ECC VENTURES 5 CORP.

Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the year ended December 31, 2022 and for the period from incorporation on August 11, 2021 to December 31, 2021

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
ECC Ventures 5 Corp.

Opinion

We have audited the accompanying consolidated financial statements of ECC Ventures 5 Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the year ended December 31, 2022 and the period from incorporation on August 11, 2021 to December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the year ended December 31, 2022 and the period from incorporation on August 11, 2021 to December 31, 2021 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated 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 in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no other key audit matters to communicate in our auditor's report.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Zachary Faure.

Davidson & Company LLP

Vancouver, Canada — Chartered Professional Accountants

March 14, 2023

ECC VENTURES 5 CORP.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)
As at,

		December 31, 2022		December 31, 2021
Assets				
Current Assets:				
Cash	**$**	**169,464**	$	383,017
GST receivable		**9,592**		398
Prepaid expenses		**2,101**		1,668
Total Assets	**$**	**181,157**	$	385,083
Liabilities and Shareholders' Equity				
Current Liabilities:				
Accounts payable and accrued liabilities	**$**	**27,358**	$	37,785
		27,358		37,785
Shareholders' equity				
Share capital (Note 6)		**380,944**		380,944
Reserves (Note 6)		**65,233**		65,233
Deficit		**(292,378)**		(98,879)
		153,799		347,298
Total Liabilities and Shareholders' Equity	**$**	**181,157**	**$**	385,083

Nature of business and continuing operations (Note 1)
Proposed qualifying transaction (Note 10)

Approved on Behalf of the Board on March 14, 2023:

"Doug McFaul"
Doug McFaul – CEO/CFO/Director

"Peter Dickie"
Peter Dickie - Director

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

ECC VENTURES 5 CORP.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

		For the year ended December 31, 2022		For the period from incorporation on August 11, 2021 to December 31, 2021
Expenses				
Administration and bank charges	**$**	**12,072**	$	503
Professional fees		**157,757**		27,070
Share-based payments (Note 5, 6)		**-**		50,377
Transfer agent and filing fees		**23,670**		20,929
		(193,499)		(98,879)
Loss and comprehensive loss for the period	**$**	**(193,499)**	$	(98,879)
Weighted average number of common shares outstanding – basic and diluted (Note 7)		**3,650,000**		1,675,352
Basic and diluted loss per share (Note 7)	**$**	**(0.05)**	$	(0.06)

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

ECC VENTURES 5 CORP.

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Share Capital				Total
	Number	Amount $	Reserves $	Deficit $	Shareholders' Equity $
Balance, (incorporation) – August 11, 2021	1	1	-	-	1
Repurchased by the Company (Note 6)	(1)	(1)	-	-	(1)
Common shares issued (Note 6)	5,650,000	465,000	-	-	465,000
Share issuance costs	-	(84,056)	14,856	-	(69,200)
Share-based payments	-	-	50,377	-	50,377
Loss for the period	-	-	-	(98,879)	(98,879)
Balance, December 31, 2021	5,650,000	380,944	65,233	(98,879)	347,298
Balance, December 31, 2021	**5,650,000**	**380,944**	**65,233**	**(98,879)**	**347,298**
Loss for the year	-	-	-	(193,499)	(193,499)
Balance, December 31, 2022	**5,650,000**	**380,944**	**65,233**	**(292,378)**	**153,799**

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

ECC VENTURES 5 CORP.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

		For the year ended December 31, 2022		For the period from incorporation on August 11, 2021 to December 31, 2021
Cash provided by (used for)				
Operating Activities:				
Loss for the period	**$**	**(193,499)**	$	(98,879)
Items not involving cash:				
Share-based payments		**-**		50,377
Net change in non-cash working capital items:				
Accounts payable and accrued liabilities		**(10,427)**		37,785
GST receivable		**(9,194)**		(398)
Prepaid expenses		**(433)**		(1,668)
		(213,553)		(12,783)
Financing Activity:				
Proceeds from share issuance (Note 6)		**-**		465,000
Share issuance costs (Note 6)		**-**		(69,200)
		-		395,800
Change in cash for the period		**(213,553)**		383,017
Cash, beginning of the period		**383,017**		-
Cash, end of the year	**$**	**169,464**	$	383,017
Supplementary information with respect to cash flows:				
Income taxes paid	$	-	$	-
Interest paid	$	-	$	-
Non-cash transactions:				
Agent options issued	$	-	$	14,856

