Annual financial statements of

CUSPIS CAPITAL III LTD.

For the years ended December 31, 2021 and 2020

McGovern Hurley

Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of Cuspis Capital III Ltd.

Opinion

We have audited the financial statements of Cuspis Capital III Ltd. (the "Company"), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of loss and comprehensive loss, statements of changes in shareholders' equity (deficiency) and statements of cash flows for the years then ended, 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 December 31, 2021 and 2020 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

In connection with our 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.

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.

251 Consumers Road, Suite 800
Toronto, Ontario
M2J 4R3
mcgovernhurley.com
t. 416-496-1234

McGovern Hurley

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or 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 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 judgement 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 risks 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

McGovern Hurley

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 of the audit resulting in this independent auditor's report is Jessica Glendinning.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 22, 2022

CUSPIS CAPITAL III LTD.

Statements of Financial Position
(In Canadian dollars)

As at December 31,

	Note	2021	2020
Assets			
Current assets			
Cash		**$ 24,963**	$ -
Funds held in trust	6	**162,147**	5,000
Short-term investments	6	**775,306**	-
Deferred financing costs	8	**46,693**	5,408
Prepaid expenses and deposits	9	**21,300**	-
Total assets		**$ 1,030,409**	$ 10,408
Liabilities and Shareholders' Equity (Deficiency)			
Current liabilities			
Accounts payable and accrued liabilities	10	**$ 78,966**	$ 10,587
Total current liabilities		**78,966**	10,587
Shareholders' equity (deficiency)			
Share capital	4	**998,831**	4,831
Deficit		**(47,388)**	(5,010)
Total shareholders' equity (deficiency)		**951,443**	(179)
Total liabilities and shareholders' equity (deficiency)		**$ 1,030,409**	$ 10,408
Nature of operations	1		
Subsequent events	15		

Approved by the Board of Directors:

(Signed) *"William Ollerhead"*
Director and Chief Executive Officer

(Signed) *"Grant McCutcheon"*
Director and Chief Financial Officer

CUSPIS CAPITAL III LTD.

Statements of Loss and Comprehensive Loss

(In Canadian dollars)

For the years ended December 31,

	Note	**2021**	2020
Expenses			
Professional fees		**$ 25,783**	$ 3,446
Filing costs		**16,611**	-
Office and general		**290**	-
		42,684	3,446
Loss for the year before the undernoted		**(42,684)**	(3,446)
Interest income	6	**306**	-
Net loss and comprehensive loss for the year		**$ (42,378)**	$ (3,446)
Loss per share			
Basic and diluted	4	**(0.01)**	(0.07)
Weighted average number of shares outstanding			
Basic and diluted	3, 4	**4,722,534**	50,000

CUSPIS CAPITAL III LTD.

Statements of Changes in Shareholders' Equity (Deficiency)
(In Canadian dollars)

	Shares issued #	Share Capital $	Deficit $	Total shareholders' equity $
Balance as at December 31, 2019	**50,000**	**4,831**	**(1,564)**	**3,267**
Net loss for the year	-	-	(3,446)	(3,446)
Balance as at December 31, 2020	**50,000**	**4,831**	**(5,010)**	**(179)**
Seed common shares issued for cash	9,950,000	995,000	-	995,000
Share issuance costs	-	(1,000)	-	(1,000)
Net loss for the year	-	-	(42,378)	(42,378)
Balance as at December 31, 2021	**10,000,000**	**998,831**	**(47,388)**	**951,443**

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

CUSPIS CAPITAL III LTD.

