IKIGAI CAPITAL CORP.

Financial Statements

Six Months Ended December 31, 2021

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited condensed interim financial statements have been prepared by management.

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

IKIGAI CAPITAL CORP.
Condensed Statements of Financial Position
(Expressed in Canadian Dollars)

	December 31, 2021 $	June 30, 2021 $
	(unaudited)	
Assets		
Current assets		
Cash	247,715	292,246
Prepaid expenses (Note 3)	38,500	7,500
Total assets	286,215	299,746
Shareholders' equity		
Share capital	305,000	300,000
Deficit	(18,785)	(254)
Total shareholders' equity	286,215	299,746
Total liabilities and shareholders' equity	286,215	299,746

Nature of operations and continuance of business (Note 1)
Commitment (Note 3)
Subsequent event (Note 4)

Approved and authorized for issuance on behalf of the Board of Directors on February 28, 2022:

/s/ "Harry Chew"
Harry Chew, Director

/s/ "Sonny Chew"
Sonny Chew, Director

(The accompanying notes are an integral part of these condensed financial statements)

IKIGAI CAPITAL CORP.
Condensed Statement of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)
(unaudited)

	Six months ended December 31, 2021 $	Three months ended December 31, 2021 $
Expenses		
Filing fees	10,211	6,533
General and administrative	3,595	1,246
Professional fees	4,725	–
Total expenses	18,531	7,779
Net loss and comprehensive loss for the period	(18,531)	(7,779)
Loss per share, basic and diluted	–	–
Weighted average shares outstanding	6,100,000	6,100,000

(The accompanying notes are an integral part of these condensed financial statements)

IKIGAI CAPITAL CORP.
Condensed Statement of Changes in Equity
(Expressed in Canadian Dollars)
(unaudited)

	Share capital			Total
	Number of shares	Amount $	Deficit $	shareholders' equity
Balance, June 30, 2021	6,000,000	300,000	(254)	299,746
Net loss for the period	–	–	(10,752)	(10,752)
Balance, September 30, 2021	6,000,000	300,000	(11,006)	288,994
Shares issued	100,000	5,000	–	5,000
Net loss for the period	–	–	(7,779)	(7,779)
Balance, December 31, 2021	6,100,000	300,000	(18,785)	286,215

(The accompanying notes are an integral part of these condensed financial statements)

IKIGAI CAPITAL CORP.
Condensed Statement of Cash Flows
(Expressed in Canadian Dollars)
(unaudited)

	Six months ended December 31, 2021 $
Operating activities	
Net loss for the period	(18,531)
Changes in non-cash working capital:	
Prepaid expenses	(31,000)
Net cash used in operating activities	(49,531)
Financing activities	
Proceeds from shares issued	5,000
Net cash provided by financing activities	5,000
Change in cash	(44,531)
Cash, beginning of period	292,246
Cash, end of period	247,715

(The accompanying notes are an integral part of these condensed financial statements)

1. Nature of Operations and Continuance of Operations

Ikigai Capital Corp. (the “Company”) was incorporated in the province of British Columbia on January 31, 2021. The Company’s head office is located at Suite 905, 1030 West Georgia Street, Vancouver, BC, V6E 2Y3.

On February 14, 2022, the Company completed its initial public offering and is now trading on the TSX Venture Exchange (the “Exchange”) as a Capital Pool Company. The Company is in the development stage and its principal business is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction as defined by the rules of the Exchange. See Subsequent Events.

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2021, the Company has no business operations, negative cash flow from operations, and an accumulated deficit of $18,785. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing through debt or equity. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors may cast significant doubt on the Company’s ability to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and has adversely affected global workforces, financial markets, and the general economy. Although it is not possible for the Company to determine the duration or magnitude of the adverse results of COVID-19, the Company’s ability to raise capital has not been impacted and the Company does not expect such ability to raise capital to be impacted in the future by COVID-19. The Company also does not expect COVID-19 to significantly impact its ability to complete a Qualifying Transaction.

2. Significant Accounting Policies

(a) Statement of Compliance and Basis of Presentation

These condensed financial statements have been prepared in accordance with International Financial Reporting Standards applicable to interim financial information, as outlined in International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” and using the accounting policies consistent with those in the audited financial statements as at and for the period ended June 30, 2021.

These condensed financial statements do not include all disclosures normally provided in annual financial statements and should be read in conjunction with the annual financial statements as at and for the period ended June 30, 2021. Interim results are not necessarily indicative of the results expected for the fiscal year.

(b) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended December 31, 2021, and have not been early adopted in preparing these financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company’s financial statements.

2. Significant Accounting Policies

(c) Statement of Compliance and Basis of Presentation

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board on a going concern basis.

These financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is the Company's functional currency.

(d) Use of Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience 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 carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Significant areas requiring the use of estimates include unrecognized deferred income tax assets.

The application of the going concern assumption which requires management to take into account all available information about the future, which is at least but not limited to, 12 months from the year end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

(e) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(f) Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are included in the initial carrying value of the related instrument and are amortized using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the statement of operations.

Fair value estimates are made at the statement of financial position date based on relevant market information and information about the financial instrument. All financial instruments are classified into either: fair value through profit or loss ("FVTPL") or amortized cost.

2. Significant Accounting Policies (continued)

(f) Financial Instruments (continued)

The Company has made the following classifications:

Cash	Amortized cost

Financial assets

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets which are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been decreased.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations. Loss allowances are based on the lifetime ECL's that result from all possible default events over the expected life of the trade receivable, using the simplified approach.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

2. Significant Accounting Policies (continued)

(f) Financial Instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized as the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities (including loans and borrowings and trade payables and other liabilities) are initially measured at fair value, net of transaction costs. Subsequently, other financial liabilities are measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(g) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(h) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as stock-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in share-based payment reserve, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

(i) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all “in the money” stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at December 31, 2021, the Company does not have any potentially dilutive shares outstanding.

(j) Comprehensive Loss

Comprehensive income (loss) is the change in the Company’s net assets that results from transactions, events and circumstances from sources other than the Company’s shareholders and includes items that are not included in the statement of operations.

(k) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended December 31, 2021, and have not been early adopted in preparing these financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company’s financial statements.

3. Share Capital

Authorized: unlimited common shares without par value

(a) On January 31, 2021, the Company issued 2,100,000 common shares at $0.05 per share for proceeds of $100,000.

(c) On June 21, 2021, the Company issued 4,000,000 common shares at $0.05 per share for proceeds of $200,000.

4. Stock Options

On July 8, 2021, the Company adopted a stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with Exchange requirements, grant to directors, officers, employees, and consultants of the Company, non-transferable stock options to purchase common shares. The number of common shares reserved for issuance is not to exceed 10% of the issued and outstanding common shares of the Company. Stock options under this plan are exercisable over period of up to ten years at a price equal to the market price prevailing at the date the option is granted less applicable discount, if any, permitted by the policies of the Exchange and approved by the Board.

5. Financial Instruments and Risk Management

(a) Fair Values

Fair value measurements are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of financial instruments, which includes cash, approximates its carrying value due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consists of cash. The Company limits its exposure to credit loss by placing its cash with a high credit quality financial institution. The carrying amount of financial assets represents the maximum credit exposure.

(c) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as it does not have any liabilities with variable rates.

(d) Foreign Exchange Rate Risk

Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. The Company is not exposed to any foreign exchange rate risk.

5. Financial Instruments and Risk Management (continued)

(e) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company manages liquidity risk by maintaining sufficient cash balances and adjusting its operating budget and expenditure. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term and other specific obligations.

6. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances or by undertaking other activities as deemed appropriate under the specific circumstances.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company will be subject to externally imposed capital requirements under Policy 2.4 of the Exchange for capital pool companies.

7. Subsequent Event

On February 14, 2022, the Company completed its initial public offering of 3,000,000 common shares (the "IPO") raising gross proceeds of $300,000 (the "Proceeds") pursuant to a prospectus dated December 17, 2021 (the "Prospectus"). A total of 3,000,000 common shares in the capital of the Company (the "Shares") were subscribed for at a price of $0.10 per Share.

Pursuant to the agency agreement dated December 17, 2021, Research Capital Corporation acted as agent for the IPO (the "Agent"). In connection therewith, the Agent received a cash commission equal to 7% of the Proceeds and a corporate finance fee as well as options to purchase up to 210,000 Shares at a price of $0.10 per share ("Agent's Options") for a period of 24 months from the date of the closing of the IPO.

At the closing of the IPO, the Company also granted to its directors and officers incentive stock options (the "Director's Options") to acquire up to 900,000 Shares at a price of $0.10 per Share, exercisable for a period of five years from the date of the closing of the IPO.

The net proceeds of the IPO, together with the proceeds from prior sales of Shares, will be used by the Company to identify and evaluate assets or businesses for acquisition with a view to completing a Qualifying Transaction under the Exchange's CPC program.

As a result of the IPO, the Company now has 9,100,000 Shares issued and outstanding with 900,000 Shares reserved for issuance upon the exercise of the Directors' Options and 210,000 Shares reserved for issuance upon the exercise of the Agent's Options. Pursuant to the policies of the Exchange, 6,100,000 Shares and 900,000 Director's Options will be held in escrow, as disclosed in the Prospectus.