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

1. NATURE OF BUSINESS AND CONTINUING OPERATIONS

ECC Ventures 5 Corp. (the "Company") was incorporated on August 11, 2021 under the laws of British Columbia and is classified as a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange ("TSX-V" or the "Exchange") Policy 2.4. The head office of the Company is located at 1600 – 609 Granville Street, Vancouver, British Columbia V7Y 1C3, and the records and registered office is located at 2200 HSBC Building 885 West Georgia Street, British Columbia, V6C 3E8.

Since incorporation on August 11, 2021, the Company has had no active business operations. As a CPC, the Company's business objective is to identify and evaluate assets or businesses with a view to potential acquisition or participation by completing a Qualifying Transaction ("QT"), as defined in Exchange Policy 2.4 subject, in certain cases, to shareholder approval and acceptance by the TSX-V.

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

The Company has an accumulated deficit of $292,378 as at December 31, 2022. The Company's ability to continue its operations is dependent upon obtaining additional financing sufficient to cover its operating costs. All the preceding indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

3. BASIS OF PRESENTATION

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. The financial statements are presented in Canadian dollars, which is also the Company's functional currency. In addition, the financial statements have been prepared using the accrual basis of accounting except for cash flow information. The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3. BASIS OF PRESENTATION (continued)

Principles of consolidation

These consolidated financial statements include accounts of the Company and the following subsidiary:

Name of subsidiary	Province and Country of incorporation	Percentage ownership	Principal activity
1360621 B.C. Ltd.	B.C., Canada	100%	Inactive(1)

(1) Subsidiary was incorporated on May 2, 2022 and was inactive for the year ended December 31, 2022.

The consolidated financial statements include the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 14, 2023.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Income taxes (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the group intends to settle its current tax assets and liabilities on a net basis.

(b) Share capital

Common shares are classified as shareholders' equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

(c) Share-based payments

The stock option plan allows Company directors, officers, employees, and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in shareholders' 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. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from share-based payment reserve to share capital.

In situations where equity instruments are issued to non-employees and some or all the services received by the entity as consideration cannot be specifically identified, they are all measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of the services received.

The fair value is measured at grant date and each tranche is 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 reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

(d) Basic and diluted loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. Contingently issuable shares are not considered outstanding common shares and consequently are not included in loss per share calculations.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial instrument measurement and valuation

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2	Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly; and
Level 3	Inputs that are not based on observable market data.

The measurement of the Company's financial instruments is disclosed in Note 9 to these financial statements. Any financial instrument that is valued using level 2 or 3 inputs will involve estimation uncertainty.

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company's accounting policy for each of the categories is as follows:

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the statement of profit or loss in the period.

Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income (loss).

Financial assets at 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 contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Impairment of financial assets at amortized cost: The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial instrument measurement and valuation (continued)

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 Company compares the risk of a default occurring on the asset as 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.

Financial liabilities and equity: Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments issued are recorded at the proceeds received, net of direct issue costs.

(f) Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, and expenses. Estimates and associated assumptions applied in determining asset or liability values are based on historical experience and various other factors including other sources that are believed to be reasonable under the circumstances but are not necessarily readily apparent or recognizable at the time such estimate or assumption is made. Actual results may differ from these estimates.

Estimates and underlying assumptions used in determining asset and liability values 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 future periods if the revision affects both current and future periods.

Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

Judgements

Going Concern

The preparation of the financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in Note 1.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Critical accounting estimates and judgements (continued)

Estimates

Deferred tax assets and liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

Stock options

Determining the fair value of stock options requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate, and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company's future operating results or on other components of shareholders' equity.