Statements of Cash Flows
(In Canadian dollars)

For the years ended December 31,

	2021	2020
Cash flows from operating activities		
Net loss for the year	$ (42,378)	$ (3,446)
Change in non-cash operating assets and liabilities		
Prepaid expenses and deposits	(21,300)	-
Accounts payable and accrued liabilities	27,094	3,446
Earned interest	(306)	-
Cash used in operating activities	(36,890)	-
Investing activities		
GIC purchase	(775,000)	-
Cash used in investing activities	(775,000)	-
Financing activities		
Share capital	995,000	-
Share issuance costs	(1,000)	-
Cash provided by financing activities	994,000	-
Increase in cash	182,110	-
Cash, beginning of year	5,000	5,000
Cash, end of year	$ 187,110	$ 5,000
Supplemental information		
Change in deferred financing costs	$ (41,285)	$ (5,408)

1. Nature of operations

Cuspis Capital III Ltd. (the “Company” or “Cuspis III”) was incorporated September 3, 2019 pursuant to the provisions of the Business Corporations Act (Ontario). The Company’s registered head office is located at 77 King Street West, Suite 700, Toronto, Ontario, Canada M5K 1G8.

Subsequent to the financial year ended December 31, 2021, the Company completed an initial public offering (the “Offering”) (note 15). The Company is now carrying on business as a Capital Pool Corporation (“CPC”), as such term is defined in the TSX Venture Exchange Inc. (the “Exchange”) Policy 2.4 – Capital Pool Companies (“CPC Policy 2.4”).

As at December 31, 2021, the Company had no business operations. The Company’s principal purpose is the identification, evaluation and acquisition of assets, properties or businesses or participation therein subject, in certain cases, to shareholder approval and acceptance by the Exchange.

Where a Qualifying Transaction is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing and complete a Qualifying Transaction. Refer to Note 15.

Novel Coronavirus (“COVID-19”)

The Company’s operations could be significantly adversely affected by the effects of a widespread global outbreak of a respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the duration of the outbreak and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, the health crisis could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company’s operations and ability to finance its operations and complete a future Qualifying Transaction.

2. Basis of presentation

Statement of compliance

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

Basis of measurement

These financial statements have been prepared on a historical cost basis and on an accrual basis except for cash flow information. The financial statements are presented in Canadian dollars, which is the Company’s functional currency.

These financial statements were authorized for issue by the Board of Directors on April 22, 2022.

3. Summary of significant accounting policies

Cash and cash equivalents

Cash equivalents consist of deposits with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Deferred financing costs

Financing costs related to the Company's Offering are recorded as deferred financing costs until the financing is completed, at which time the costs will be charged against the proceeds received. If the financing had not closed, the costs would be charged to profit or loss.

Financial instruments

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either fair value through profit or loss ("FVPL") or fair value through other comprehensive income ("FVOCI"), and "financial assets at amortized cost", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost.

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of loss. The Company's financial assets include cash, funds held in trust and short-term investments which are measured at amortized cost.

Subsequent measurement – Financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statement of financial position with changes in fair value recognized in other income or expense in the statement of loss. The Company does not measure any financial assets at FVPL.

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Subsequent measurement – Financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statement of comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the statement of loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statement of loss.

Fair value hierarchy

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

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

3. Summary of significant accounting policies (continued)

Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded on temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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 reporting date.

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. To the extent that the Company does not consider it probable that a future tax asset will be recovered, the tax asset is not recognized. 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 taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share capital

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

Share-based payments

The Company has a stock option plan (the "Option Plan") which is discussed in note 5. The Company uses the fair value-based method of accounting for share-based payment arrangements. The fair value of each option granted to directors, officers, consultants and employees is accounted for in operations over the vesting period of the option using the Black-Scholes option pricing model at the date of grant, with the related increase to contributed surplus. Upon exercise of the stock options, the consideration paid, together with the amount previously recognized in contributed surplus, is recorded as an increase in share capital. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

3. Summary of significant accounting policies (continued)

Loss per share

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The calculation will exclude the effect of any outstanding share options or compensation warrants outstanding as they will be anti-dilutive.

During the period from incorporation (September 3, 2019) to December 31, 2021, no options were issued or outstanding (note 15). Therefore, basic and diluted loss per share is the same for the periods presented.

Use of estimates, assumptions and judgements

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which will require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

<u>Share-based payments</u>

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions could affect the fair value estimates.

