
PC 1 CORP.
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2022 AND
FOR THE PERIOD FROM JANUARY 8, 2021 (Date of Incorporation)
TO JULY 31, 2021

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CONTENTS

	Page
Management's Responsibility	1
Independent Auditors' Report	2 - 3
Statements of Financial Position	4
Statements of Changes in Shareholders' Equity	5
Statements of Operations and Comprehensive Loss	6
Statements of Cash Flows	7
Notes to the Financial Statements	8 - 20

Management's Responsibility

To the Shareholders of PC 1 Corp. (the "**Corporation**"):

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safe guarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed of Directors who may be neither management nor employees of the Corporation. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving financial information. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Corporation's external auditors.

Clearhouse, LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

/s/ Aaron Eisenberg

Aaron Eisenberg
Chief Executive Officer and Chief Financial Officer

Toronto, Ontario
November 24, 2022

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
PC 1 Corp.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of PC 1 Corp. (the "Company"), which comprise the statements of financial position as at July 31, 2022 and 2021, and the statements of loss and comprehensive loss, statements of cash flows and statement of changes in equity for the year ended July 31, 2022 and for the period from January 8, 2021 (date of incorporation) to July 31, 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 Company as at July 31, 2022 and 2021, and its financial performance and its cash flows for the year ended July 31, 2022 and for the period from January 8, 2021 (date of incorporation) to July 31, 2021, in accordance with International Financial Reporting Standards.

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 report. We are independent of the Company 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the financial statements, which indicates that the Company incurred a comprehensive loss of \$44,086 for the year ended July 31, 2022. 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 Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the management's discussion and analysis but does not include the financial statements and our auditor's report thereon.

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 audit 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 audit or otherwise appears to be materially misstated.

If, based on the work we have performed, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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



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 Pat Kenney.

Clearhouse LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
November 24, 2022

PC 1 CORP.
STATEMENTS OF FINANCIAL POSITION
(All Amounts are in Canadian Dollars)

As at July 31,	2022	2021
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ASSETS

CURRENT

Cash and cash equivalents	\$ 513,552	\$ 216,984
Commodity tax receivables	29,891	7,043
Prepaid expenses	<u>2,167</u>	<u>7,500</u>
	<u>\$ 545,610</u>	<u>\$ 231,527</u>

LIABILITIES

CURRENT

Accounts payable and accrued liabilities (Note 3)	<u>\$ 31,069</u>	<u>\$ 45,811</u>
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SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 4)		
Issued and Outstanding	564,594	255,000
CONTRIBUTED SURPLUS (Note 5)	82,238	18,920
ACCUMULATED DEFICIT	<u>(132,291)</u>	<u>(88,204)</u>
	<u>514,541</u>	<u>185,716</u>
	<u>\$ 545,610</u>	<u>\$ 231,527</u>

Nature of Organization and Going Concern (Note 1)
Commitments (Note 6)
Contingency (Note 7)

APPROVED ON BEHALF OF THE BOARD:

/s/ "Aaron Eisenberg"
Aaron Eisenberg, Director

/s/ "Sruli Weinreb"
Sruli Weinreb, Director

PC 1 CORP.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(All Amounts are in Canadian Dollars)

	Number of Common Shares	Amount of Common Shares	Contributed Surplus	Accumulated Deficit	Shareholders' Equity
Date of Incorporation, January 8, 2021	5,100,000	\$ 255,000	\$ —	\$ —	\$ 255,000
Stock-based compensation	—	—	18,920	—	18,920
Net loss for the period	—	—	—	(88,204)	(88,204)
Balance, July, 2021	5,100,000	\$ 255,000	\$ 18,920	\$ (88,204)	\$ 185,716
Balance, August 1, 2021	5,100,000	\$ 255,000	\$ 18,920	\$ (88,204)	\$ 185,716
Issuance of common shares for cash (Note 4)	5,000,000	473,780	26,220	—	500,000
Share issuance costs (Note 4)	—	(189,186)	—	—	(189,186)
Shares issued to brokers (Note 4)	250,000	25,000	—	—	25,000
Stock-based compensation (Note 5)	—	—	37,098	—	37,098
Net loss for the period	—	—	—	(44,087)	(44,087)
Balance, July 31, 2022	10,350,000	\$ 564,594	\$ 82,238	\$ (132,291)	\$ 514,541