5. 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. 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.

As of December 31, 2022, $nil (2021 - $nil) was due to related parties.

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them are recorded at their exchange amounts as agreed upon by transacting parties.

During the year ended December 31, 2022, there was no key management compensation (period from incorporation on August 11, 2021 to December 31, 2021 – share-based compensation expense of $50,377). There were no other related party transactions.

6. SHARE CAPITAL

(a) Authorized

Unlimited number of common and preferred shares without par value.

(b) Issued and outstanding

As at December 31, 2022 and 2021, the issued share capital was comprised of 5,650,000 common shares.

The Company issued 1 common share for nominal consideration upon incorporation. The Company subsequently repurchased this share for the same amount.

On August 27, 2021, the Company completed a private placement financing and issued 2,000,000 common shares of the Company at a price of $0.05 per share for total proceeds of $100,000.

On August 27, 2021, the Company completed a private placement financing and issued 1,650,000 common shares of the Company at a price of $0.10 per share for total proceeds of $165,000.

On December 16, 2021, the Company completed an initial public offering ("IPO") of 2,000,000 common shares at a price of $0.10 per share for gross proceeds of $200,000. The Company paid a cash commission of $20,000, a corporate finance fee of $12,000, $7,500 in legal fees, and $7,809 in agent's expenses and granted to the agent, 200,000 agents' options with a fair value of $14,856. In addition, the Company incurred other share issuance costs of $21,891.

(c) Escrowed shares

As at December 31, 2022, the 2,000,000 common shares issued at $0.05 per share are being held in escrow pursuant to the requirements of the Exchange. Twenty five percent of the escrowed common shares will be released from escrow on the issuance of the Final Exchange Bulletin (as defined in the policies of the Exchange) (the "Initial Release") and an additional twenty five percent will be released on each of the dates which are six, twelve and eighteen months following the Initial Release.

All common shares acquired on exercise of stock options granted to directors and officers of the Company prior to completion of the QT, must also be deposited in escrow until the Final Exchange Bulletin is issued.

All common shares acquired in the secondary market prior to 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 Company held by principals of the resulting issuer will also be subject to escrow.

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

(d) Stock options

On August 25, 2021, the Company adopted a stock option plan (the "Stock Option Plan") whereby it can grant incentive stock options to directors, officers, employees, and technical consultants of the Company. The maximum numbers of shares that may be reserved for issuance under the Stock Option Plan is limited to 10% of the issued common shares of the Company at any time. The vesting period for all options is at the discretion of the Board of Directors. The exercise price will be set by the Board of Directors at the time of grant and cannot be less than the discounted market price of the Company's common shares.

The Stock Option Plan provides that the number of common shares that may be reserved for the issuance to any one individual upon exercise of all stock options held by such an individual may not exceed 5% of the issued common shares, if the individual is a director or officer, or 2% of the issued common shares, if the individual is a consultant or engaged in providing investor relations services, on a yearly basis. All options granted under the Stock Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability. Options granted under the Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession. All common shares acquired on exercise of stock options granted to directors and officers prior to the completion of a QT must be deposited in escrow until the final exchange bulletin relating to a QT is issued.

On December 16, 2021, the Company granted stock options to directors of the Company to acquire up to an aggregate of 565,000 common shares. Each option is exercisable to acquire one common share at a price of $0.10 any time prior to December 16, 2031. This resulted in share-based payments expense of $50,377. This amount was also recorded as reserves on the statement of financial position. The fair value of stock options granted during the period was determined using a Black-Scholes option pricing model with the following assumptions: share price – $0.10, exercise price – $0.10, risk free rate – 0.98%, expected life – 10 years, and annualized volatility – 100%.