<u>Income, value added, withholding and other taxes</u>

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

(In Canadian dollars)

4. Share capital

Authorized
Unlimited common shares with no par value

Issued

	Number of Common Shares		Amount
Balance as at December 31, 2020 and 2019	50,000	$	4,831
Seed share issuance	9,950,000		995,000
Share issuance costs	-		(1,000)
Balance as at December 31, 2021	**10,000,000**	**$**	**998,831**

Seed share issuance
During the year ended December 31, 2021, the Company issued an aggregate of 3,050,000 seed common shares to directors and officers of the Company, and an additional 6,900,000 seed common shares to other investors at a price of $0.10 per share for gross proceeds of $995,000.

Shares subject to escrow after completion of the Offering
After completing the Offering, all issued and outstanding seed shares will be subject to a uniform 18-month escrow release schedule following completion of a Qualifying Transaction and will be released as to 25% on the date of the final Qualifying Transaction Exchange bulletin and an additional 25% on each of the dates that are 6, 12 and 18 months thereafter, pursuant to the terms of an Escrow Agreement dated as of December 23, 2021 between the Company, TSX Trust Company, and the shareholders of the Company.

Subject to certain permitted exemptions, all securities of the Company held by principals of the resulting issuer will also be escrowed.

All common shares acquired on exercise of stock options granted to directors and officers prior to completion of a Qualifying Transaction must also be deposited and held in escrow pursuant to the requirements of the Exchange.

All common shares of the Company acquired in the secondary market prior to the completion of a Qualifying Transaction by a Control Person, as defined in the policies of the Exchange, are required to be deposited and held in escrow.

5. Stock options

The Company has a stock option plan ("Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion and in accordance with the Exchange requirements, grant to directors, officers, consultants and employees of the Company, options to acquire a maximum number of common shares equal to 10% of the total issued and outstanding common shares of the Company, exercisable for a period of up to ten years from the date of grant.

The Option Plan was approved by the Board of Directors and adopted by the Company on December 23, 2021.

6. Cash and short-term investment

Cash

As at December 31, 2021, the Company had cash totaling $24,963 held at a Canadian financial institution, and $162,147 held in trust with its lawyers (December 31, 2020 - $Nil and $5,000 respectively).

Short-term investment

On November 25, 2021, the Company invested $775,000 in a one-year fully cashable guaranteed investment certificate ("GIC") with an effective annual interest rate of 0.4% (note 15) (December 31, 2020 - $Nil).

7. Cash restriction

There is a restriction on the use of proceeds realized from the sale of all securities issued by the Company as a CPC. The gross proceeds raised from the Offering may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a proposed "Qualifying Transaction" as such term is defined in Exchange CPC Policy 2.4, with the exception that general and administrative expenses are capped at $3,000 per month, including for professional accounting, advisory, and legal services expenses, and are not time limited.

8. Deferred financing costs

The deferred financing costs as at December 31, 2021 totaling $46,693 (December 31, 2020 - $5,408) related mainly to expenses associated with the Offering (note 15).

9. Prepaid expenses and deposits

The Company's prepaid expenses and deposits as at December 31, 2021 totaling $21,300 (December 31, 2020 - $Nil) included professional fee deposits and legal funds held in trust which are mainly required to fulfill the obligations of the Offering (note 15).

10. Accounts payable and accrued liabilities

The Company's accounts payable and accrued liabilities as at December 31, 2021 totaling $78,966 (December 31, 2020 - $10,587) consisted of $23,780 in accounts payable and $55,186 in accrued liabilities (December 31, 2020 - $nil and $10,587 respectively).

(In Canadian dollars)

11. Income taxes

Provision for income taxes

Major items causing the Company's income tax rate to differ from the federal statutory rate of 26.5% were as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Loss before income taxes	**$ (42,378)**	$ (3,446)
Expected income tax recovery based on statutory rate	**11,000**	1,000
Tax benefits not recognized	**(11,000)**	(1,000)
Deferred income tax expense	**$ -**	$ -

Deferred income tax balances

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

	December 31, 2021	December 31, 2020
Non-capital loss carry-forwards	**$ 47,000**	$ 5,000
Share issue costs	**1,000**	-
	$ 48,000	$ 5,000

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

The Company has approximately $47,000 of non-capital losses in Canada, which, under certain circumstances, can be used to reduce the taxable income of future years. These losses expire between 2039 and 2041.