PC 1 CORP.
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(All Amounts are in Canadian Dollars)

	Year Ended July 31, 2022	Period from January 8, 2021 (Date of (Incorporation) to July 31, 2021
REVENUES	\$ —	\$ —
EXPENSES		
Consulting fees (Note 6)	24,000	16,548
Stock based compensation (Note 6)	37,098	18,920
Professional fees	23,136	52,087
Regulatory fees	9,853	649
	<u>94,087</u>	<u>88,204</u>
OPERATING LOSS	(94,087)	(88,204)
Termination Fee	<u>50,000</u>	<u>—</u>
LOSS BEFORE INCOME TAXES	(44,087)	(88,204)
Recovery of (provision for) income taxes	<u>—</u>	<u>—</u>
NET LOSS FROM OPERATIONS AND COMPREHENSIVE LOSS	<u>\$ (44,087)</u>	<u>\$ (88,204)</u>
NET LOSS PER COMMON SHARE		
Basic and Diluted	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>
Weighted Average Common Shares Outstanding	<u>8,566,438</u>	<u>3,750,000</u>

PC 1 CORP.
STATEMENTS OF CASH FLOWS
(All Amounts are in Canadian Dollars)

	Year Ended July 31, 2022	Period from January 8, 2021 (Date of (Incorporation) to July 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (44,087)	\$ (88,204)
Items not effecting cash:		
Stock-based compensation	37,098	18,920
Change in working capital items:		
Commodity tax receivable	(22,848)	(7,043)
Prepaid expenses and deposits	5,333	(7,500)
Accounts payable and accrued liabilities	<u>(14,742)</u>	<u>45,811</u>
CASH FLOWS USED IN OPERATING ACTIVITIES	<u>(39,246)</u>	<u>(38,016)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Common shares issued for cash	500,000	255,000
Issuance costs	<u>(164,186)</u>	<u>—</u>
CASH FLOWS PROVIDED FROM FINANCING ACTIVITIES	<u>335,814</u>	<u>255,000</u>
INCREASE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD	296,568	216,984
CASH AND CASH EQUIVALENT		
Beginning of the year/period	<u>216,984</u>	<u>—</u>
End of the year/period	<u>\$ 513,552</u>	<u>\$ 216,984</u>

PC 1 CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2022 AND
FOR THE PERIOD FROM JANUARY 8, 2021 (Date of Incorporation) TO JULY 31, 2021
(All Amounts are in Canadian Dollars)

1. Nature of Organization

Description of the Business

PC 1 Corp. ("**Corporation**") was incorporated under the Ontario Business Corporations Act on January 8, 2021. Its registered head office is 10 Wanless Ave, Toronto, Ontario. The principal business of the Corporation is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("**QT**").

These financial statements ("**Financial Statements**") of the Corporation were authorized for issue in accordance with a resolution of the directors on November 24, 2022.

As at July 31, 2022, the Corporation had no sources of operating cash flows. As at July 31, 2022, the Corporation had working capital of \$514,541 (July 31, 2021 – \$185,716), and has incurred losses since inception, resulting in an accumulated deficit of \$132,291 (July 31, 2021 - \$88,204). These circumstances indicate that material uncertainties exist that may cast significant doubt about the Corporation's ability to continue as a going concern and, accordingly, the ultimate use of accounting principles applicable to a going concern. The Corporation's ability to continue as a going concern is dependent upon raising additional capital to meet its present and future commitments, the continued support of certain shareholders and trade creditors, and on achieving profitable commercial operations. If additional financing is arranged through the issuance of shares, control of the Corporation may change and shareholders may suffer significant dilution.

In December 2021, the Corporation successfully completed its IPO to have its common shares listed on the TSX-Venture Exchange (the "**Exchange**") as a Capital Pool Company (as defined by the Exchange), however there is no assurance that the Corporation will subsequently identify a Qualifying Transaction within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or delist the Corporation's shares from trading.

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 expensed for general and administrative costs prior to the completion of the QT transaction as defined under the policies of the Exchange. The Corporation is required to complete its QT on or before two years from the date the Corporation receives regulatory approval.

These financial statements been prepared on a going concern basis which assumes that the Corporation will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Realization values may be substantially different from carrying values as shown and the financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Corporation be unable to continue as a going concern. These adjustments could be material.

