financial assets and liabilities, the Corporation may make an irrevocable election to designate the asset or liability at FVTPL. If the election is made it is irrevocable, meaning that asset, liability, or group of financial instruments must be recorded at FVTPL until that asset, liability or group of financial instruments are derecognized.

The Corporation's cash and accounts payable and accrued liabilities are measured at amortized cost.

Financial assets and liabilities are offset and the net amount is reported on the statement of financial position when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(e) Determination of fair values:

A number of the Corporation's accounting policies and disclosures require the determination of fair value, both for financial and non-financial assets and liabilities. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The different levels of financial instrument valuation methods have been defined as follows:

Level 1 fair value measurements are based on unadjusted quoted market prices. Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices. Level 3 fair value measurements are based on unobservable information.

The carrying values of cash and accounts payable and accrued liabilities included in the statement of financial position approximate their fair values due to the short-term nature of those instruments.

(f) Impairment:

Impairment of financial assets is determined by measuring the assets' expected credit loss ("ECL"). The cash and cash equivalents are held with a Canadian chartered bank.

2. Basis of presentation (continued):

(g) Income taxes:

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(h) Per share amounts:

Basic loss per share is calculated by dividing the profit or loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is determined by dividing the profit or loss attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for the effects of all potential dilutive common shares related to outstanding stock options and warrants. Anti-dilutive instruments are excluded from the calculation and when the Corporation is in a loss, all instruments are considered anti-dilutive.

2. Basis of presentation (continued):

(i) Share based compensation:

The Corporation has an equity settled share option plan for eligible employees, directors, and consultants of the Corporation. The Corporation follows the fair-value method to record share-based compensation expense with respect to share options granted. The fair value of each option granted is estimated on the date of grant and that value is recorded as share-based compensation expense over the vesting period of those grants, with a corresponding increase to contributed surplus. The consideration received by the Corporation on the exercise of share options is recorded as an increase to issued capital together with corresponding amounts previously recognized in contributed surplus.

(j) Warrants:

The Corporation's warrants were issued as agency fees for the IPO. The fair value of the warrants was estimated on the grant date and that value is recorded as a decrease to share capital and corresponding increase to warrants. Upon exercise of the warrants, consideration paid by the warrant holder together with the amount previously recognized as warrants is recorded as an increase to share capital.

3. Share capital:

(a) Authorized:

Unlimited number of common shares
Unlimited number of preferred shares

(b) Issued common shares:

	Number of Shares	Carrying value
Issued on incorporation at $0.25 per share (Note 6)	1,000	$ 250
Issued at $0.25 per share (Note 6)	599,000	149,750
Issued at $0.50 per share	1,500,000	750,000
Share issue costs	–	(169,191)
As at December 31, 2022 and December 31, 2021	2,100,000	$ 730,809

On July 15, 2021, the Corporation issued 1.5 million common shares at $0.50 per common share to raise gross proceeds of $750,000 (the "IPO") and entered into an agency agreement with Lightyear Capital Inc. (the "Agent") as agent for the IPO. The Corporation issued warrants to the Agent to purchase 150,000 common shares at an exercise price of $0.50 per common share. The warrants will expire in July 2023. There were no equity transactions in the current year.

3. Share capital (continued):

(b) Stock options and warrants:

The estimated fair value of the warrants of $39,188 or $0.26 per warrant was calculated at the grant date using the Black-Scholes option pricing model. The assumptions for this calculation were a risk-free interest rate of 0.42%, volatility of 100%, and annual rate of dividend of 0%. The fair value of the warrants is included in share issue costs.

Concurrent with the closing of the initial public offering and pursuant to an escrow agreement signed June 23, 2021, 600,000 common shares held by the directors and officers of the Corporation were placed into escrow, to be released in accordance with Exchange Policy 2.4. Subject to various requirements of this policy, the escrow provisions are generally that 25% of the escrowed shares are released upon completion of a qualifying transaction and an additional 25% are released every 6 months thereafter.

The Corporation has an incentive stock option plan (the “Option Plan”). The Board of Directors may grant stock options to eligible directors, officers, employees and consultants in accordance with the terms of the Option Plan. In conjunction with the IPO, the Corporation issued 210,000 stock options with an exercise price of $0.50 per common share that vested upon grant and expire in July 2026.

The fair value of stock options granted was estimated to be $77,871 or $0.37 per option. The fair value was calculated at the grant date using the Black-Scholes option pricing model. The assumptions for this calculation were a risk-free interest rate of 0.79%, volatility of 100%, and annual rate of dividend of 0%.

4. Income taxes:

The provision for income taxes varies from the amount that would be computed by applying the expected tax rate to loss before income taxes. The principal reasons for differences between such “expected” income tax recovery and the amount recorded are as follows:

	2022	2021
Loss before income taxes	$ 57,381	$ 315,998
Statutory income tax rate	23%	23%
Expected income tax recovery	13,198	72,680
Add:		
Stock based compensation	-	(17,910)
Unrecognized tax benefits	(13,198)	(54,770)
Deferred income tax expenses	$ -	$ –

4. Income taxes (continued):

Deferred tax assets have not been recognized in respect of the following deductible temporary differences.

	2022	2021
Non-capital losses and share issue costs	$ 425,381	$ 368,000

Deferred tax assets have not been recognized in respect of these items because it is not considered probable that future taxable profits will be available against which such losses could be utilized.

5. Financial risk management objectives and policies:

(a) Capital Management:

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern, in order to provide returns for the shareholders and benefits for other stakeholders. The Corporation includes equity, comprised of issued common shares, in the definition of capital.

The Corporation's primary objective, with respect to its capital management, is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to purse this objective, the Corporation may attempt to raise additional funds through the issuance of equity and by securing strategic partners.

Whilst the Corporation is a CPC, it is subject to externally imposed capital requirements under the policies and regulations of Exchange applicable to CPC entities. In summary, the Corporation is required to use its available funds to identify and complete a QT and fund reasonable general and administrative costs, including costs related to the initial public offering of the CPC. There are prohibitions under the policies and regulations of the Exchange to use available funds for payments to non-arm's length parties in the form of compensation such as salaries, consulting fees and bonuses.

(b) Risk disclosures:

(i) Credit risk:

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Corporation's cash on hand. The carrying amounts of cash and other receivables represents the maximum credit exposure to the Corporation. The Corporation manages credit exposure related to cash by selecting financial institution counterparties with high credit ratings or retaining the cash in trust with external legal counsel. Other receivables consist of GST receivable and accordingly do not have significant credit risk.

5. Financial risk management objectives and policies (continued):

(b) Risk disclosures (continued):

(ii) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Corporation has accounts payable and accrued liabilities of $12,389 at December 31, 2022 (December 31, 2021: $24,317).

(iii) 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 does not have significant exposure to these risks.

6. Related party transactions:

In the prior year, the Corporation issued 600,000 common shares at $0.25 per share for gross proceeds of $150,000 to Officers and/or Directors of the Corporation.

Key management compensation comprised 210,000 stock options issued to Officers and/or Directors of the Corporation in 2021. See Note 3 (b). There were no transactions with related parties in 2022.

7. General and administrative expense:

General and administrative expenses for the year consists of legal costs of $29,671 (2021: $171,172), auditor fees of $12,187 (2021: $31,458), bank charges of $351 (2021: $269), and other general and administrative costs of $15,172 (2021: $35,228).