12. Related party transactions

Related parties include the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

Refer to Note 4 for details on seed shares issued and Note 15 for information on stock options granted to related parties.

13. Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to ensure sufficient liquidity in order to remain a CPC and complete a Qualifying Transaction so that it can provide adequate returns for shareholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital as total shareholders' equity. The Company is not subject to any externally imposed capital requirements other than the cash restriction disclosed in Note 7. There were no significant changes in the Company's approach to capital management during the years ended December 31, 2021 and 2020.

14. Financial instruments and risk management

The Company's activities may expose it to a variety of financial risks: fair values, credit risk, liquidity risk and market risk (including interest rate risk). The Board of Directors provides regular guidance for overall risk management.

Fair values

As at December 31, 2021, the Company’s financial instruments consist of cash, funds held in trust, short-term investments, and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

The Company is exposed in varying degrees to a number of risks arising from financial instruments. Management’s involvement in the operations allows for the identification of risks and variances from expectations. The Company does not participate in the use of financial instruments to mitigate these risks. The Board approves the risk management processes. The Board’s main objectives for managing risks are to ensure liquidity, the fulfillment of obligations, the completion of the Offering, the Company’s search for a Qualifying Transaction, and to limit exposure to credit and market risks.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company is exposed to credit risk through its cash which is held partly in a Canadian financial institution and partly in trust at a legal firm. The Company believes its exposure to credit risk is not significant.

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. Management believes the Company has no significant exposure to interest rate risk through its financial instruments as at December 31, 2021 and 2020.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in note 13, in normal circumstances.

15. Subsequent events

Closing of the Offering

On February 1, 2022, the Company completed its Offering pursuant to which it issued 25,000,000 common shares at a price of $0.20 per common share for total gross proceeds to the Company of $5,000,000.

Stock option agreements

In addition, the directors and officers of the Company were granted options pursuant to the Company's incentive stock option plan to purchase an aggregate of up to 1,000,000 common shares at $0.10 and 2,500,000 at $0.20 per common share for a period of ten years from the date of grant. Eligible Charitable Organizations were also granted options pursuant to the Company's incentive stock option plan to purchase an aggregate of up to 350,000 common shares at an exercise price of $0.20 per share for a period of ten years from the date of grant.

Listing

The common shares were admitted for trading on the Exchange under the trading symbol "CIII.P" and began trading February 1, 2022 at the open of the Exchange.

Agent compensation

The Offering was made on behalf of the Company by a syndicate of agents led by iA Private Wealth Inc. (the "Lead Agent") and included Echelon Wealth Partners Inc. (collectively with the Lead Agent, the "Agents"). Upon closing of the Offering the Agents received a cash commission of $500,000 in addition to a corporate finance fee of $10,000 plus reimbursement for expenses incurred in connection with the Offering. The Company has also granted to the Agents compensation warrants to purchase 2,500,000 common shares at a price of $0.20 per common share, exercisable for a period of 60 months from the date the common shares are listed on the Exchange.

Deductible costs of this issue included listing and filing fees, the Agents' expenses and legal fees, the Agents' corporate work fee and the Company's legal fees, audit fees and expenses, which are estimated at $122,000, exclusive of the Agents' commission.

Additional short-term investments

On February 9, 2022, the Company invested $4,400,000 in a one-year fully cashable GIC at an effective annual interest rate of 0.65%. Funds were redeemed on March 23, 2022 to benefit from higher interest rates. Interest received on early redemption totaling $3,291 was reinvested with the principal at an effective annual interest rate of 1%.

On February 9, 2022, the Company redeemed its $775,000 GIC and received $645 in earned interest. On March 29, 2022, $850,000 was invested in a one-year fully cashable GIC at an effective annual interest rate of 1%.