PC 1 CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2022 AND
FOR THE PERIOD FROM JANUARY 8, 2021 (Date of Incorporation) TO JULY 31, 2021
(All Amounts are in Canadian Dollars)

2. Summary of Significant Accounting Policies

In March 2020, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation in future periods.

Statement of Compliance

The Financial Statements of the Corporation for the year ended July 31, 2022 and for the period of January 8, 2021 (date of incorporation) to July 31, 2021 have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) in effect as of that date.

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

Basis of Measurement

These Financial Statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Functional and presentation currency

These Financial Statements are presented in Canadian dollars, which is the Corporation’s functional currency.

Use of Estimates and Judgments

The preparation of these financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as at the date of the financial statements. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenues, and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. Significant estimates and judgments made by management in the preparation of these financial statements are outlined below:

PC 1 CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2022 AND
FOR THE PERIOD FROM JANUARY 8, 2021 (Date of Incorporation) TO JULY 31, 2021
(All Amounts are in Canadian Dollars)

2. Summary of Significant Accounting Policies - continued

Income Taxes

The calculation of income taxes requires judgment in interpreting tax rules and regulations. There are transactions and calculations for which the ultimate tax determination is uncertain. The Corporation's tax filings also are subject to audits, the outcome of which could change the amount of current and deferred tax assets and liabilities. Management believes that it has sufficient amounts accrued for outstanding tax matters based on information that currently is available.

Management judgment is used to determine the amounts of deferred tax assets and liabilities and future tax liabilities to be recognized. In particular, judgment is required when assessing the timing of the reversal of temporary differences to which future income tax rates are applied.

Going Concern

Management assessment of going concern and uncertainties of the Corporation's ability to raise additional capital and/or obtain financing to meet its commitments.

Stock-Based Compensation

Management is required to make certain estimates when determining the fair value of stock option awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as stock-based compensation in the statements of income (loss) and comprehensive loss based on estimates of forfeiture, risk free interest rates, volatility of the Corporation's stock, and expected lives of the underlying stock options.

Cash and Cash Equivalents

Cash and cash equivalents may include demand deposits with banks, money market accounts, and other short-term investments with original maturities of 90 days or less.

Transactional Costs

The costs incurred relating to transactional costs are expensed as incurred.

Deferred Financing Costs

Financing costs related to the Corporation's proposed financing are recorded as deferred financing costs. These costs will be deferred until the financing is completed, at which time the costs will be charged against the proceeds received. If the financing does not close, the costs will be charged to statements of operations and comprehensive loss.

Incremental costs incurred in respect of raising capital are charged against equity or debt proceeds raised. Costs associated with the issuance of common share are charged to capital stock upon the raising of equity. Costs associated with the issuance of debt are amortized using the effective interest method over the life of the debt.

Income Taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive loss. Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

PC 1 CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2022 AND
FOR THE PERIOD FROM JANUARY 8, 2021 (Date of Incorporation) TO JULY 31, 2021
(All Amounts are in Canadian Dollars)

2. Summary of Significant Accounting Policies - continued

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Provision

Provisions are recognized when the Corporation has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pretax rate that reflects current market assessments of the time value of money and the risk specific to the obligation.

Loss Per Share

Loss per common share have been determined by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding during the period, excluding shares securing employee share purchase loans and shares in escrow, if any. The Corporation follows the "treasury stock" method in the calculation of diluted earnings per share. Under this method, the calculation of diluted earnings per share assumes that outstanding options and warrants that are dilutive to earnings per share are exercised and the proceeds are used to repurchase shares of the Corporation at the average market price of the shares for the period. The treasury stock method is not used to calculate diluted loss per share because the result would be anti-dilutive. Loss per share per share (diluted) are equivalent measures and calculated on a non-dilutive basis.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Leases and right-of-use assets

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation assesses whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for

- The contract involves the use of an identified asset;
- The Corporation has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Corporation has the right to direct the use of the asset.

PC 1 CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2022 AND
FOR THE PERIOD FROM JANUARY 8, 2021 (Date of Incorporation) TO JULY 31, 2021
(All Amounts are in Canadian Dollars)

2. Summary of Significant Accounting Policies - continued

At inception, the Corporation allocates the consideration in the contract to each lease component on the basis of the relative stand-alone prices.

(i) As a lessee

The Corporation recognizes a right-of-use asset and a lease obligation at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation. Right-of-use assets are tested for impairment in accordance with IAS 36 – Impairment of Assets, and impairments are recorded in restructuring and other charges on the statements of income.