A summary of the Company's stock option activity is as follows:

	Number of Options	**Weighted Average Exercise Price**
Balance, August 11, 2021	**-**	**$ -**
Granted	565,000	0.10
Balance, December 31, 2022, and 2021	**565,000**	**$0.10**

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

(d) Stock options (continued)

As at December 31, 2022, outstanding options were as follows:

Grant Date	Number of Options Outstanding and Exercisable	Exercise Price	Expiry Date	Remaining Contractual Life (Years)
December 16, 2021	565,000	$0.10	December 16, 2031	8.96
Fully vested and exercisable, December 31, 2022	**565,000**	**$0.10**		

(e) Agent options

As part of the IPO on December 16, 2021, the Company granted to the agent options to acquire 200,000 common shares at a price of $0.10 per common share until December 16, 2026. The agent's options were determined to have a fair value of $14,856 using a Black-Scholes option pricing model with the following assumptions: share price – $0.10, exercise price – $0.10, risk free rate – 0.98%, expected life – 5 years, and annualized volatility – 100%.

A summary of the Company's agent option activity is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, as of August 11, 2021	**-**	**$ -**
Granted	200,000	0.10
Balance, December 31, 2022, and 2021	**200,000**	**$0.10**

As at December 31, 2022, outstanding agent options were as follows:

Grant Date	Number of Agent Options Outstanding and Exercisable	Exercise Price	Expiry Date	Remaining Contractual Life (Years)
December 16, 2021	200,000	$0.10	December 16, 2026	3.96
Fully vested and exercisable, December 31, 2022	**200,000**	**$0.10**		

7. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended December 31, 2022 was based on the loss attributable to common shareholders of $193,499 (period from incorporation on August 11, 2021 to December 31, 2021 - $98,879) and the weighted average number of common shares outstanding of 3,650,000 (period from incorporation on August 11, 2021 to December 31, 2021 – 1,675,352).

Escrow shares are considered contingently returnable until the Company completes a QT. Accordingly, subsequent to the Company's listing on the TSX-V on December 16, 2021, the 2,000,000 shares held in escrow will not be considered to be outstanding for the purposes of the loss per share calculations.

8. MANAGEMENT OF CAPITAL

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

There were no changes to management's approach to capital management during the year.

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

9. FINANCIAL INSTRUMENTS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Market Risk

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk and are disclosed as follows:

9. FINANCIAL INSTRUMENTS (continued)

Market Risk (continued)

(i) Currency risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds no financial instruments that are denominated in a currency other than Canadian dollars. As at December 31, 2022, the Company is not exposed to currency risk.

(ii) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in interest rates. The Company's sensitivity to interest rates relative to its cash balances is currently immaterial. The Company also has no long-term debt with variable interest rates, so it has no negative exposure to changes in the market interest rate.

(iii) Price rate risk
The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock markets to determine the appropriate course of action to be taken by the Company.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions. The Company's maximum exposure to credit risk is equal to the carrying amount of cash and GST receivable. Management believes that the credit risk related to its cash is negligible.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At December 31, 2022, the Company has a cash balance of $169,464 to settle current liabilities of $27,358.

The Company likely has insufficient funds from which to finance any identified business acquisition and as such will require additional financing to accomplish the Company's long-term strategic objectives. Future funding may be obtained by means of issuing share capital and/or debt financing. There can be no certainty of the Company's ability to raise additional financing through these means. If the Company is unable to continue to finance itself through these means, it is possible that the Company will be unable to continue as a going concern. Consequently, the Company is exposed to liquidity risk as at December 31, 2022.

9. FINANCIAL INSTRUMENTS (continued)

Fair Value Measurements

The fair value of cash is determined based on Level 1 inputs.

As at December 31, 2022, the Company's financial instruments consist of cash, and accounts payable and accrued liabilities. Accounts payable and accrued liabilities are classified as amortized cost. The fair values of these financial instruments approximate their carrying values because of their short-term nature.