The lease obligation is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate ("IBR") as the discount rate.

The lease obligation is subsequently measured at amortized cost using the effective interest method ("EIR") and is adjusted for accrued interest and lease payments when there is a change in future lease payments arising from a change in an index or rate. It is remeasured if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, if there are modifications to the lease conditions such as a change of square footage of a lease, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease obligation is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, as permitted, the Corporation has opted to recognize a lease expense on a straight-line basis. This expense is presented within Operating Costs in the statements of income. The amounts related to these low value leases are immaterial.

(ii) As a lessor

When the Corporation acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease.

To classify each lease, the Corporation makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Corporation considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

PC 1 CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2022 AND
FOR THE PERIOD FROM JANUARY 8, 2021 (Date of Incorporation) TO JULY 31, 2021
(All Amounts are in Canadian Dollars)

2. Summary of Significant Accounting Policies - continued

The Corporation assessed and classified its subleases as finance leases, and therefore derecognized the right-of-use assets relating to the respective head leases being sublet, recognized lease receivables equal to the net investment in the subleases, retained the previously recognized lease obligations in its capacity as lessee, recognized the related interest expense thereafter and recognized interest income on the subleases receivable in its capacity as finance lessor.

Financial Instruments

Recognition

The Corporation recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Corporation has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Corporation has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Classification and Measurement

The Corporation determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- those to be measured subsequently at fair value, either through profit or loss (“**FVTPL**”) or through other comprehensive income (“**FVTOCI**”); and,
- those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting date. All other financial assets are measured at their fair values at each subsequent reporting date, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

- amortized cost;
- FVTPL, if the Corporation has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
- FVTOCI, when the change in fair value is attributable to changes in the Corporation’s credit risk.

The Corporation reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified. The Corporation’s financial assets consist of cash which is classified and measured at FVTPL.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost or FVTOCI are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed in profit or loss.

PC 1 CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2022 AND
FOR THE PERIOD FROM JANUARY 8, 2021 (Date of Incorporation) TO JULY 31, 2021
(All Amounts are in Canadian Dollars)

2. Summary of Significant Accounting Policies - continued

The Corporation's financial liabilities consist of accounts payable and accrued liabilities, which are classified and measured at amortized cost using the effective interest method.

Impairment

The Corporation assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Corporation compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

Stock-based compensation

The fair value of stock options granted is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Corporation.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Stock option expense incorporates an expected forfeiture rate for those options that do not vest immediately. Amounts recorded for expired unexercised stock options and warrants are transferred to deficit on expiry.

3. Accounts Payable and Accrued Liabilities

As at	July 31, 2022	July 31, 2021
Trade payables	\$ 24,069	\$ 648
Accrued expenses	7,000	45,163
	<u>\$ 31,069</u>	<u>\$ 45,811</u>

4. Capital Stock

The Corporation is authorized to issue an unlimited number of common shares and preferred shares.

Subject to an Escrow Agreement pursuant to the requirements of the Exchange, 5,100,000 common shares issued prior and at a discount to the IPO price will be held in escrow. Under the terms of the Escrow Agreement, these shares will be released as to 25% thereof on the completion of the Corporation's QT, 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.

PC 1 CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2022 AND
FOR THE PERIOD FROM JANUARY 8, 2021 (Date of Incorporation) TO JULY 31, 2021
(All Amounts are in Canadian Dollars)

4. Capital Stock – continued

All common shares of the Corporation acquired in the secondary market prior to the completion of a QT by a Control Person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer will also be subject to escrow.

Common shares issued

	Number of Shares	Share Capital
Balance, upon incorporation and July 31, 2021	5,100,000	\$255,000
Issuance of common shares (i)	5,000,000	473,780
Share issuance cost (i)	—	(189,186)
Shares issued to brokers (i)	250,000	25,000
Balance, July 31, 2022	10,350,000	\$564,594

- (i) During the year ended July 31, 2022, the Corporation raised \$500,000 via the issuance of 5,000,000 common shares less \$189,186 in issuance costs. In addition, the Corporation issued 250,000 for services with a deemed value of \$25,000.

5. Contributed Surplus

The Corporation's contributed surplus consists of the following:

	General	Incentive Stock Option	Warrants	Total
Balance, January 8, 2021	\$ —	\$ —	\$ —	\$ —
Issuance of incentive stock options	—	18,920	—	18,920
Balance, July 31, 2021	\$ —	\$ 18,920	\$ —	\$ 18,920
Issuance of broker warrants	—	—	26,220	26,220
Issuance of incentive stock options	—	37,098	—	37,098
Balance, July 31, 2022	—	56,018	26,220	82,238

a) Incentive Stock options

The Corporation's Incentive Stock Option Plan ("Plan") provides for the issuance of a maximum of 10% of the issued and outstanding common shares at an exercise price equal or greater than the market price of the Corporation's common shares on the date of the grant to directors, officers, employees and consultants to the Corporation. Options granted may vest over certain time periods within the option period, which will limit the number of options that may be exercised. Each stock option is exercisable into one common share of the Corporation at the price specified within the terms of the option.

PC 1 CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2022 AND
FOR THE PERIOD FROM JANUARY 8, 2021 (Date of Incorporation) TO JULY 31, 2021
(All Amounts are in Canadian Dollars)

5. Contributed Surplus – continued

The number of common shares reserved for issuance under the Plan is a rolling 10% of the issued and outstanding common shares. Stock option issuances are recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest that have not yet been forfeited. Stock compensation expense adjustments for anticipated forfeitures have been determined to be immaterial.

The fair value of the options granted based on the Black Scholes option-pricing model was calculated using the following assumptions:

Period ended	July 31, 2022	July 31, 2021
Number of incentive stock options	500,000	510,000
Exercise price	\$ 0.10	\$ 0.05
Expected life	5.0 years	5.0 years
Vesting Period	Immediately at grant	Immediately at grant
Weighted average risk-free interest rate	0.85%	0.85%
Weighted average expected volatility	100.0%	100.0%
Dividend yield	0.0%	0.0%
Fair value	\$0.0742	\$0.03710

The following table reconciles outstanding incentive stock options as at July 31, 2021 and 2022:

	Number	Weighted Average Exercise Price
Balance, January 8, 2021	—	\$ N/A
Granted	510,000	0.05
Exercised	—	N/A
Cancelled	—	N/A
Forfeited	—	N/A
Balance, July 31, 2021	510,000	\$ 0.05
Granted	500,000	0.10
Exercised	—	N/A
Cancelled	—	N/A
Forfeited	—	N/A
Balance, July 31, 2022	1,010,000	\$ 0.07

Upon the cancelling of an incentive stock option, the cumulative amount previously expensed is transferred from contributed surplus - incentive stock options to contributed surplus - general.

The following table summarizes the weighted average exercise price and the weighted average remaining contractual life of the options outstanding and exercisable as at July 31, 2022.

PC 1 CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2022 AND
FOR THE PERIOD FROM JANUARY 8, 2021 (Date of Incorporation) TO JULY 31, 2021
(All Amounts are in Canadian Dollars)

5. Contributed Surplus – continued

Exercise Price	Options Outstanding	Expiry Date	Outstanding Weighted Average Remaining Life	Weighted Average Price	Quantity	Exercisable Weighted Average Price
\$ 0.05	510,000	March 5, 2026	3.6 years	\$ 0.05	510,000	\$ 0.05
0.10	500,000	December 2, 2026	4.3 years	\$ 0.10	500,000	\$ 0.10

b) Warrants

The following table reconciles outstanding warrants as at July 31, 2021 and 2022:

	Number	Weighted Average Exercise Price
Balance, January 8, 2021 and July 31, 2021	—	N/A
Issued	500,000	0.10
Exercised	—	N/A
Cancelled	—	N/A
Expired/Forfeited	—	N/A
Balance, July 31, 2022	500,000	\$ 0.10

The following is a summary of outstanding warrants as at July 31, 2021 and July 31, 2022:

Issue date	Number of Warrants	Amount	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
Balance July 31, 2021	—	—	N/A	N/A
Balance July 31, 2022	500,000	\$ 26,220	\$ 0.10	4.3

PC 1 CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2022 AND
FOR THE PERIOD FROM JANUARY 8, 2021 (Date of Incorporation) TO JULY 31, 2021
(All Amounts are in Canadian Dollars)

6. Related Party Transactions

Related party transactions include transactions with parties related by common directors and transactions with other private entities owned or controlled by officers and directors. All transactions are provided in the normal course of business and are measured at exchange amounts agreed upon by the related parties.