10. PROPOSED QUALIFYING TRANSACTION

The Company entered a binding LOI (the "LOI") dated effective February 24, 2022, with respect to a proposed acquisition (the "Acquisition") by the Company of all the issued and outstanding share capital of Shelfie-Tech Ltd. ("Shelfie"). On May 12, 2022, the Company entered into a definitive arrangement agreement (the "Arrangement Agreement") pursuant to which it will acquire, through its newly formed subsidiary, 1360621 B.C. Ltd. ("Acquireco"), all the issued and outstanding share capital of Shelfie. The Acquisition will constitute a reverse take-over of the Company's qualifying transaction under the policies of the TSX Venture Exchange (the "Exchange"). Upon closing, the Company will change its name to Shelfie-Tech Ltd.

Shelfie is a private company incorporated on November 18, 2021 pursuant to the laws of Israel. Shelfie's principal activities have been the development of an artificial intelligence powered real time shelf inventory analytics robotic platform. Shelfie's solution consists of a digital image capturing system and a centralized management system that provides real-time visibility into the retail shelf supply, pinpointing the exact products running low on inventory, allowing for rapid remediation and an enhanced customer experience.

The Acquisition will be completed by way of a plan of arrangement, pursuant to which, inter alia, (i) the Company will complete a share consolidation on a 1.5 to 1 basis (the "Consolidation"), and (ii) shareholders of Shelfie will be issued an aggregate of 87,338,348 post-Consolidation common shares of the Company at a deemed price of $0.42 per share, as consideration in exchange for their shares of Shelfie. Certain of the shares issued to Shelfie shareholders will be subject to escrow and resale restrictions pursuant to the policies of the Exchange.

The Company will also issue 150,000 post-Consolidation common shares to an arm's length party, in connection with the Acquisition, at a deemed price of $0.42 per share.

As a condition to completing the Acquisition, the parties are required to complete a non-brokered private placement financing (the "QT Financing") of subscription receipts through Acquireco (collectively, the "Subscription Receipts"), to raise minimum aggregate gross proceeds of US $2,000,000 and a maximum of US $6,000,000, through the issuance of Subscription Receipts at a price of $0.42 per Subscription Receipt.

(Expressed in Canadian dollars)

10. PROPOSED QUALIFYING TRANSACTION (continued)

On closing of the Acquisition, each Subscription Receipt will automatically be exchanged, for no further consideration and with no further action on the part of the holder thereof, to acquire one common share of Acquireco. Each Acquireco common share issuable on exercise of the Subscription Receipts will be exchanged for one common share of the issuer resulting from the Acquisition in connection with the Acquisition. In the event that the Acquisition is not completed, each Subscription Receipt will be cancelled, and the subscription funds will be returned to the subscribers. The Company may pay a commission in connection with the QT Financing, in accordance with the policies of the Exchange.

Completion of the Acquisition is subject to several conditions, including Exchange acceptance. There can be no assurance that the Acquisition will be completed as proposed or at all.

11. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	2022	2021
Loss before income taxes	**$ (193,499)**	$ (98,879)
Expected income tax recovery at statutory rates	**(52,000)**	(27,000)
Permanent differences	**-**	14,000
Share issuance cost	**-**	(19,000)
Adjustment to prior years provision versus statutory tax returns	**6,000**	-
Change in unrecognized deductible temporary difference	**46,000**	32,000
Income tax expense (recovery)	**$ -**	$ -

The significant components of the Company's deferred income tax assets that have not been included on the statement of financial position are as follows:

	2022	2021
	$	$
Non-capital losses carried forward	**69,000**	17,000
Share issuance cost	**9,000**	15,000
Unrecognized deferred tax assets	**(78,000)**	(32,000)
Net deferred tax assets	**-**	-

(Expressed in Canadian dollars)

11. INCOME TAXES (continued)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the Company's consolidated statement of financial position are as follows:

	2022		2021	
Temporary Differences	$	Expiry Date	$	Expiry Date
Share issue costs	33,000	2025	55,000	2025
Non-capital losses available for future periods	257,000	2041 to 2042	62,000	2041

Tax attributes are subject to review and potential adjustment by tax authorities.