For the period from To July 31,	August 1, 2021 2022	January 8, 2021 2021
Expenses		
Consulting Fees	\$ 24,000	\$ 16,548
Stock-based compensation (Note 5)	37,098	18,920
Included with accounts payable and accrued liabilities (Note 3)	—	8,000

Payments to key management

For the period from To July 31,	August 1, 2021 2022	January 8, 2021 2021
Consulting Fees	\$ 24,000	\$ 16,548
Stock-based compensation	37,098	18,920

In addition, during the period ended July 31, 2021, the Corporation issued 2,620,000 common shares at a value of \$0.05 for a total of \$131,000 to certain officers and/or directors of the Corporation.

7. Commitment

The Corporation has not entered into any contract that requires a minimum payment.

8. Contingencies

From time to time, the Corporation may be exposed to claims and legal actions in the normal course of business, some of which may be initiated by the Corporation. As of July 31, 2022 and 2021, the Corporation was not a party to any material claims that would have a significant impact, either individually or in the aggregate.

PC 1 CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2022 AND
FOR THE PERIOD FROM JANUARY 8, 2021 (Date of Incorporation) TO JULY 31, 2021
(All Amounts are in Canadian Dollars)

9. Financial Instruments and Risk Management

Risk Management

In the normal course of business, the Corporation is exposed to several risks that can affect its operating performance. These risks, and the actions taken to manage them, are as follows:

Fair Values

The Corporation has designated its cash as FVTPL which are measured at fair value. Fair value of cash is determined based on transaction value and is categorized as a Level One measurement.

- Level One - includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level Two - includes inputs that are observable other than quoted prices included in Level One.
- Level Three - includes inputs that are not based on observable market data.

As at July 31, 2022 and 2021, the carrying and fair value amounts of the Corporation's cash are approximately equivalent due to its short term nature.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. As at July 31, 2022 and 2021, management believes that the credit risk with respect to cash and HST receivable is minimal.

Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulty in satisfying its financial obligations. The Corporation manages its liquidity risk by forecasting its operations and anticipating its operating and investing activities.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market risk factors. The market risk factor that affects the Corporation is foreign currency risk.

10. Net Loss Per Common Share

The calculation of basic and diluted loss per share for the year ended July 31, 2022 was based on the loss attributable to common shareholders of \$44,087 (July 31, 2021 - \$88,204) and the weighted average number of common shares outstanding of 8,566,438 (July 31, 2021 - 3,750,000).

Diluted loss per share did not include the effect of 500,000 warrants and 1,010,000 stock options (July 31, 2021 - 510,000) as they are anti-dilutive.

PC 1 CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2022 AND
FOR THE PERIOD FROM JANUARY 8, 2021 (Date of Incorporation) TO JULY 31, 2021
(All Amounts are in Canadian Dollars)

11. Income Taxes

The Corporation's effective income tax rate differs from the amount that would be computed by applying the combined federal and provincial statutory rate of 26.50% to the net loss for the periods. The reason for the difference is as follows:

	2022	2021
Loss before income taxes	\$ (44,087)	\$ (88,204)
Statutory Rate (Note 1)	26.5%	26.50%
Recovery of income taxes based on statutory rate	\$ (11,683)	\$ (23,374)
Share issuance costs recorded to equity	50,135	—
Non-deductible share base compensation	9,831	5,014
Change in deferred tax assets not recognized	51,987	18,360
Income tax recovery	\$ —	\$ —

The Corporation's deferred income tax asset, computed by applying a future federal and provincial statutory rate of 26.50%, comprises the following:

	2022	2021
Non-capital losses carried forward	\$ 30,239	\$ —
Deferred tax assets not recognized	(40,108)	(30,239)
	\$ —	\$ —

As at July 31, 2022, the Corporation had accumulated income tax losses for federal and provincial income tax purposes of approximately \$114,110 (July 31, 2021 - \$69,284). These losses carry-forward may be used to offset future years' federal and provincial taxable income and commence expiring in 2041. The potential benefit of these tax losses have been recognized on the Statement of Financial Position with an estimated value of \$114,110 (July 31, 2021 - \$69,284)

Year of Expiration	Non-Capital Loss Carry-Forward
2041	\$ 69,284
2042	44,826
	\$ 114,110